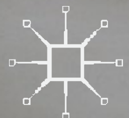
International Political Economy Series

Governing African Gold Mining

Private Governance and the Resource Curse

Ainsley Elbra



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Ainsley Elbra

Governing African Gold Mining

Private Governance and the Resource Curse

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Ainsley Elbra
The University of Sydney
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For Tim and Sam

Preface and Acknowledgements

Any project of this size is undoubtedly the result of many helpful mentors, colleagues, friends and family. This book is based on research undertaken at the Department of Government and International Relations at the University of Sydney. However, much of my interest in private sector governance was sparked during my time as a corporate banker, where I was first exposed to the wide array of attitudes towards firm-led governance and the implications of these approaches.

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List of Abbreviations

AMCU	Association of Mineworkers and Construction Union
AGA	AngloGold Ashanti Limited
ANC	African National Congress
B-BBEE	Broad-Based Black Economic Empowerment Act
BBC	British Broadcasting Corporation
BP	British Petroleum
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
EITI	Extractive Industries Transparency Initiative
EMS	Environmental Management System
ERP	Economic Recovery Plan
FCUBE	Free and Compulsory Universal Basic Education
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GRI	Global Reporting Initiative
HDSA	Historically Disadvantaged South Africans
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICMM	International Council on Mining and Metals
IFI	International Financial Institution
ILO	International Labour Organization
IMF	International Monetary Fund
ISO	International Organisation for Standardisation
MDG	Millennium Development Goals

MKUKUTA	National Strategy for Growth and Reduction of Poverty (in Kiswahili)
MNC	Multinational Corporation
NGO	Non-Government Organisation
PPP	Public-Private Partnerships
PWYP	Publish What you Pay
SED	Socio-Economic Development
SAP	Structural Adjustment Package
SSA	Sub-Saharan Africa
TANU	Tanganyika National Party (in Kiswahili)
TRA	Tanzanian Revenue Authority
UK	United Kingdom
UN	United Nations
US	United States
WGC	World Gold Council

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CHAPTER 1

Introduction

Sub-Saharan Africa (SSA) is home to a substantial portion of the world's resource wealth. This natural resource wealth firstly attracted Arab and then European traders, the latter of whom went on to colonise much of the continent. They focused on the extraction of minerals, with very little provision of services or infrastructure to their colonies. This underinvestment in the institutions of government left African states weak at the time of independence in the second half of the twentieth century. Furthermore, in the post-independence period, International Financial Institutions (IFIs) such as the World Bank and International Monetary Fund (IMF) have exercised significant power over African governments. What has emerged from the historical governance of SSA's mineral industries is that natural resource extraction has rarely been harnessed to develop SSA states. Despite centuries of mineral extraction and trade in commodities, many resource-rich SSA countries not only remain extremely poor but they are also marred by entrenched inequality and poor social development. The long history of mining on the continent has failed to enhance the economic or social livelihoods of many of Africa's citizens. Instead, it has quite often been detrimental.

The entrenched poverty of mineral-rich sub-Saharan states, given the outcomes highlighted above, led to the emergence of a body of scholarship focused on determining why states wealthy in natural resources continued to suffer from poorer economic conditions than their non–resource-rich peers.

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This scholarship hinged on the observation that mineral-rich states suffer slower economic growth rates than their resource-poor peers. Authors Auty (1993) and Gelb (1988) highlighted the paradoxical outcome, whereby resource wealth led to weaker economic growth, labelling it the 'resource curse'. In the wake of these seminal works, Sachs and Warner (1995) produced the first of what would be many quantitative cross-national studies seeking to determine a correlation between mineral wealth and slow economic growth. Over the subsequent decades, the scholarship has evolved to consider a wider range of negative impacts from mineral wealth, including links between resources and corruption, income volatility, wasteful spending and conflict. While these studies have shed valuable light on the negative outcomes associated with mineral wealth, all share a common weakness, that is, a focus on the role of the state as the central unit of analysis. Put another way, all share the assumption that the sole locus of power in international relations scholarship is the institutions of government. In the existing resource curse scholarship, analysis is concentrated on the governments of resource-rich countries, as, for these scholars, it is these institutions that determine the policies and regulations that govern SSA's extractive industries.

This book departs from the traditional resource curse scholarship at this point, instead arguing that the state is not the sole locale of power, authority and governance of Africa's mining sectors. Rather, this book seeks to illuminate the role non-state actors, such as firms and industry associations, play in setting rules and regulations that are recognised as legitimate by other actors, including governments. Furthermore, it seeks to explain why, and how, mining firms leverage their authority and legitimacy to govern their industry. In order to answer these questions, a qualitative study of SSA's gold mining sector was undertaken. Several large firms dominate gold mining within each country. These firms provide significant government revenues, employment and services to local communities. In many cases, these firms have been mining long before post-colonial governments were formed. Together, these factors give these firms significant private authority, and in turn the ability to set the rules and regulations that govern their sector.

Through the research undertaken, it is shown that gold mining firms operating in SSA do govern their industry. In fact, large firms with significant private authority prefer rules and regulations, particularly those set by their industry itself. Firms are motivated to self-regulate for a variety of reasons, but what is notable in the case of gold mining is a desire to lift the entire industry's reputation, avoid risk, simplify compliance costs

and fill the void where governments are unable or unwilling to regulate. Furthermore, it is demonstrated that firms leverage their rule-making ability, as well as their industry expertise and technical knowledge, to depict themselves as natural governors of industry. In doing so, business relies less on instrumental and structural power (activities such as lobbying and threatening to relocate operations offshore) and more heavily on what is known as discursive power whereby interests need not be pursued if they can be created. What emerges from the analysis is that large multinational corporations (MNCs), operating in a wide range of jurisdictions, are active rule setters. Furthermore, they rely on their private authority in order to have these rules and regulations accepted by other industry players and in turn impinge on the sovereignty of the SSA states in which they operate.

The result is that in the period since decolonisation in SSA, the private sector has been increasingly relied upon not only for economic growth but also as a source of rules and regulations. Porter and Ronit (2006, p. 41) reflect on this sentiment in their observation that, 'Self-regulation has come of age; it represents an increasingly viable alternative to the market and the state'. The acknowledgement that firms have the potential to govern the gold mining sector has important ramifications for the resource curse literature. If we are to fully understand the linkages between resource wealth and underdevelopment, we must take into account all actors that contribute to industry governance. As such, this book makes an important intervention in the existing literature on the political economy of mining in developing states. It does so through an application of qualitative methods of analysis to a comparative study of SSA's three largest gold producers: Ghana, South Africa and Tanzania.

This introductory chapter is organised as follows. Firstly, the link between the resource curse literature and SSA is explored. It is demonstrated that despite the cleavages in the literature, the scholarship remains most pertinent in SSA, where centuries of mineral extraction have failed to produce economic and social development. Secondly, the chapter makes a case for focusing on the gold mining sector, where it is argued that an acute case of the resource curse exists. Thirdly, the three countries studied as part of this research, Ghana, South Africa and Tanzania, are introduced, and the reasons that they are classified as 'resource-cursed' states are outlined. It is shown that in addition to being the three largest gold producers in SSA, a comparative study of the three countries hinges on their common colonial history, intervention by IFIs, as well as their status as host to a small number of multinational gold mining firms. Fourthly, the research

questions and approach are outlined. Lastly, the chapter concludes with a roadmap for the remainder of the book.

The Resource Curse Theory

As noted earlier, the link between oil or mineral wealth and slow economic growth was first identified in the late twentieth century by Auty (1994) and Gelb (1988). Following the commodity boom of the 1970s and ensuing collapses in mineral-rich states during the 1980s, these authors identified and examined specific cases of what they had termed the resource curse. Principal amongst their observations was the fact that countries that were rich in non-renewable natural resources experienced slower economic growth than their resource-poor peers. This finding was then extrapolated at a broader level by authors such as Sachs and Warner (1995), who used large-N studies to demonstrate the link between resource wealth and slow economic growth. Following this, the scholarship expanded to highlight the link between resource wealth and a number of sub-optimal outcomes, including slower GDP per capita growth (Auty, 2001b), corruption (Leite & Weidmann, 1999), an increased likelihood of civil violence (Collier & Hoeffler, 2004; Le Billon, 2001) and even a reduction in women's participation in parliament (Ross, 2008). The drivers of the resource curse are discussed in greater detail in Chap. 2. However, they can be summarised as follows: the presence of Dutch disease, whereby a commodity boom causes other sectors to become relatively unattractive to invest in, increased income volatility and the creation of a rentier state. The rentier state is argued to emerge in parallel with mineral rents, enhancing the likelihood of corruption, wasteful spending, violence as a means of capturing mineral incomes and the creation of enclave economies separate to the remainder of the state.

All of the above observations suggest that not only are resource-rich states likely to suffer from slower economic growth but that they also are hampered by poor development. The lack of development in SSA's mineral-rich economies is reflected in the failure of many states to meet the United Nations Millennium Development Goals (MDGs). The MDGs were set in 2000 and consist of eight overarching development goals, centred on harnessing globalisation as a positive force for development and growth in the developing world (United Nations, 2000).[1] These goals, which were to be met by 2015, include halving extreme poverty, halting the spread of HIV/AIDS and achieving universal primary education (United Nations, 2014). The three countries examined in this book failed

to meet all eight MDGs, by 2015. This failure reflects the fact that these states remain hampered by underdevelopment despite the mineral wealth that has accrued to these countries' governments.

Despite three decades of scholarship examining the link between mineral wealth and the negative outcomes outlined above, many SSA states have been largely unable to escape the resource curse. The scholarship's continued focus on governments' role in corralling and hedging mineral incomes overlooks a prominent actor in the extraction of mineral wealth: multinational mining firms. In practice, MNCs have acknowledged their role in host state development, actively setting rules and regulations, partly in response to criticism that has been directed at the mining sector's impact on economic growth and development. Accordingly, business has been at the forefront of creating and promoting its own solutions to the resource curse. Many of these initiatives have focused on the resource curse as it affects SSA. The next section explores the applicability of the resource curse scholarship to the region, as well as the decision to focus this research on gold mining in Ghana, South Africa and Tanzania.

SSA's Gold Curse

While the resource curse literature may be applied to many geographical regions, nowhere is the paradox more apparent than in SSA. The IMF classifies 20 African economies as 'resource intensive', where natural resource exports exceeded 25 per cent of total merchandise exports between 2005 and 2010 (Thomas & Treviño, 2013). The same report (2013) notes that almost 10 per cent of the output of SSA countries and 50 per cent of their exports are derived from non-renewable natural resources. Despite the presence of natural resource wealth, and in recent decades improved economic growth, the continent remains home to the greatest percentage of people residing in poverty. The World Bank (2014) estimates that 49 per cent of sub-Saharan Africans live on \$1.25 per day, or less. Furthermore, of the World Bank's 39 heavily indebted poor countries, 34 are located within Africa (World Bank, 2014). These contrasting facts have led to the region being the primary focus of the resource curse literature. In his seminal overview of the resource curse literature, Ross (1999, p. 297) notes, 'strong evidence that states with abundant resource wealth perform less well than their resource-poor counterparts'. He goes on to justify the scholarship's focus on SSA by asserting that, 'three-quarters of the states in sub-Saharan Africa … depend on primary commodities for at least half

their export income. For these countries the “resource curse” is an urgent puzzle’ (Ross, 1999, p. 298).

Furthermore, while the paradoxical outcomes associated with mineral wealth are highly evident in SSA, the African Development Bank in its 2012 report *Gold Mining in Africa: Maximising Economic Returns for Countries* argues that slow growth and uneven development are even more evident in gold-rich SSA states. The same report notes that the effects of the resource curse are more acutely felt in SSA’s 34 gold-producing countries, particularly the inability of governments to translate mineral income into genuine development. Moreover, unlike fair trade coffee, or even diamonds, there is no link between the producer and end consumer of gold. Gold has traditionally been sold as a refined, non-branded commodity, where the end product (either jewellery or bullion) can be made up of gold refined from a wide range of sources and where there is no expectation or norm that information regarding the original source of the gold is provided to the purchaser. In this sense, gold is similar to many other minerals and primary commodities; however, this attribute makes for an interesting case study, as there is little motivation for firms to be ‘socially responsible’ in order to increase their brand’s market share. Instead, firms are focused on balancing their relationships with host communities and countries, with the requirement to extract gold at the lowest price possible.

The demand for gold has been driven by three main factors, derived from the commodity’s wide range of uses. Gold is used in jewellery, as an industrial input and as a financial reserve. While the uses for gold and the growing demand for the product are explored in greater detail in Chap. 3, over the past ten years a rising middle class in China and India, combined with the global financial crisis, has seen the price of gold rise from US$351 an ounce in 2000 to US$1195 in 2014 (World Bank, 2015a). Ostensibly, the steadily increasing gold price over the past decade should have led to increased profits for gold mining firms and greater taxation revenue for gold-rich states. Yet, it is the case that many gold mining countries remain plagued by slower economic growth, poorer development measures and greater inequality. The African Development Bank (2012) argues that gold producers on the continent suffer from a more acute form of the resource curse when compared to other mineral producers, highlighting that these countries have received a smaller amount of the rents generated from gold mining and that these have generally not been efficiently utilised.

Taken together, these facts form the basis of the decision to focus on SSA’s gold sector. In order to delineate the impacts of gold mining on the

political economy of resource-cursed states, this research focuses on three countries: Ghana, South Africa and Tanzania. These three countries are SSA's largest gold producers (Miller, 2013). All three share a common colonial background in the form of British settlement, interaction with IFIs and investment from a small handful of multinational gold mining firms, and they can all be classified as resource-cursed.

The Choice of Countries

In determining which gold-producing African states suffer from the resource curse, some notable exclusions have been made for the purposes of this research. For example, Zimbabwe and the Democratic Republic of Congo have been left out of consideration not because they do not suffer from the resource curse, but because this is simply one of the myriad problems facing these states. In these countries, poor governance and autocratic regimes have led to a void of institutions of governance within these states, making the effects of the resource curse highly difficult to isolate.

Setting aside autocratic states or those with failing institutions, the decision to focus on the continent's three largest gold producers—South Africa, Ghana and Tanzania—warrants further discussion. In particular, it should be demonstrated that all three suffer from one or more of the outcomes commonly associated with the resource curse. For a state to be considered resource-cursed, it must first be resource-reliant, and secondly, there must exist evidence that this mineral wealth has been unhelpful in avoiding sub-optimal economic and development outcomes. The first of these criteria is dealt with in the next section.

The three countries chosen for this study can all be classified as resource resource-reliant, using commonly relied on measures for mineral wealth as shown in Table 1.1. Davis (1995) adopts a definition of 'mineral-based economies' as those where natural resource exports contribute more than 40

Table 1.1 Mineral reliance in Ghana, South Africa and Tanzania

	Ghana	*South Africa*	*Tanzania*
Mining % of exports	56^^	45^	37.3^^^
Mining % of GDP	8.1* (2012)	8.8^ (2011)	6.4* (2012)
Mining % of government revenue	23 (2011)	Not available	37 (2011)

Sources: *(World Bank, 2014), ^(U.S. Department of the Interior, 2013), ^^(Revenue Watch, 2013), ^^^(U.S. Department of the Interior, 2014)

per cent of total exports and where mining's contribution to GDP is greater than 8–10 per cent of total GDP. According to this definition, South Africa and Ghana qualify as resource-based economies. Alternatively, the IMF defines a resource-dependent state as one where either government revenue from resources or mining's share of exports is greater than 25 per cent of the respective totals (International Monetary Fund, 2007). According to the IMF's definition, all three countries qualify as resource-reliant.

In evaluating the presence of the resource curse in Ghana, South Africa and Tanzania, it must also be demonstrated that these states have not benefited from mineral wealth and instead continue to experience sub-optimal economic and development outcomes. This second factor is far more nuanced and, in the case of South Africa, is not widely acknowledged.

Ghana

Ghana's experience with mineral extraction has been mixed. While Ghana's economic growth levels have outperformed many of the country's peers over the past ten years, inequality has worsened and significant developmental challenges remain. Ghanaian economic growth has been highly volatile, as detailed in Fig. 1.1. The graph below shows Ghana's GDP per capita growth, compared with other SSA states and lower-middle-income countries, in the period following the country's transition to

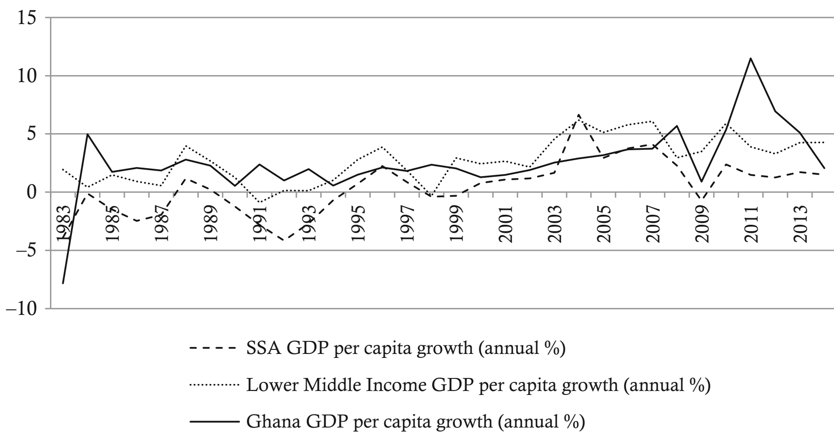

Fig. 1.1 Ghana's annual GDP per capita growth compared
Source: World Bank, 2015b

stable, democratic rule in 1983. It demonstrates that in the period since 2007, while economic growth has been strong on average, growth/contraction has also been marked—this aligns with the resource curse literature, which suggests mineral rents create severe income volatility.[2] It also shows that prior to 2010, Ghana's GDP per capita growth was below or in line with other lower-middle-income countries, suggesting that despite the country's 'blessing' or mineral wealth, it remains unable to translate this into above-average economic growth. Nonetheless, Ghana's GDP per capita growth has averaged 5 per cent in the period since 2007, which exceeds the regional average of 1.7 per cent and that of other lower-middle-income countries (4.3 per cent) (World Bank, 2015b).

In line with economic growth, poverty has been decreasing at both the $1.25 and $2 per day levels. However, as of 2006, 51.8 per cent of Ghanaians still subsisted on less than $2 per day (World Bank, 2015b). Furthermore, 28.5 per cent of Ghanaians lived below the country's poverty line in 2006 (United Nations Development Group, 2013). This poverty is disproportionately felt in rural areas, where 39.2 per cent of people are considered to be poor (United Nations Development Group, 2013).[3] Additionally, while economic growth has trended upwards, inequality in Ghanaian society has also been increasing since the late 1980s. In 1987, the country's Gini coefficient stood at 35.4; it has since worsened to 42.8 in 2006 (the last year of calculation).

In terms of development, Ghana has met some of its MDGs before the 2015 target year, including halving the number of people in extreme poverty and halving the proportion of people without access to safe drinking water (National Development and Planning Commission & United National Development Programme, 2012). It is probable that Ghana will meet the targets of halving the number of people who suffer from hunger, achieving universal basic education, eliminating gender disparity in schools, reducing under-5 mortality and halting and reversing the spread of HIV/AIDS and malaria by 2015 (National Development and Planning Commission & United National Development Programme, 2012). However, the following MDGs are unlikely to be met in the current timeframe: achieving full employment, achieving equal share of women in non-agricultural paid employment, reducing maternal mortality and reversing the loss of environmental resources (National Development and Planning Commission & United National Development Programme, 2012).

While the MDGs are useful goals for developing states, the programme masks deeper issues facing developing states. For example, while Ghana

appears to be on track to achieve universal primary school education, the quality of the education sector has been in decline for several decades. At the time of independence, Ghana had one of the most advanced education sectors in SSA. However, by the mid-1980s, underfunding in the sector had seen hundreds of thousands of teachers move to neighbouring Nigeria, falling enrolments and worsening school quality (Akyeampong, 2009).In response to this decline, the government introduced the Free and Compulsory Universal Basic Education (FCUBE) programme in 1995, which aimed to achieve universal primary education by 2005 through the elimination of school fees, along with bearing expenses for textbooks and other teaching materials (Akyeampong, 2009). Despite increasing the numbers of enrolled primary school students, it is evident that FCUBE has not provided the required resources to progress these students through schooling and into secondary education (Akyeampong, 2009). The number of trained teachers in the primary education system fell during the 2000s, from a peak of 72 per cent of total teachers in 1999 to 52 per cent in 2013 (World Bank, 2015b). This was despite education spending, as a percentage of government spending, peaking at 33 per cent in 2011 (World Bank, 2015b). While Ghana is set to meet this MDG challenge, it remains that despite strong investment in the sector little more than half of Ghana's teachers are adequately trained.

The case of Ghana is explored further throughout this book. However, as this introduction has highlighted, the country's strong economic growth has been largely overshadowed by worsening inequality and the inability of the government to translate mineral wealth into genuine development.

South Africa

South Africa suffers from many of the outcomes commonly associated with the resource curse, yet the country is often left out of analysis of Africa's resource-cursed states. The country's economic growth rate has been historically lower than its upper-middle-income peers. Since the end of Apartheid rule in 1994, South Africa's GDP per capita growth has averaged 1.3 per cent compared to 1.6 per cent for SSA and 5 per cent for middle-income countries, indicating that not only is the country lagging behind other middle-income states, it is also behind the regional average (World Bank, 2015b). Figure 1.2 demonstrates South Africa's slower growth relative to its peers.

Additionally, measures such as economic wealth per capita mask the vast and well-documented inequalities facing South African society (Leibbrandt,

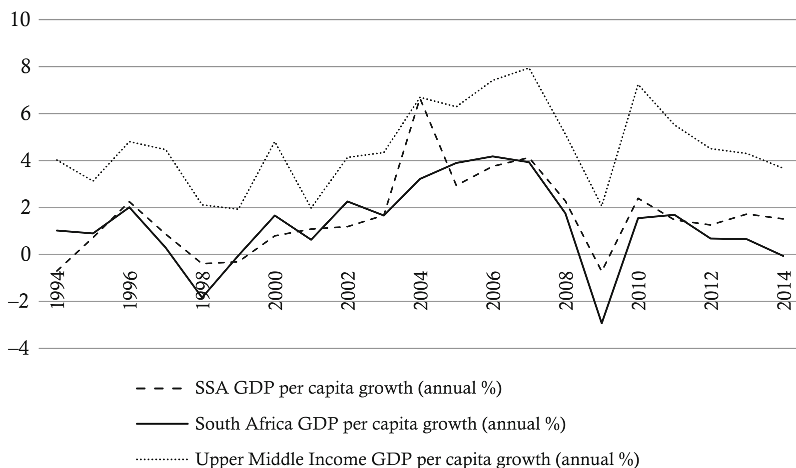

Fig. 1.2 South Africa's annual GDP per capita growth compared
Source: World Bank, 2015b

Woolard, Finn, & Argent, 2010).The country has a large manufacturing sector and a diverse economy compared to other SSA states; however, while South Africa's GDP per capita is almost three times that of the average of its sub-Saharan neighbours, its distribution reflects a sizeable portion of the country's citizens whose livelihoods are not dissimilar to those in low-income African states (World Bank, 2015b). The International Labour Organisation (see World Bank, 2015) estimates that South Africa's unemployment rate is 25 per cent, while the youth unemployment rate is estimated to be 54 per cent. Such high unemployment highlights the fact that measures such as GDP per capita fail to acknowledge the large proportion of South African society that has not benefited from resource extraction and the associated economic growth, and instead exists outside the formal economy. Nattrass (2004) notes that the largest single problem facing South Africa is its stubbornly high unemployment rate.

Even with minor gains in GDP growth, poverty appears intractably entrenched. As a result, South Africa consistently ranks amongst the most unequal societies in the world (Leibbrandt et al., 2010). This dire inequality has impacted on the country's ability to deliver genuine development to all citizens. South Africa is likely to achieve only three of the eight MDGs by 2015. The country's development progress is hampered by its inability to alleviate poverty and to improve infant mortality, maternal

health and HIV/AIDS and tuberculosis infection rates (Statistics South Africa, 2010).

Finally, the negative socio-political effects of resource endowment noted in the literature remain prevalent in South Africa, including corruption, disaffection in mining communities, mine-related violence and the increasing application of military expenditure to the control of domestic law and order (Elbra, 2013). The country's worsening score in Transparency International's Corruption Perceptions Index also evidences the presence of a rentier state. Transparency International's (2014) most recent data suggest that corruption levels are rising in South Africa. The country's corruption perception score fell from 5.1 in 2007 to 4.1 in 2011 (where 10 is the least corrupt and 0 the most corrupt). Furthermore, Robinson and Brummer (2006) argue that corruption has been at the heart of every major scandal to plague South African politics since 1994.

Recent grievances within South African mining regions also reflect dissatisfaction with the distribution of mineral rents. Ross (2007) suggests that inequalities such as those seen between mining regions and non-mining regions in South Africa, as well as between mine workers and mining companies, are reflective of a resource-cursed state. As is noted throughout this book, South Africa experienced a series of violent labour disputes during 2012 and 2013, the effect of which continue to be felt. In 2012 alone, the mining sector saw the greatest number of strikes since 1994, when the country was transitioning from Apartheid rule. The most recent industrial action was in response to dissatisfaction over wages and living conditions. The political economy of the South African mining sector is impacted by the high number of migrant workers (from elsewhere in South Africa as well as Southern Africa) who move to mineral-rich provinces in search for employment. Mineworker conditions remain a point of contention and have led to the rise of more militant unions, which have reverted to wildcat strikes in order to seek recompense. In response, mining firms have shut down mines for long periods while security services (including the army and police) have engaged in violent shut down of protests. It is a combination of these factors that led to the violence at the Lonmin mining company's Marikana platinum mine in August 2012, which resulted in 44 deaths. One of the drivers of this tragic event was disaffection between the mine owners and workers who felt disadvantaged by the distribution of the country's mineral wealth (Martinez & Visser, 2012).

Many of South Africa's citizens are yet to benefit from their country's natural resource wealth, and in the cases of those directly affected by mine

violence or poor working conditions, they have in fact been harmed. South Africa's poverty rate is amongst the highest in the upper-middle-income bracket, and the level of inequality experienced by South Africans is amongst the highest in the world—possibly only surpassed by Namibia. Most worryingly, when economic growth has occurred, poverty rates have risen, suggesting that these harsh inequalities must be rectified before South African society will see the benefits of mineral-led growth. These factors suggest that South Africa, although often left out of the resource curse scholarship, remains negatively affected by mineral wealth. South Africa's mineral wealth has failed to alleviate poverty or improve the livelihoods of most of its citizens; instead, the country faces many of the issues confronting other resource-cursed states in the region.

Tanzania

Mineral rents have historically made up a smaller portion of the Tanzanian government's revenue base when compared to Ghana and South Africa. Yet, the country's GDP per capita growth has outperformed both these states and the regional average since 2000. Between 1990 and 2003, Tanzanian mineral rents made up less than 1 per cent of GDP. After 2004 this contribution has grown steadily, reaching 5 per cent in 2011 but dropping to 3.6 per cent in 2013 (World Bank, 2015b). Since 2004, Tanzanian GDP per capita growth has averaged 3.6 per cent per annum, outperforming the average of 2.5 per cent for all sub-Saharan countries (World Bank, 2015b). Although GDP per capita growth remains high relative to Tanzania's peers, sustained economic growth is likely to be challenged by the country's unreliable electricity and transport infrastructure (Ellis, Blackden, Cutura, MacCulloch, & Seebens, 2007) (Fig. 1.3).

Income inequality has been steadily falling since independence; the Gini coefficient in Tanzania has fallen from 54.5 in 1967 to 35 in 2007 (UNU-WIDER, 2014). Yet this has failed to deliver significant improvements in the number of Tanzanians living in poverty. As a result, the Tanzanian government implemented MKUKUTA I (the Kiswahili acronym for National Strategy for Growth and Reduction of Poverty) in 2005, followed by MKUKUTA II in 2011. The programme's report notes that although Tanzania's income growth has been impressive over the period of MKUKUTA I, income inequality has not improved during the same period (United Republic of Tanzania, 2010). In 2000/2001, prior to the growth in minerals income, 36 per cent of Tanzanians were considered poor; this number fell slightly to 34 per cent over the following seven

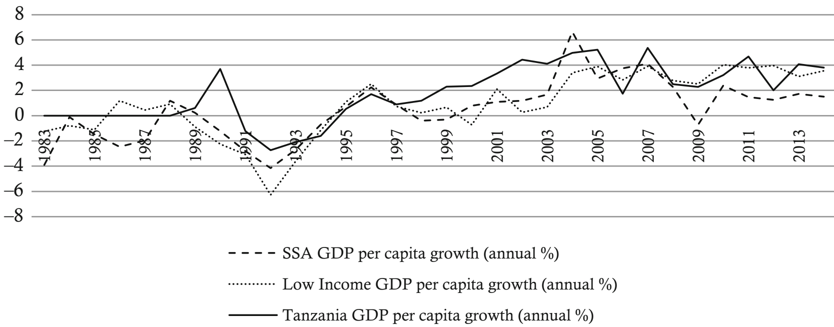

Fig. 1.3 Tanzania's annual GDP per capita growth compared
Source: World Bank, 2015b

years (United Republic of Tanzania, 2010). In particular, the rural majority of Tanzania's population (where the country's gold mines are located) was most affected by the failure to reduce poverty, with 18.4 per cent of the rural population suffering food poverty and 37.6 per cent of rural Tanzanians unable to meet their basic needs. This contrasts with 7.4 per cent and 16.4 per cent, respectively, in the commercial capital, Dar es Salaam (United Republic of Tanzania, 2010).

In addition to the failure to reduce poverty, the Tanzanian government has been placed under great pressure to demand more from multinational mining companies that operate in the country. In particular, the country's largest gold miner, Acacia Mining (previously known as African Barrick Gold), has been targeted by local and international NGOs for its failure to provide development to local communities, as well as the ongoing violence surrounding its mine sites. This violence, which has occurred as recently as August 2014, has resulted in the deaths of dozens of Tanzanians at the hands of private security contractors and police (York, 2014). Overall, the case of Tanzania demonstrates that while governments may be able to collect increasing revenues from mining, many of the other outcomes associated with the resource curse, such as inequality and violence, remain in place.

So far, this book has demonstrated that all three countries included in this comparative study suffer from many outcomes commonly associated with the resource curse. In the case of Ghana, it was demonstrated that although income from mining is growing, the country continues to experience worsening inequality and poor social development outcomes,

including an inability to meet many of that country's MDGs. South Africa has experienced slower economic growth and the world's highest levels of inequality, alongside entrenched poverty and labour unrest. Lastly, the case of Tanzania shows that while income is rising and the country is becoming more equal, there remains general dissatisfaction with the distribution of mineral wealth, which has manifested itself in mine site violence. In all three countries, mineral wealth has delivered mixed economic and development outcomes, and all remain hampered in some way by slow economic growth, poor development or severe inequality. These factors have led to poor development outcomes for these countries' populations. In response to the inability of mining to provide tangible economic and social development, many mining firms have engendered their own industry regulation. This has taken place partly as a retort to increasing external criticism of the industry and also due to the willingness of SSA states to defer to market-led regulation. These driving factors, and the private governance that has emerged as a result of them, are explored in the next section.

A Growing Role for the Private Sector

The globalisation debate of the past two decades has illuminated the role of business in regulating sectors of the global economy. As the world becomes increasingly interconnected, discussion has focused on the ability of firms to exercise greater power over states as a function of the emphasis placed on economic growth and profits. While the globalisation debate is taken up in more detail in Chap. 2, it is sufficient to say that although the early hyper-globalists (T.L. Friedman, 2000;Ohmae, 1990;Strange, 1996) see the power of firms growing exponentially in the face of a retreating state, contemporary transformationalist scholars (such as Hay & Marsh, 2000;Held, 1999;Mikler, 2011) instead argue that there has been a shift in the way firms and governments interact. This shift is apparent in the growing recognition of firms as co-governors of their sectors through mechanisms such as private governance initiatives. It is the transformationalist approach that informs the analysis throughout this book.

In the case of SSA, growing interconnectedness has coincided with a more general shift towards private sector–driven growth. In the period following independence, many African states experienced economic downturns that saw intervention from IFIs in the form of Structural Adjustment Programmes (SAPs). SAPs were modelled on the liberal eco-

nomic tenets of deregulation, greater foreign investment and an increased role for the private sector; yet, SAPs failed to deliver economic growth promised by the World Bank and IMF. Critics such as Easterly (2005, p. 20) have argued that 'putting external conditions on governments' behaviour through structural adjustment loans has not proven to be very effective in achieving widespread policy improvements, or in raising growth potential'. Stewart (1991, p. 1854) goes further to suggest that the majority of countries subject to SAPs have experienced 'declining incomes and frequently declining per capita consumption', while 'real wages and incomes in the urban informal sector have been depressed, and unemployment rates rose in the majority of Latin American and sub-Saharan African countries'. By the 1990s, even the World Bank's own internal review had concluded that half of all loans under SAPs had failed to meet their objectives (Dollar & Svensson, 2000).The timing of these reforms and the market-led governance solutions favoured by the IFIs has led to an opportunity for private governance to emerge as a panacea to the slow growth seen in mineral-rich SSA economies. The associated phenomena of globalisation and neoliberal reform have led to the emergence of private governance in African mining.

Following decolonisation in the 1950s and 1960s, many nascent African states were faced with an economy dominated by mining—an industry that was enclave in nature, faced outward and employed the country's citizens in only the most low-paid and low-skilled occupations. However, these industries were also vital to state budgets, providing the necessary cash to implement the kinds of social policies promised at independence, that included universal free education, the establishment of cradle to grave welfare and state management of agriculture (Young, 2004). There were great expectations that mineral wealth could be harnessed to improve the development prospects of SSA. Many states, including Ghana and Tanzania, embraced varieties of socialism and nationalised mines in an attempt to increase the state's share of natural resource revenue. However, these policies largely failed, with the oil shocks of the 1970s leading to a period of high instability in the price of commodities, including minerals. For example, the price of copper collapsed from $6098 per tonne in 1970 to $2001 in 1986 (World Bank, 2015a). During the same period, the price of nickel fell from $12,260 per tonne to $5654, and that of aluminium from $2646 per tonne to $1675 (World Bank, 2015a). Despite, and perhaps driven by this financial turmoil, the gold price actually rose steadily from

$155 per ounce to $536 per ounce over the same period (World Bank, 2015a).

High levels of price volatility, along with the dilapidated state of many of the mines and the expertise and capital required to rejuvenate them, meant that the mining industries of many African states rapidly declined. In Tanzania, the post-independence period saw a slowdown in the gold mining industry, resulting in the closure of the Geita and Kiabakari mines (Lange, 2006). Following these closures, the total contribution of the mining sector to the economy fell from 3 to 4 per cent of GDP in the early 1960s to just 1 per cent in 1988 (Lange, 2006). Similarly, the Ghanaian economy experienced near collapse during the 1970s, driven by a shift to centralised economic planning including nationalisation of the country's gold mines, the mismanagement of which led to a steady decline in the sector's contribution to GDP from 3 per cent in 1968 to less than 1 per cent in 1982 (Addy, 1998).

Unable to generate enough revenue from the exports of natural resources, for which prices were highly volatile, SSA states found themselves increasingly indebted to IFIs and bilateral lenders. In 1970, the continent's total external debt was $11 billion. Following the oil shocks of the 1970s and the volatility in commodity prices and SAPs of the 1980s, external debt had risen to $340 billion by 1990 (UNCTAD, 2004). During the same period, debt servicing paid by the continent increased from $3.5 billion to $26 billion (UNCTAD, 2004). High debt-servicing costs were met through the sale of finite natural resources, often at depressed market prices. This debt trap, and the use of mineral wealth to meet ongoing interest repayments to the IFIs and wealthy bilateral lenders, was described by George (1988) as *A Fate Worse than Debt*. High indebtedness also resulted in further underinvestment in mine operations, as the massive debt-servicing costs owed to IFIs were prioritised over domestic investment in government-owned assets. In return, these organisations demanded the implementation of neoliberal reform encapsulated within SAPs, including the elimination of trade protection, flexible exchange rates, balanced budgets and the privatisation of government-owned industries, including mining.

Deregulation of the mining industries in these countries paved the way for enhanced private control of the sector. IFIs promoted private ownership of mineral wealth as one way indebted countries could enhance foreign direct investment and economic growth, as well as raise urgently required government revenue. The World Bank advised by way of its

Strategy for African Mining (Strongman, 1992, p. xiii) 'the private sector should take the lead. Private investors should own and operate the mines … existing state mining companies should be privatized at the earliest opportunity'. Furthermore, the report highlighted the Bank's preference that developing countries relinquish control of mineral assets and instead focus on 'maximizing the tax revenues from mining' (Strongman, 1992, p. 10).

Mineral assets were privatised at a greatly reduced value due to the poor condition of most mines, as well as the urgency behind the sale of government assets. Private investors were able to buy mines with strong potential output under generous development agreements negotiated by IFIs—albeit with significant capital outlay required to improve the profitability of the mines. The inequality inherent in these agreements was highlighted at the time by the Organization of African Unity, the precursor to the African Union, which noted that a

> lack of information on natural resource endowment of large and unexplored areas … lack of adequate capacity (capital, skills and technology) for the development of these resources; a considerable dependence on foreign transnational corporations for the development of a narrow range of African natural resources selected by these corporations to supply raw material needs of developed countries' and 'the inadequate share in the value added generated by the exploitation of developing states

were all hampering economic growth (Organization of African Unity, 1981, p. 23). Many of these development agreements formed the basis of subsequent minerals legislation in SSA states.

Mining legislation drafted throughout the 1990s was largely aimed at attracting international investment, doing so through reductions in royalty rates, lower company taxes, the ability of firms to write-off past losses and full repatriation of profits to companies' home states. These agreements succeeded in attracting foreign investment in the minerals sector; for example, Ghana attracted $3 billion worth of mining investment between 1986 and 1999 (Akabzaa & Darimani, 2001). However, due to the generous investment incentives provided to international mining firms, many African states have failed to capitalise on this growing investment through increased tax receipts. Instead, many remain hampered by slow economic growth, growing inequality and entrenched poverty that restricts the ability of governments to achieve tangible development. In

response, African governments have recently attempted to renegotiate this distribution of power through the revision of mining codes and regulatory standards around taxation. Described in the literature as a 'fourth generation' of mining codes, attempts by states to implement more favourable legislation that distributes a greater share of mineral rents to the state have emerged with varying degrees of success (Besada & Martin, 2014). Outside of the scholarly community, many of these efforts have been referred to as resource nationalism, a term with serious negative connotations. However, despite the concerns on behalf of firms of increasing resource nationalism, there remains little evidence that states have been successful at renegotiating the distribution of power between themselves and private extractive firms. In the countries studied in this research, two of the largest mining firms operating in Ghana have escaped that country's requirement they cede 10 per cent ownership of mines to the state, the Tanzanian government has seen the closure of mines in its country after raising royalty rates and demanding firms procure more inputs from Tanzania, and in the case of South Africa the release of the country's new mining code remains delayed as a result of ongoing negotiations. Suggestions that African states are gaining increasing power relative to firms through increasing resource nationalism enabled by such initiatives as the African Mining Vision must be heeded cautiously. It remains that despite African states' attempts at winding back some of the concessions provided to mining firms in the post-independence era, many of these have been unsuccessful, and firms evidently retain sufficient power to set their own standards and regulations.

The failure to translate mineral wealth to economic and social development has resulted in increased scrutiny of the mining industry and in the development of a body of literature focused on Africa's resource curse. The negative outcomes associated with mining have been increasingly the focus of activist efforts as well as academic discourse. At the same time, private firms have engendered norms that see a growing role for business in ensuring mining delivers tangible benefits to host states and communities. This shift in norms has led to the emergence of private governance as a solution to Africa's resource curse. In the absence of state regulation, and in direct contrast to the prevailing view that firms operating in the same industry and the same geography should be in fierce competition with one another, business has instead cooperated to develop institutionalised rules that govern its sector. Firms have formed governance initiatives at the business level and have cooperated across industry and with stakeholders,

such as NGOs and governments, to address measures such as slow economic growth, corruption, violence and environmental degradation.

The private governance initiatives adhered to by gold mining firms are detailed in Chap. 4, where a classification scheme for private governance regimes is developed and the characteristics of these regimes are explored further. However, briefly, examples of private governance regimes applicable to the gold mining sector include the World Gold Council's (WGC's) Conflict-Free Gold Standard, the Extractive Industries Transparency Initiative (EITI), the ISO14000 family of environmental standards and the Voluntary Principles on Security and Human Rights. The development of these initiatives by firms represents an attempt to exercise businesses' private authority by governing their sector. Additionally, many of these initiatives have been developed in order to address the negative outcomes associated with mineral extraction, as highlighted by the resource curse literature. Chapter 2 highlights this link through the development of a political economy framework for analysing private governance initiatives as a response to the resource curse. The framework maps initiatives against negative outcomes such as corruption, violence and the creation of enclave economies. It is the reasons behind the formation and promotion of these private governance initiatives that this book seeks to illuminate. In particular, a greater understanding of the role of private governance, why firms seek to self-regulate and the effects these regimes have on the governance of SSA gold mining states are central to this study. The research questions and approach that arise out of the above observations are explored below.

Research Questions and Approach

The literature and issues outlined in the previous sections give rise to a series of questions that this research seeks to answer. Firstly: *what role do firms play in the governance of SSA's gold mining industries*? If it is established that business indeed governs the gold mining industry, then the motivations of these firms should be of interest. As such, a second question arises: w*hy do firms participate in self-regulation and private governance?*

These research questions, and the ontological and epistemological positions that underpin their formation, lend themselves to an institutionalist approach to the study of Africa's resource curse. The research is undertaken from a foundationalist ontological position, whereby it is accepted that there is a 'real world' independent of our understanding of it. However, epistemologically, it is acknowledged that not everything

can be tested, measured or observed (Furlong & Marsh, 2010). This critical realist epistemological position suggests that while the presence of the resource curse, for example, can be measured and tested using quantitative methods, firms' responses to this and the views and motivations of actors within these firms cannot be directly observed. Furthermore, it is suggested that while material realities (particularly mineral wealth) are a necessity for countries to suffer from the resource curse, it is evident that this is not a sufficient condition. Mineral-rich states such as Australia, Canada, Norway and Botswana demonstrate that the resource curse is something that is politically constructed, and therefore less observable, and measurable variables, such as quality of institutions of government, matter greatly. As such, this book employs the qualitative research methods of interviews and qualitative content analysis to infer the attitudes of firms and actors within these institutions towards private governance regimes.

The approach taken in this book differs from many existing studies of the resource curse, whereby a positivist epistemology is employed and the assumption is made that firms are utility-maximising actors, whose interests are directly served by minimising regulatory intervention. The liberal economic model, employed by many other authors of the resource curse scholarship, relies on the assumption firms will engage in a 'race to the bottom', whereby they seek out the lowest possible regulatory standards (particularly around taxation and environmental standards). This approach is challenged throughout this book, as it is demonstrated that firms instead self-regulate, seeking to engender norms around business behaviour in the absence of state regulation. In order to understand how and why firms behave in a manner that contrasts with the existing school of economic thought, an institutionalist approach is employed. The new institutionalist approaches used in this book, and their applicability to the research question, are outlined below.

Institutionalist Perspectives

This study employs a multilevel new institutional analysis to the understanding of private governance. In doing so, this book draws on rational choice, and historical and normative institutionalism to explain why firms engender private governance. New institutionalism (hereafter institutionalism) as an approach to the study of politics focuses on the 'rules, norms and values that govern political exchanges', with a focus on the

'institutional arrangements of the mainstream political world' (Stoker & Marsh, 2010, p. 4). Inherent in this approach is a rejection of the behaviouralist assumption that institutions are simply an aggregate of individual preferences, and instead it is argued that the 'organisation of political life matters' (March & Olsen, 1983, p. 747). Scholars who adopt an institutional approach to the study of political life define institutions as a 'set of rules, formal or informal, that actors generally follow, whether for normative, cognitive or material reasons' (P.A. Hall & Soskice, 2001, p. 9). In the context of this book, institutions such as private governance initiatives are seen as constraining, or encouraging, certain behaviours from actors such as firms and states. There remains debate between scholars who, on the one hand, argue actors' preferences are exclusively endogenously produced and relatively stable and those, on the other hand, who emphasise the role of institutions in determining actors' behaviour (Lowndes, 2010). However, here it is demonstrated that it is necessary to combine these approaches in order to understand why firms self-regulate, how these rules are accepted as legitimate and why gold mining companies would seek to engender new norms of behaviour.

Rational choice institutionalists argue that institutions do not produce certain behaviours. Instead, they see institutions as influencing behaviour by providing context for actors to make outcome-maximising decisions (e.g. focusing on maximising profits, utility, power). For scholars such as North (1990), institutions are forums where other actors' future behaviour can be predicted and where incentives and disincentives are spelled out. Institutions can be defined as 'humanly devised constraints that shape human interaction' (North, 1990, p. 3). According to these scholars, human behaviour is 'driven by a logic of anticipated consequences and prior preferences' (March & Olsen, 1998, p. 949). According to this approach, firms self-regulate in response to the existing structural constraints they face, for example, the prospect of stricter legislation to placate oppositional NGOs or the financial gains that being seen as a socially responsible business offers. Rational choice institutionalism emphasises the risks and opportunities businesses face and the manner in which they respond, within the constraints of existing institutions. Put another way, this approach emphasises the 'business case' for engendering private governance (see Vogel, 2006a). While this approach provides a strong framework for understanding the emergence of private governance, based on firms' cost–benefit calculations, it overlooks the importance of norms in dictating how and why firms promulgate rules and regulations.

Normative institutionalism concerns itself with norms and values as potential explanatory variables (Lowndes, 2010). This approach suggests that institutions that seem neutral in fact embody values and therefore determine appropriate behaviour within certain settings (Lowndes, 2010). Furthermore, these institutions are part of a cycle, whereby actors are able to engender new norms that constrain or enable future behaviour. Contrasting with the above view, here is it assumed that behaviour is driven by a 'logic of appropriateness and senses of identity' (March & Olsen, 1998, p. 949). Moreover, while firms are motivated by preferences and interests, their motives are deemed to be more complex than simply outcome-maximising and are instead constrained by cognitive and ethical dimensions (March & Olsen, 1998). According to this approach, firms with significant private authority are not simply constrained by structural factors. Although their decisions are bound by existing modes of behaviour, firms with significant private authority are able to influence the norms and values within their industry. The approach taken in this book argues that while structures facilitate and constrain actors (as highlighted by rational choice institutionalism), these same actors also have the ability to interpret structures, usually through discourse. In acting, agents are able to change the structures that determine their behaviour, thereby creating new structures to facilitate or constrain future behaviour. This approach, highlighted by March and Olsen (1983, 1998), illuminates the interaction between firms, governments and private governance initiatives in Africa's gold mining sector.

Furthermore, in explaining how the gold mining industry came to accept the norm of sustainability as central to businesses' operations, this book acknowledges the work of historical institutionalist scholars such as Hall (1986) and Pierson (2000). Drawing on the work of Dashwood (2012a), Chap. 4 highlights the process by which private governance emerged in the gold mining sector. Historical institutionalism improves on the methodological individualism inherent in rational choice and normative institutionalism by considering how institutional structure influences firms' responses to external constraints (P.A. Hall & Taylor, 1996). This approach is useful in understanding the temporal factors influencing the dissemination of norms. In the case of the mining sector, historical institutionalism explains how the industry faced a crisis of legitimacy where the actions of firms had failed to keep pace with societal norms. In response, first-mover firms engendered their own forms of governance in order to enhance the reputation of the sector—a move that represents a critical

juncture. This research acknowledges the role historical institutionalism plays in our understanding of governance, in particular the path dependency that institutions are bound by and the extent to which change can be enacted under these constraints.

Lastly, the theories of constructivist institutionalist scholars such as Hay (2006),Wendt (1998) and Schmidt (2008) are drawn on in this book. These scholars argue that 'ideas in the form of perceptions matter' and that actors' 'desires, preferences and motivations are not a contextually given fact…but are irredeemably ideational, reflecting a normative (indeed, moral, ethical and political) orientation toward the context in which they will have to be realised' (Hay, 2006, p. 67). The works of constructivist scholars are used in particular to understand how firms engender new norms. The norm life cycle model put forward by Finnemore and Sikkink (1998), as well as Wendt's (1998) approach to interpreting actors' public statements, is referred to throughout this book. Building on this approach, organisational institutionalism argues that not only do institutions constrain or encourage actor behaviour, but that actors themselves (in this case, individuals within business, firms and/or industry organisations) can shape institutions. As Bakir (2013, p. 15) notes, 'structures and institutions shape actors' preferences and interests but actors also seek to change these structures and institutions through their actions'.

The multilevel institutional analysis outlined above points to a broader debate within political science about the importance of structure and agency (Dashwood, 2012b). While many within the scholarship (and in related fields such as sociology or organisational studies) adhere to one extreme or the other—for example, a belief that the actions of firms can be explained by their social environment, or that firms are free to act in a wholly autonomously manner—the above discussion has outlined the alternative approach taken in this book. That is, both structure and agency matter. This approach contrasts with rational choice institutionalism, which focuses primarily on structure, and constructivist institutionalism, which is more heavily focused on agency. Firms are constrained both by existing structures and the historical factors such as path dependency that have framed existing responses, but they are also able to influence institutional arrangements that dictate their behaviour. While the gold mining industries analysed in this book contain existing structures (e.g. legislation, norms and multistakeholder agreements) that determine actors' behaviour, it is argued that these actors have some level of agency.

The acceptance of actors' agency suggests that the neoliberal economic model is too simplistic in its utility-maximising or rational choice assumptions and that firms are not monolithic entities focused solely on profit maximisation. It is argued that firms are institutions made up of many actors that both respond to norms and shape them. As such, firms' responses to the negative outcomes of mineral extraction are not uniform, and different norms prompt different behaviours based on both logics of appropriateness and logics of expected consequences.

Lastly, it is important to note that this book employs a definition of sovereignty that moves beyond a purely Weberian understanding of the concept centred on territorial control. Instead, in line with Biersteker and Weber's (1996, p. 2) definition, it is suggested that sovereignty has both internal and external components 'where "internal" refers to the existence of some ultimate authority over a particular domain and "external" refers to the recognition of authority by others'. Globalisation and the advance of private governance challenge states' external sovereignty through the introduction of another recognised source of rule-making. Strange (1996) posits that in some cases (the state) no longer claims to have authority; in other instances, it is no longer externally recognised by others as possessing authority in certain domains; still in others, it faces competing claims and challenges from non-state actors. It is on this basis that it is suggested that the emergence of private authority means that states may not have the 'right to exercise final authority over its affairs' and hence, external sovereignty may be compromised (Biersteker & Weber, 1996, p. 2). A constructivist approach to sovereignty, as described above, is adopted throughout this book, as it allows for a more complex understanding of who governs than that provided by the traditional international relations scholarship. In particular, it provides analytical space to consider the role of MNCs in the governance of weak states.

This previous paragraph suggests a leaning towards a constructivist institutionalist approach, but while the contribution of constructivist scholars is of interest in explaining the actions of multinational mining firms, a wholly constructivist approach is not taken to this research. In line with the critical realist epistemology outlined above, some level of observable behaviour is assumed; in particular, the role of firms is not pondered in this research. It is acknowledged that gold mining firms are interested in extracting a commodity from the ground as cost-effectively as possible and selling it at the highest price available. In short, gold mining firms

are interested in profit-maximisation. However, this is not undertaken at the expense of all other concerns. This research seeks to explain how firms trade-off their profit-maximising goals in return for reputation and risk-minimisation. Or, put another way, it seeks to explain what drives gold mining firms to govern their industry and in the process sacrifice at least some aspect of monetary gain. These are the unobservable factors on which this book aims to shed light.

Book Outline

This book offers a new perspective on how the role of firms in governing SSA's gold mining sector can be evaluated, and in particular the responses developed by firms to the region's resource curse. Chapter 2 develops a new conceptual framework for the analysis of firm-led governance; this guides the remainder of the book's empirical sections. This chapter begins by outlining the resource curse literature. Firstly, the genesis of the term is highlighted, and a chronological discussion of the resource curse scholarship is reviewed. Starting with Auty's (1993) seminal work, which observed that resource-rich states experience slower GDP growth than their non–resource-rich peers, the literature subsequently grew to encompass negative outcomes such as greater inequality, a higher propensity for civil unrest, graft and corruption, wasteful spending and weak institutions. Overall, it is demonstrated that mining's contribution to the economic and social progress of developing states has been, at best, mixed. Following this discussion, Chap. 2 turns to a review of the private authority and private governance literature. This section examines how firms develop legitimacy *vis-à-vis* the state and how they employ this authority to engender their own forms of industry governance. This section also outlines Finnemore and Sikkink's (1998) norm life cycle model, which assists in understanding how powerful actors such as firms engender new institutions. The norm cascade that took place in the mining industry during the 1990s, resulting in greater social awareness on the behalf of mining firms, is also highlighted here (Dashwood, 2007). This chapter concludes with the development of a new political economy framework for understanding private governance of SSA's gold mining sector. Mapping the negative outcomes associated with the resource curse against the goals of private governance regimes provides a roadmap for the examination of these initiatives' effectiveness in alleviating the resource curse.

Chapter 3 expands on this discussion of governance by examining the historical governance of the gold mining sector in each of the three cases. Firstly, the economic and cultural importance of gold and the recent associated rise in the value of the commodity are outlined. Following this, each of the countries is discussed in detail. It is concluded that although the cases share similarities in the regulation of their gold mining sector, each is unique in the way they have responded to the imposition of neoliberal reform on these states during the 1990s. This section sets up the discussion, taken up in Chap. 4, of the emergence of private governance as a solution to Africa's gold mining curse. This chapter firstly explores the literature on why firms develop private governance. Secondly, it details the historical conditions under which private governance emerged in the gold mining sector. Next, it advances a three-tier framework for categorising private governance regimes at the firm, industry and multistakeholder levels. Lastly, private governance initiatives within each of these tiers are outlined, including a discussion of the resource curse symptoms they seek to address.

The next two chapters introduce the analysis of the individual firms, through content analysis of public reporting, as well as through elite interviews undertaken with mining company executives and representatives from private governance regimes. Chapter 5 begins by outlining the companies included in this analysis and the justification for their inclusion, based on their contribution to gold mining in the three countries being studied. Next, the publicly stated views of these firms towards private governance regimes are briefly explored. At this stage of the empirical analysis, a typology of firms emerges. It is demonstrated that there is a variation between firms with large geographical footprints that are members of a greater number of private governance regimes and those that operate in a sole jurisdiction and are less likely to have embraced private governance. This chapter concludes with content analysis of firms' corporate social responsibility (CSR) reporting, where it is demonstrated that firms with a broader geographical footprint are more likely to provide strategic or material reasons for joining private governance regimes, whereas smaller firms rely on normative justifications for their more limited interaction with private governance. Chapter 6 employs a three faces of power framework to analyse the elite interviews with company and industry association representatives. It is demonstrated that actors contribute to the form and direction of industry regulation through the employment of discursive power. The use of the third face of power, in preference to more basic instrumental

structural power, suggests that gold mining firms are increasingly sharing sovereignty with the state, as they promote their specialist knowledge and expertise as justification for self-regulation. Chapter 7 concludes the analysis, drawing out the theoretical and empirical implications as well as future research questions that arise from this study.

Conclusion

This introductory chapter has presented the rationale for undertaking a detailed study of the resource curse as it afflicts SSA gold mining states. Firstly, the resource curse scholarship was introduced with an emphasis on the way in which the literature treats governments as the sole source of power and the principal unit of analysis. Secondly, the chapter highlighted the applicability of the resource curse literature to SSA, a region that despite centuries of mineral extraction remains marred by poverty and inequality. Next, the acute case of the resource curse in African gold mining was highlighted and the three countries—Ghana, South Africa and Tanzania—were introduced. It was argued that all three cases suffer from some incarnation of the resource curse and that their shared history provided a methodologically sound set of comparative cases. Next, the emergence of private governance as a solution to the SSA's resource curse was examined. Here, it was highlighted that a combination of factors, including the implementation of neoliberal reforms on the continent as well as the growing expectation that business has obligations to wider society, has created the ideal environment for the promulgation of firm-led governance solutions. Following this, the research questions were outlined, and the new institutionalist approach to be taken throughout the research was introduced. Lastly, this chapter provided a roadmap for the remainder of the book, and in doing so presented a sketch of the way in which this research addresses the key research questions of why and how gold mining firms operating in SSA have engendered private governance regimes. Consequently, the following chapter will explore the resource curse literature, before introducing the concepts of private authority and private governance. The chapter will then outline the norm lifecycle model developed by Finnemore and Sikkink (1998). Finally, in conclusion, Chap. 2 presents a political economy framework that ties together the resource curse and private governance literatures, demonstrating the firms have developed new institutions of governance in order to address the negative outcomes outlined by the resource curse scholarship.

Notes

1. The full list of MDGs can be found in Appendix A.
2. It should be noted that in November 2010, Ghana rebased its national accounts to include sectors that had previously been excluded from calculations, such as banking and telecommunications (Moss & Majerowicz, 2012). Owing to structural undercounting in the services sector, GDP had been drastically underestimated in previous years, and other statistics such as debt/GDP and GDP per capita were also affected (falling from 40 per cent to 24 per cent and rising from $800 to $1363, respectively) (Moss & Majerowicz, 2012).
3. The latest poverty data for Ghana is dated 2006; this data was collected by the United Nations, and is the most recent data published by the UN, World Bank or the Ghanaian Government.

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CHAPTER 2

Theoretical Explanations for Firm-Led Governance

Introduction

Mineral- and oil-rich states have been shown to experience slower economic growth rates and poorer development outcomes than their non–resource-rich peers. Nowhere is this more evident than in SSA. At the time African states gained independence, during the 1950s and 1960s, there were great hopes that nascent African states could lift themselves out of poverty owing to their inherent resource wealth. Instead, in the decades that followed, many of these countries experienced poor economic performance and underdevelopment. While states such as Australia, Norway and Canada have seen mineral wealth translated into consistent economic growth, social welfare safety nets and global power, the states of SSA have all too often seen quiescent development measures, poor economic growth and worsening income inequality.

As noted in Chap. 1, the inverse relationship between mineral wealth and positive economic growth and development outcomes is referred to in the literature as the 'resource curse'—a term coined in Auty's 1993 work *Sustaining Development in Mineral Economies: The resource curse thesis*. Since the publication of this book, an immense body of literature has grown examining the causes of and channels through which the resource curse occurs (see Auty, 2001b; Karl, 1997; Leite & Weidmann, 1999; Ross, 1999; Sachs & Warner, 1995; Wick & Bulte, 2009). In response

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to this literature, a number of authors have argued that underdevelopment in resource-rich states stems from factors other than the existence of mineral wealth (see Ahammad & Clements, 1999; Clements & Johnson, 2000; Davis & Cordano, 2009). These scholars argue that the outcomes seen in mineral-rich economies are case-specific, that minerals cannot be inextricably linked to rent-seeking and that economic performance is a culmination of a number of factors, with mining not able to be isolated (Pedro, 2006). The debate within the scholarship over the deterministic nature of the resource curse and the ability of states to overcome the paradoxical outcomes associated with mineral wealth continues. However, what is common to all of these studies is the emphasis on the role of the state as the sole source of governance, with disregard for that of the non-state actors such as MNCs that often control resource extraction in developing states.

Focusing on the state as the sole cause and potential solution to the outcomes associated with the resource curse ignores the important role of non-state actors, specifically the multinational mining firms that operate in this industry. As such, is it useful to acknowledge the globalisation and governance literature, which challenges the prevailing assumption in international relations scholarship that the state is the sole source of authority? Instead, this literature suggests that firms are increasingly being seen as legitimate rule makers. The private authority of firms, which are seen by other actors as legitimate governors, leads to the creation and adoption of private governance regimes that wield significant power over the regulation of industries. In the process, these firms create new norms that dictate acceptable behaviour by multinational mining firms. By synthesising the literatures on the resource curse, private governance and norm creation, this chapter develops a new political economy framework for analysing the resource curse.

The chapter is organised as follows. Firstly, the resource curse literature is examined, and the state-centric nature of the scholarship is highlighted. Secondly, the private authority and private governance literature is introduced in order to fill the void left by the exclusion of non-state actors. Then, the literature on the role of firms in setting new norms is examined. Lastly, a new political economy framework for defining and analysing the impacts of natural resource extraction on developing economies is presented. This new framework allows for a greater understanding of the causes and potential solutions to the resource curse, acknowledging the role of state and non-state actors, such as multinational mining firms.

Defining the Resource Curse

As outlined in Chap. 1, the resource curse refers to the slower economic growth and poorer development experienced by mineral-rich countries, when compared to their non–mineral-rich peers. This curse, specifically as it affects SSA, has been of interest to social scientists, governments and development practitioners over the past two decades. This is partly due to the fact that most African states are yet to experience the growth levels forecast by economists who witnessed the emergence of these mineral-rich independent states during the 1950s and 1960s (Baldwin, 1966). During the decolonisation period, there were strong expectations of economic growth, improved development indicators and the emergence of democratic states—of which there has been uneven progress. Further contributing to the level of attention this issue has received is the vast mineral and oil deposits known to exist in the continent. Africa holds 42 per cent of the world's bauxite, 38 per cent of its uranium, 42 per cent of the world's gold and 73 per cent of its platinum as well as 88 per cent of the world's diamonds (Bush, 2008, p. 361). These reserves are likely to be underestimated due to the limited surveying that has taken place and the exclusion, from these figures, of the significant oil and gas deposits held by SSA states (Bush, 2008, p. 361). These figures alone are staggering; however, their effect is magnified when one considers them relative to development indicators. Ghana, South Africa and Tanzania are the continent's three largest gold producers, yet they continue to suffer from poor development. The rate of under-5 mortality in Ghana is 78 deaths per 1000 births, compared to the lower-middle-income country average of 59 (World Bank, 2015). In South Africa it is 44 deaths per 1000 births—compared to the upper-middle-income country average of 20 (World Bank, 2015). Healthcare expenditure per capita in Ghana and Tanzania is US$99 and US$49, respectively, compared with the regional average of US$101 (World Bank, 2015).

Evidence of the paradoxical relationship between mineral wealth and economic growth and development has been widely explored in the literature. Initially, the focus was on the link between resources and long-run economic growth, with Sachs and Warner (1995) demonstrating that resource-rich states had lower long-run economic growth rates than their non–resource-rich peers between 1971 and 1989. The focus of the scholarship then shifted to the links between natural resource wealth and development. Leite and Weidmann (1999) built on earlier findings

by arguing that natural resources are a major determinant of corruption and that the existence of corruption slows economic growth. Citizens of resource-rich countries can expect GDP per capita growth two to three times slower than people living in non–resource-rich states (Auty, 2001b). In particular, countries endowed with point source resources (those extracted from a narrow geographic base) such as gold are more likely to experience negative outcomes from mineral extraction, when compared to countries rich in diffuse natural resources such as agricultural commodities (Wick & Bulte, 2009). Where primary commodities make up a third or more of a state's exports, there is a 22 per cent chance of civil war occurring (Collier & Hoeffler, 2004). And, it is shown that for a US$1280 rise in oil rents in Middle Eastern states, there is a corresponding 2 per cent decrease in parliamentary seats held by women (Ross, 2008, p. 115). As Stiglitz (2007, p. 7) notes, resource-rich states are often 'rich countries with poor people', suggesting that wealth concentrated in the hands of elites has done little to improve the lot of citizens of such states.

The channels through which the outcomes described above occur are both economic and political. Firstly, mineral-rich states often experience what is known as Dutch disease—an economic phenomenon whereby a sudden influx of foreign currency, as occurs during a mineral boom, attracts capital and labour to the mining sector. The flood of foreign currency to the extractive sector 'crowds out' traditional sectors such as manufacturing, worsening the country's terms of trade and making locally produced goods more expensive. Secondly, the volatility associated with the ongoing receipt of mineral rents wreaks havoc with developing economies and affects the poor most significantly. Lastly, the presence of natural resource incomes leads to the creation of rentier states, defined by Mahdavy (1970, p. 1) as states that regularly receive external rents, such as resource revenues paid to governments, by firms. Rentier states are more likely than non-rentier states to experience corruption, myopic decision-making, the presence of weak institutions and the diversion of spending to non-productive sectors of the economy.

Dutch Disease

The term 'Dutch disease' was first used to describe the experience of the Netherlands in the 1970s upon the discovery of North Sea oil, specifically the decline in non-oil sectors of the economy once extraction of oil or minerals began (Ebrahim-Zadeh, 2003). Dutch disease is defined as an

increase in the value of mineral exports that leads to an appreciation in the real exchange rate through the inflow of significant amounts of foreign currency, making non-mineral exports uncompetitive and locally produced goods expensive relative to imports. These effects then filter through the remainder of the economy, with sectors such as agriculture and manufacturing suffering from shifts in labour and capital to the more profitable extractive sector. In addition to drawing capital and labour away from agriculture and manufacturing, and making locally produced products more expensive, Dutch disease also leads to a loss of positive externalities arising from employment in these sectors (Sachs & Warner, 1995; Wick & Bulte, 2009, p. 143). Learning-by-doing, technology spillovers and the upstream and downstream industries that flow from these sectors are said to be lost when mining 'crowds out' other industries such as manufacturing and agriculture. In addition to Dutch disease, resource-rich economies also suffer negative effects from the volatility inherent in mining revenues, compared to those derived from sectors such as manufacturing.

The Impacts of Volatility

Volatility in the flow of mineral incomes is derived from three factors: variation in extraction rates, trends in international commodity markets and fluctuations in the timing of payments, as determined by extraction firms. Countries that rely heavily on resource incomes are likely to see volatility in terms of trade, less foreign investment and lower economic growth, even more so in countries in the global periphery (Van der Ploeg & Poelhekke, 2009). Volatile income streams hamper planning, boost deficits (as it is easier to increase spending than to reduce it when prices fall) and have a tendency to raise debt (Shaxson, 2005). Resource rents change spending patterns and the mechanisms through which spending is determined; these funds are more likely to be tied up in projects which maintain the power of the incumbent government, regardless of whether or not these are productive. The negative effects of income volatility are reflected in the inability of mineral-rich states to achieve the MDGs outlined in Chap. 1. Volatility leads to macroeconomic shocks and unstable government revenues, both of which disproportionately hurt the poorest sections of society, who are less able to protect themselves against negative shocks or offset their impact when they occur (Sinha & Lipton, 1999). This last effect is perhaps the most poignant in already-poor developing states, where income is unevenly

distributed and suggests that volatility, driven in part by the actions of extractive firms, hampers all aspects of development.

The resource curse literature acknowledges the impacts of income volatility on states and includes discussion of the various mechanisms through which governments can manage this volatility (such as the establishment of sovereign wealth funds, hedging of future incomes and government ownership of extractive industries). However, there is little attention paid to the scope for firms in creating, or potentially managing, this. In addition, mineral windfalls are generally high-profile public events where the increase in government revenues is well known; the anticipation of increased government revenues makes lobbying more appealing, as actors expect this activity to be more rewarding (Collier, Van Der Ploeg, Spence, & Venables, 2010). The availability of mineral incomes can lead to the formation of a rentier state, where actors' behaviours change and are driven by a desire to capture resource income.

The Rentier State

States that rely heavily on natural resource rents, the production of which employs a small proportion of the population, are said to be rentier states (Beblawi, 1987; Mahdavy, 1970). The creation of the rentier state is commonly suggested as the principal cause of the resource curse, more so than Dutch disease or the impact of income volatility. Often used as a euphemism for corruption, the term more accurately incorporates outcomes such as insufficient taxation rates, the emergence of enclave economies, higher incidences of civil war, as well as rent seeking by elites (Brynen, 1992; Ross, 2001a). The rentier state scholarship and rent-seeking models have been described as an 'attempt to explain why state decision makers in resource rich countries adopt and maintain growth restricting policies' (Di John, 2011, p. 170). The next section explores the outcomes commonly associated with the presence of mineral rents and the creation of rentier states.

Mineral rents are defined as 'revenues in excess of production costs and a normal return on capital' (Auty, 1993, p. 3). The presence of these rents creates opportunities for incumbent politicians to control such funds, in efforts to maintain power through legal means (such as increased campaign funds) and through wasteful and illegal means (such as the funding of militias) (Humphreys, Sachs, & Stiglitz, 2007). In the instance of resource abundance, competing factions are likely to fight for control of

the rents, leading to a 'feeding frenzy' and an inefficient utilisation of state resources (Lane & Tornell, 1995). Leite and Weidmann (1999, 2002) further add that issues of corruption are heightened in cases of natural resource wealth, as resource extraction is a high-rent activity likely to encourage rent-seeking behaviour. Mineral rents are frequently directed towards financing controversial developments, providing economic benefits for certain individuals or groups, creating rent-seeking opportunities in order to gain private-actor cooperation for projects that benefit a small group of actors rather than the wider population, capturing control over resource rents in preference to other state agencies and evading accountability (Ascher, 1999). It is not only natural resources that lead to rent seeking being more profitable than production, but similar outcomes can also be seen as a result of increases in foreign aid, regional transfers or other exogenous incomes (Torvik, 2002). Structuralist explanations for the resource curse suggest that firms engage in transfer pricing in order to shift profit to low taxation regimes (Auty, 1993). Such explanations also suggest that firms will seek to maximise profits by offering below-market prices for minerals, alongside kickbacks for government elites, while the total amount received by the state is less than would otherwise have been expected (Humphreys et al., 2007, p. 11).

Unearned income, or revenue not earned through production, often leaves governments compelled to spend. Resource booms create a tendency to optimism that induces excessive spending, which cannot be sustained in the long-term (Ross, 1999). Karl (1997, p. 16) argues that 'when faced with competing pressures, state officials become habituated to relying on the progressive substitution of public spending for statecraft'. Tornell and Lane (1999, p. 40) refer to this as the 'voracity effect', or, the more than proportionate redistribution of wealth following a windfall gain. The voracity effect explains the poor economic performance of states following oil or mineral booms, attributing it to increases in government expenditure that are not 'productively deployed' and windfall gains which are 'consumed, invested in safe but inefficient activities, or transferred overseas'. This spending is not limited to patronage networks. For example, both Ghana and Tanzania attempted to create welfare states as part of their socialist visions, leveraging mineral wealth in order to do so. If, as in the cases of Ghana and Tanzania, spending cannot be sustained, the impacts can be far-reaching, including economic downturns as well as associated social unrest that accompanies job losses and a reduction in social services.

States that can generate significant income from the sale of natural resources are less reliant on their citizens and often experience weaker linkages between the government and their population. When a government does not have to 'earn' its income through taxation, its citizens are more likely to be indifferent to how a state spends and less inclined to scrutinise this spending (Wick & Bulte, 2009). It is also argued that as the state is disconnected from the population, their interests do not run parallel and that the government has an increased capacity for repression either through patronage and wasteful spending or through violence (Wick & Bulte, 2009). This principal agent problem is likely to result in one of two scenarios: either a state with little taxation or representation but a strong social welfare system (as often seen in the Middle East), or, alternatively, states with low taxation, poor representation and a lack of social services (as more often seen in SSA) (Auty, 2001a).

Resource-rich states with weak taxation regimes, poor representation and limited social welfare offer little in the way of recourse for a dissatisfied citizenry. This is largely due to the lack of linkages between the state and its citizens, but it is enhanced by the reduced likelihood of the state to build bureaucratic apparatus through which the democratic processes can occur (Fearon & Laitin, 2003; Ross, 2004a). Proponents of the resource curse theory suggest in cases where mineral rents abound, leaders may be myopic and hesitant to alter the *status quo* through the development of institutions (Anderson, 1987; Karl, 1997). Where elites benefit from the existing lack of transparency and accountability, they may be less likely to strengthen state institutions. Ross (2001b) goes further still, to suggest that leaders will in fact weaken existing institutions if it is perceived that the institutions threaten their ability to capture rents. Many political systems effectively prohibit 'certain types of revision altogether (for example by providing veto power to those who would lose protections or privileges as a results of the possible reforms)' (Pierson, 2000, p. 491). The inability of states to strengthen institutions is argued by these authors to contribute to the number of resource-cursed states within SSA, as their institutional legacy prevents the state from capturing and distributing minerals rents fairly.

The extraction of natural resources is frequently managed by MNCs and can easily occur in isolation from the remainder of the economy (Ross, 1999). Owing to the capital-intensive nature of mining, few jobs are created, while there are weak linkages to local suppliers as most inputs are sourced internationally (Fosu, 1996; Singer, 1950). Foreign extractive

firms frequently utilise their own labour. Even in cases where local labour is employed, the workforce on such projects can be miniscule when compared to employment rates in the general population. For example, the total level of employment in the Nigerian oil sector as a percentage of employment in the modern sectors of the Nigerian economy is only 1 per cent, in a state where oil exports contribute 97 per cent of total exports (Akinlo, 2012, p. 168). In addition to the lack of improvement in the labour force, much of the infrastructure that is built and employed for mining is site-specific, leading to suggestions that mining does little to contribute to the overall economy in developing states. Lastly, scholars suggest that control over mines does not equate to control over the remainder of the state and that mining companies who operate in conflict zones may be supporting the suppression of citizens elsewhere in the state (Le Billon, 2001).

The link between natural resources and conflict is one of the most enduring and well-developed facets of the resource curse literature; yet, a debate continues over the drivers of conflict within mineral-rich states. Scholars such as Ross (2004b) have suggested that civil war is most often caused by long-running grievances over inequalities in wealth, a lack of political rights or religious or ethnic differences. This theory is referred to as the *grievance* model. Alternatively, Collier and Hoeffler (2000, p. 588) argue that civil war is most often sparked by *greed*, or the temptation of leaders to enrich themselves and their followers through the capture of minerals and their associated rents. Further research by Collier and Hoeffler (2004, p. 580) suggests that when primary commodity exports make up 33 per cent of GDP, there is a 22 per cent chance of civil war, whereas with no such exports, the risk is just 1 per cent. In resource-rich countries (where commodity exports make up at least 30 per cent of GDP), a 10 per cent fall in the world commodity price index is shown to shorten conflict by 12 per cent (Collier, Hoeffler, & Söderbom, 2004, p. 266). Humphreys (2005) supports this argument, concluding that civil war is more likely to occur in instances of increased petroleum wealth. He suggests that a major contribution to this link is the fact that resource-rich states spend between 2 and 10 times more on their militaries, even in the absence of civil war (Humphreys, 2005). In states such as North and South Sudan, the Democratic Republic of Congo and Angola, where rulers have questionable control over the state, wars over resources have raged for decades. Weak governments increase the incentives for rebel groups or foreign militaries to attempt capture of the state and its mineral wealth, usually through violent methods (Collier & Hoeffler, 2000;

Fearon & Laitin, 2003). Secessionist bids in these cases are suggested to be motivated by grievance, while outside forces attempting control of the state are often cited as being motivated by greed. Outside forces, such as states or extraction firms, can fuel such conflicts due to their interests in supporting either the entity attempting to take control of natural resources or the existing ruler (Humphreys et al., 2007). The involvement of outside parties, such as mining firms, can intensify and prolong conflict and as a result, the actions of extractive firms operating in conflict zones have been a point of scrutiny for outside observers. Furthermore, conflict regularly occurs on the fringe of mine sites, where local citizens often attempt to extract minerals. As such, a large number of private governance initiatives aimed at reducing mine site violence have emerged.

Is the Resource Curse a Deterministic Phenomenon?

While the resource curse narrative appears well understood and widely accepted, not all scholars unequivocally accept the existence of this paradox. The causes and solutions offered by the existing literature have so far failed to prevent a continuation of the resource curse in SSA and have been questioned by scholars who contest the concept of a deterministic resource curse. Put another way, these scholars question the inability of states to avoid the outcomes outlined above.

The scholarship remains divided over the impacts of Dutch disease on many developing states. It is argued that little evidence exists of on-the-job learning in the manufacturing and agricultural sectors, thereby suggesting growth in the mining sector does little to damage the educational prospects of workers (Sala-i-Martin & Subramanian, 2003). Additionally, it can be argued that Dutch disease holds only in conditions of full employment, whereas developing states are more likely to experience labour surpluses that can be diverted to a booming mining sector without affecting traditional sectors of the economy (Sala-i-Martin & Subramanian, 2003). Karl (1997) suggests that it is the decisions governments make following an oil boom that are key to determining whether a state suffers from the resource curse. She notes that while governments that experience a resource boom 'rarely exercise their influence wisely', theories incorporating Dutch disease have failed to explain why (Karl, 1997, p. 6). Sala-i-Martin and Subramanian (2003) use the example of Nigeria's poor long-run economic performance, arguing that it is attributable to waste and corruption rather than to Dutch disease. Rosser (2006)

supports these assertions, suggesting that Dutch disease is not exogenous; instead, its effect is determined by the ability of governments to manage economic circumstances.

The development economics literature makes the observation that strong export earnings are incongruent with sustained development, particularly when these earnings are derived from the modern, capital-intensive extractive sector, which is said to be self-contained and enclave-like in nature, with little intersectoral connections with the remainder of the economy (Weisskoff & Wolff, 1977). Eggert (2001), however, disputes this literature, instead arguing that mining industries can provide backward linkages such as the local or regional purchase of inputs for the mines, forward linkages or the downstream processing of ores and the smelting and fabrication of these ores and, finally, fiscal linkages which include taxation and royalty revenues that regional governments use to build local infrastructure. Eggert (2001) notes that the linkages between mining and the rest of the economy (known as multipliers) vary between mines and depend on the size of the region in which the mine is located. It is argued that the larger the mining industry, the more likely backward and forward linkages will occur. Further, that the greater the diversification of the region, the more likely it will benefit from mining, and lastly, the location which determines the likelihood that mine workers will live close by to the mine and stimulate local development (Eggert, 2001).

The link between natural resource wealth and increased instances of civil war has also been questioned. Ross (2003) argues that natural resources are unlikely to be the sole source of conflict and their existence alone does not guarantee violence. Instead, violence in resource-rich states is made more likely by the existence of underlying tensions, such as ethnic divisions. Ross (2003) finds that minerals only clearly increase the intensity of conflict in 2 of the 13 cases he studied, and of the remaining 11 cases, natural resources played either no role or had a mixed effect on the intensity of civil war. There is little doubt that the existence of natural resources adds to the likelihood of civil conflict; however, their presence alone is not sufficient to generate violence without the contribution of other underlying societal tensions.

Lastly, central to the debate regarding the presence of the resource curse is evidence of mineral-led export growth in developing states such as Botswana (Auty & Pontara, 2008). The case of Botswana is highly pertinent, as the landlocked SSA state not only avoided the resource curse but also experienced the world's highest average annual real GDP per capita

growth rate between 1960 and 2004 (World Bank, 2015). Throughout the 1970s, Botswana managed a corruption index factor on par with Japan, Belgium and Portugal (Auty, 2001a). This transparency was accompanied in the following decades by a stable exchange rate, accumulation of sufficient foreign reserves and balanced economic growth (Poteete, 2009). Social development measures also improved, evidenced by the country's sound healthcare system (although this is now being tested by Botswana's HIV/AIDS epidemic) and the increase in the adult literacy rate from 34 per cent in 1981 to 84 per cent in 2009 (United Nations Development Bank, 2012).

The contested nature of the resource curse literature has led to seminal authors such as Auty and Gelb scaling back some of their original conclusions. Auty (1994, p. 12) suggests that the resource curse is not an iron law, rather a 'strong recurrent tendency'. Additionally, Gelb (in Gelb & Grasmann, 2008) has revised his original thesis to suggest that the impact of minerals and oil on development is best analysed in light of the impact of path dependence. He adds that while many developing states experience the resource curse, such a paradox should be viewed as 'conditional rather than absolute' (Gelb & Grasmann, 2008, p. 88). The debate within the scholarship outlined above has so far focused on the deterministic nature of the resource curse, whether all mineral-rich states will suffer from the outcomes described above and what role the state should play in either avoiding or alleviating these negative outcomes. While the resource curse debate continues within the scholarship, a new and interesting area of study has emerged, providing a new way of analysing this ongoing problem. A closer examination of the governance of extractive industries reveals a role for non-state actors, including firms and civil society, in regulating the industry that is ignored in traditional definitions of the resource curse. The implications of this firm-led governance are underexplored in the resource curse literature. This book aims to synthesise the two scholarships in order to present a more comprehensive understanding of the outcomes associated with mineral wealth. In order to do this, it introduces the conditions under which the private authority and private governance literature emerged.

Globalisation: Towards a New Understanding of Governance

While the emergence of the scholarship on private authority and private governance is relatively recent, firm-led standards and rules are not. Until the mid-twentieth century, rule-making was often the domain of the

private sector (Haufler, 2001). For example, merchants developed the laws of commerce during the sixteenth century, as long-distance trade became commonplace. These 'rules of the game', developed to regulate an activity as yet ungoverned by states, were later adopted into merchant law (Braudel, 1982). As the public sector expanded throughout the twentieth century, private sector governance fell out of favour, and only since the rise of neoliberal policy in the 1970s and 1980s has the line between public and private regulation been again blurred. Recognition by the political science community that institutions mattered occurred simultaneously. Moreover, the study of political institutions, which had fallen out of favour throughout the 1960s and 1970s, reemerged in the form of 'new institutionalism' (Stoker & Marsh, 2010). This approach to the study of politics promulgates a more dynamic and broader understanding of what constitutes an institution—firms, multistakeholder initiatives and even the norms engendered by these institutions are now considered to be legitimate sites of rule-making.

In the case of the resource curse scholarship, institutional strength is *the* critical junction between natural resource wealth and poor economic performance (Luong & Weinthal, 2006). The role of economic institutions in particular is central to empirical evidence seeking to explain comparative economic development (Acemoglu & Robinson, 2010, p. 22). It is argued that developing states have failed to build strong institutions as they are subject to the legacy effects of colonial rule, which in most cases ended as recently as the 1960s (Acemoglu & Robinson, 2010). Acemoglu and Robinson (2010) suggest that colonisation of mineral-rich African states halted endogenous institutional reform as well as economic modernisation. Colonial structures created 'dual economies' (Palmer & Parsons, 1977) and 'gate-keeper states', which sit 'astride an interface between a territory and the rest of the world, collecting and distributing resources that [are derived] from the gate itself' (Cooper, 2002, p. 157). These colonial models left African states with a more complex institutional legacy at independence than what existed during colonisation (Acemoglu & Robinson, 2010, p. 23). In particular, the 'gate-keeper' state model was designed to extract natural resources, without the provisions of public goods in return (Cooper, 2002). Similarly, neo-Marxist scholarship argues that colonies were developed as periphery states to provide cheap raw materials to the core through the extraction of surplus from a 'pool of pauperised labour' (Baran, 1957, p. 157; Wallerstein, 1984). Not only were such conditions highly damaging during the colonial period, they have

since continued to shape economic growth and development measures through the inability of the state to radically alter existing institutions (Acemoglu & Robinson, 2010, p. 33).

While the post-colonial, neo-Marxist and dependency theory literature goes some way to describing the historical conditions behind a lack of institutional strength in many developing states, the literature on historical institutionalism better assists in understanding why states struggle to overcome this institutional weakness. Historical institutionalism points to the importance of institutions in determining collective behaviour and stands in direct contrast to the traditional functionalist view, which suggests that the design of institutions stems from the needs of users (P.A. Hall & Taylor, 1996). The resource curse scholarship suggests that strong institutions (or at least strengthened institutions) are the best way to curb the detrimental effects of corruption (Leite & Weidmann, 2002). Historical institutionalism assists in explaining the lack of institutional development in developing states over time. Central to this theory is the concept of path dependency, or the idea that initial institutional decisions, even those determined to be failures, will not cancel out, instead becoming self-reinforcing over time (Pierson, 2000). Even when institutional failures are identified, coordination problems prevent actors from generating alternative, competitive institutions. This is particularly noticeable in the case of single-institution arrangements such as state treasuries or internal monitoring groups (Pierson, 2000). Path dependency influences political actors' decisions, with actors making decisions by filtering information into 'existing mental maps' where disconfirming information is likely to be filtered out and provides one possible explanation for the link between weak colonial-era institutions and the outcomes seen today in many developing states (North, 1990). Scholars such as Stiglitz (in Humphreys et al., 2007) conclude that strong institutions focused on accountability and transparency need to exist prior to the extraction of minerals, in order to avoid symptoms of the resource curse. However, as noted in the introductory chapter, this book tempers this view somewhat by suggesting that actors themselves can shape institutions. While path dependency is certainly one important driver of the resource curse, this research will demonstrate that actors (such as firms) are able to influence the shape and structure of the institutions that govern their behaviour. Nonetheless, attentiveness to the temporal aspect of politics and the relationship between institutions remains important.

In light of the history of firm-led regulation, it is somewhat surprising that the governance scholarship has only recently acknowledged that

regulation and governance are no longer the sole domains of the state. Moreover, the resource curse literature has failed to acknowledge the role of non-state actors in regulating the extractives sector. The emergence of a new body of scholarship on the role of private firms as contributors to the governance of extractive industries is vastly improving our understanding of 'who governs'. The resurgence in scholarship on firms' ability to co-govern has been linked to attempts to understand an increasingly globalised world and the role of MNCs and states. More recently, scholars have recognised that states are no longer the lone regulators of industry and that the mining industry in particular includes regulations designed and implemented by a range of actors, including private firms. The resulting literature on private governance provides a clearer and more accurate way by which to examine regulation of extractive industries.

While regulation in its most narrow form can be defined as 'action or behaviour required by governments, that is not voluntary', an argument can be made for a broader understanding of the term (Haufler, 2001, p. 8). As noted previously, a wider and more practical definition of regulation is adopted throughout this book. It is presented by Haufler (2001, p. 8) as, 'the formal rules or standards that dictate what is acceptable and required behaviour'. According to this definition, there is less restriction on which institutions are able to formulate these rules. This contemporary approach to the understanding of regulation fits our broader understanding of governance, as emergent from a variety of actors beyond simply the nation-state.

The primacy of states as the sole source of regulation and authority in the state system was first challenged by the globalisation literature of the 1980s and 1990s. Hyper-globalists foresaw states ceding power in favour of MNCs (Strange, 1996). Citing a declining welfare state, increasing structural power of firms and growing interconnectedness, hyper-globalists predicted the death of the state (T.L. Friedman, 2000). These scholars predicted the creation of a 'borderless world', where people, capital, industry and information would flow freely between states (Ohmae, 1990). For Fukuyama (1992), the victory of political and economic liberalism sounded 'the end of history'. Such theorists argued that economic globalisation would lead to political and cultural homogenisation that would threaten state sovereignty. For hyper-globalists, the growing authority of business was a direct threat to the power and sovereignty of the state.

Of the theories that emerged from the globalisation literature, arguably the most powerful was the 'race to the bottom' thesis. This theory suggests states will no longer be able to assert themselves in the face of

global capital, in turn overwhelming the state's capacity to act in a way that contradicted market forces (Drezner, 2001). As capital flows become increasingly mobile, business will simply relocate to jurisdictions in which the highest return on investment can be sourced. States will reduce corporate taxes and minimise environmental and labour laws, and, in response, capital will engage in regulatory arbitrage—moving to countries with the lowest standards (Drezner, 2001). While the race to the bottom thesis raises serious normative concerns about the role of the state in the face of global capital, it remains that very little evidence of capital flight or the emergence of 'pollution havens'[1] exists (Leonard, 1988).

The globalisation scholarship stresses the distinction between globalisation, *increasing* interconnectedness and globalism, the *state of the world* involving networks and interdependence. Or, put another way, globalisation and deglobalisation refer to the increase or decrease of globalism (Keohane & Nye, 2000, p. 105). In this vein, the *transformation* of global and national governance is stressed by authors such as Mikler (2011) and Held (1999) who critically reassess globalism, presenting a more tempered view of the relationship between the state and firms. These scholars suggest that states are not necessarily retreating, or dying; instead, they are willingly sharing authority with non-state actors such as firms (Held, 1999). Central to this argument is the observation that firms have not been exercising structural power in the way hyper-globalists predicted, with little evidence of a 'race to the bottom' (Leonard, 1988). Hay and Marsh (2000), Weiss (2003) and Bell and Hindmoor (2009) suggest that there is little empirical evidence to support a race to the bottom and that which is presented is often misused. Drezner (2001, p. 75) notes that the lack of evidence for this thesis is 'striking', instead referring to a wide body of literature that shows increased capital mobility having little effect on states' ability to tax and regulate business, as well as conduct independent fiscal and monetary policies (see Boix, 1998; Braithwaite & Drahos, 2000; Garrett, 1995, 1998; Swank, 1998). Furthermore, Vogel (1995) has suggested that firms may even engage in a 'race to the top', through the transmission of more stringent standards from developed countries to firms and eventually to developing states. Also referred to as the 'California effect', Vogel originally developed this theory to describe how trade acts as a vehicle for transmitting importing countries' regulatory standards to exporting countries (see also Prakash & Potoski, 2006). The California effect suggests that firms that emanate from countries with strong regulation bring these standards with them when they set up production in developing states.

The transfer of standards and accepted behaviour can then spread throughout industry, improving governance rather than encouraging diminishing standards. Vogel (1995) argues that firm-led governance, which raises the level of regulation in developing states, can represent the privatisation of the California effect.

Transformationalist scholars of globalisation argue that states remain legally sovereign; however, their power and authority are being reorganised by non-territorial organisations such as MNCs (Held, 1999). Globalisation has heralded changes to global governance; specifically, a reconstitution of the relationship between firms and the state that varies across industries and geographies. This reconstitution sees firms as participants in the governance of their industries through the development of private governance regimes.

Private Authority and Private Governance

Despite the prevailing focus in international relations theory on the role of the state, it is clear that firms cooperate in order to structure rules and regulations that govern their industry. In fact, it can be argued that firms *prefer* rules and often create regulations where states have been unwilling or unable to do so. As noted previously, the rules of international commerce, for example, were largely developed by business to create a framework through which transactions could take place (Cutler, Haufler, & Porter, 1999). More broadly, this interfirm cooperation has led to the emergence of private authority and private governance regimes that dictate the 'accepted way of doing things' within particular industries. As Cutler et al. (1999, p. 16) note, 'private actors are increasingly engaged in authoritative decision making that was previously the prerogative of sovereign states'. This decision-making has led to the emergence of firm-led voluntary regulations, which Hale and Held (2011, p. 211) refer to 'as perhaps the most common type of innovative transnational governance institution'. This section examines how firms' rules and regulations are legitimated and how in turn these are accepted as substitutes for government regulation. The emergence of the scholarship on private authority and private governance recognises 'the more direct role that business and other actors can play in rule making' while simultaneously considering the 'many types of rules that carry out similar functions to formal law' such as business self-regulatory arrangements (T. Porter & Ronit, 2010, p. 5).

It is argued that firms are able to 'perform the role of authorship over some important issue or domain' (Hall & Biersteker, 2002, p. 4) when they possess 'decision-making power over an issue area that is generally regarded as legitimate by participants' (Cutler et al., 1999, p. 362). This authority, as possessed by firms, is referred to as private authority. Private authority creates legitimacy and subsequently can achieve a high level of acceptance amongst other actors due to the knowledge, expertise and representational skills afforded to firms (Cutler et al., 1999). Firms that possess private authority are able to set rules and regulations that are adopted by others in the industry and even by governments. When private authority is effective, these other actors accept the decisions being made by companies as legitimate and representative of those in power (Cutler et al., 1999). In addition to firm-led governance, governments are increasingly delegating authority to international private sector bodies, or industry associations, that 'for [their] area of expertise, [are] viewed by both public and private actors as the obvious forum for global regulation' (Büthe & Mattli, 2011, p. 5).

Non-state actors that possess private authority frequently implement rules and regulations that govern their sector. When other actors repeatedly interact and behave according to these rules, firms are said to have implemented private governance, which

> emerges out of a context of interaction that is institutionalized and of more permanent nature. In a system of governance, individual actors do not constantly decide to be bound by the institutional norms based on a calculation of their interest, but adjust their behaviour out of recognition of the legitimacy of the governance system. (Falkner, 2003, p. 73)

Private governance represents the 'simultaneous privatisation and internationalisation of governance' (Büthe & Mattli, 2011, p. 5). It is partly driven by governments' lack of technical expertise, financial resources or flexibility to deal with complex and ever-changing regulatory tasks, but also encouraged by firms who see such regulation as more cost-effective and efficient than government-led regulation. The emergence of private governance relies on the credence that self-regulatory solutions are both more efficient and more legitimate than traditional command and control regulations, as implemented by governments (T. Porter & Ronit, 2006). Non-state actors contribute to the regulation of their sector, and those with sufficient private authority set the rules for the remainder of the industry through the formation of private governance institutions.[2]

Despite the common perception that firms wish to avoid regulation, this area of scholarship demonstrates that firms are willing to self-regulate, create industry associations and join public–private partnerships (PPPs) in order to participate in industry governance. The manner in which firms do this is taken up in Chap. 4, where it is demonstrated that the norms firms engender can be translated into rules and regulations applicable to their sector. It is argued that no longer are firms assumed to be 'self-interested profit-driven actors, unprincipled and without any standards of behaviour' (Haufler in Cutler et al., 1999, p. 199). Instead, businesses are increasingly viewed as stakeholders with a genuine interest in the social, political and environmental circumstances in which they work (Cutler et al., 1999). This interest may stem from a number of drivers, including a wish to be seen as 'socially- responsible', a need to adapt to evolving societal norms and the acknowledgment of a direct correlation between profitability and a demonstrated commitment to CSR principles (Dashwood, 2012a; Vogel, 2006a). Dashwood (2007) notes that for mining companies, the greatest risk to their operations is opposition from local communities where they operate. The nature of mining, specifically the requirement that minerals are extracted where they are found, means that good community relations are essential, with a 'social license to operate' deemed critical (Burke, 1999; Dashwood, 2007).

Private authority is a necessity for an effective private governance regime; firms who are leading the creation and dissemination of these rules must be seen as credible and legitimate by other actors. However, private governance also lends authority to firms. Participation in rule-making bodies lends legitimacy to firms and compounds their private authority. The relationship between private authority and private governance, therefore, is reciprocal and circular. Each builds on the other, leading to the establishment of rules and regulations, instituted by companies, that are seen as appropriate and legitimate. These rules and regulations may complement or rival those implemented by the state. At the national level, many governments are increasingly delegating regulation to the private sector, often relying on private governance regimes to fulfil this role (Aman, 1999). Governments may be interested in legitimising these initiatives in order to allow for market-competitive, flexible governance of industry (Haufler, 2001). However, there remains some scepticism based on the voluntary nature of most private governance initiatives, with publics and governments not always willing to trust the market to consistently implement higher standards, alongside questions of accountability and

the un-democratic nature of firm-led governance (Haufler, 2001). These issues are discussed in further detail in Chap. 4. Overall, it is impossible to classify all private governance regimes as complementary to the state or as rival to state-led regulation; instead, private governance represents a complex group of initiatives, some of which are more credible than others. Nonetheless, private business is now an entrenched part of global governance and needs to be examined in this light.

The effects of private authority and the private governance regimes that business creates can be seen in the changing norms around business behaviour. Many of the private governance initiatives developed by firms have led to changed expectations of appropriate business behaviour in issue areas such as environmental management, the effects of mining on surrounding communities and the role firms play in supporting corrupt regimes.

The Role of Firms in Emerging Norms

Like other actors, firms' behaviour is shaped by norms, defined as 'a standard of appropriate behaviour for actors with a given identity' (Finnemore & Sikkink, 1998, p. 891). These expectations and standards of behaviour change over time and can be traced using the model developed by Finnemore and Sikkink (1998), where the first stage of 'norm emergence' is followed by 'norm cascade' and, finally, internalisation of the appropriate behaviour. The first two stages are punctuated by a 'tipping point' at which a 'critical mass of relevant state actors adopt the norm' (Finnemore & Sikkink, 1998, p. 895). The literature on norm dissemination focuses on the role of non-governmental organisations and transnational advocacy networks in 'broaden[ing] the scope of practices these norms engender, and sometimes even renegotiate or transform the norms themselves' (Keck & Sikkink, 1998, p. 35). However, Dashwood (2007) extends this analysis to firms, particularly those operating in the extractives sector, suggesting that business does not just *react* to societal pressures around their behaviour, but actively *shapes* emerging global norms. Her analysis concurs with that of Cutler, Haufler and Porter (1999), who suggest that norms engendered by firms and disseminated throughout industries can lead to more institutionalised rules and regulations, such as those captured by formalised private governance regimes.

Utilising the model outlined above, Dashwood (2012b, p. 36) notes that multinational mining firms 'can themselves play a role in the dissemination

of progressive norms'. Dashwood (2012b) traces Finnemore and Sikkink's (1998) 'life cycle' model using the case study of Canadian miners who operated in SSA. She finds that domestic pressure, from mining companies' home jurisdictions, and the leadership of several first-movers were the catalyst for the emergence of a new norm (the first stage of the model), which placed sustainable development at the centre of CSR policy (Dashwood, 2012b). The critical juncture, or norm cascade, took place in the 2000s due to mounting pressure from NGOs, several environmental incidents and a restriction of access to capital for firms who were not embracing this new norm (Dashwood, 2012b). By this stage, a critical mass of mining firms came to accept sustainable development as a normative framework for their CSR policies and the 'tipping point' had occurred.

The process of norm emergence, as driven by transnational actors, places scrutiny on domestic policy arenas, and can lead to the reversal of the 'downward' effect of globalisation (Bernstein & Cashore, 2000; Keck & Sikkink, 1998). Instead, the dissemination of norms of business behaviour has been argued to have led to an 'upward' shift in governance over issue areas such as environmental protection (Cashore, Auld, & Newsom, 2004; Vogel, 1995). The ability of mining firms to shape the norms of their industry through private authority and the use of private governance regimes is of key importance in understanding the impacts of mining on economic and social development. Where firms are exercising their private authority to create private governance regimes that are accepted by other actors, they are in the process shaping norms. In the face of weak governance, these new norms and private governance regimes can be said to improve governance over key issue areas such as environmental management, transparency, the elimination of conflict minerals and ensuring the human rights of those communities surrounding mine sites. In turn, the implementation of these rules and regulations may enhance the governance of SSA's extractive sectors and present a potential solution to the resource curse.

A New Framework for Analysis

As the preceding review has outlined, the resource curse literature fails to fully explain the conditions under which mineral-rich countries experience poor economic and development outcomes. By focusing on the material realities such as countries' resource endowments, insufficient attention is paid to institutions and the normative context of governance, particularly of

the extractives sectors. In particular, the scholarship's assumptions around governance are incomplete without the acknowledgement that firms are able to build private authority and legitimacy, which in turn allows them to promote private governance as a solution to issues facing the industry. The creation of these private governance regimes is most effective when they are adopted and recognised by other actors, including governments. Moreover, powerful firms are able to shape the norms that dictate acceptable practices and behaviours in the industry and thereby further influence the governance of their industry.

The literature suggests numerous negative outcomes associated with mineral wealth, including the presence of Dutch disease, impacts of income volatility and the creation of a rentier state. Over the past two decades, firms have increasingly sought to provide their own solutions to the problems facing their industry. Private governance solutions have been developed for a range of outcomes associated with the resource curse. Table 2.1 maps the links between the resource curse literature and private governance initiatives. Using a three-level unit of analysis, which is further advanced in Chap. 4, private governance initiatives are grouped at the firm level (i.e. self-regulation), the industry level (both gold mining specifically, and mining more generally) and multistakeholder initiatives developed by firms, cross-industry bodies and in conjunction with governments and NGOs. Table 2.1 demonstrates how the private governance initiatives engendered by business emerge as a response to the outcomes associated with the resource curse. For example, firms who voluntarily disclose payments made to governments can claim to be promoting transparency and accountability. The WGC works towards a steady long-term increase in the gold price, which in turn can reduce income volatility in developing state budgets. The Ghanaian Chamber of Mines lobbies the government, on behalf of mining firms, over issues such as the proportion of royalties collected that are directed to mining communities as well as developing, with firms, quotas for the employment of local labour on mines. Lastly, the EITI has been developed to improve accountability of both mining companies and governments. This improved accountability may in turn increase certainty around payments (thereby reducing volatility) and may also allow countries to better manage the influx of foreign currency associated with a mining boom.

While the private governance initiatives mapped in Table 2.1 are promoted by industry as viable solutions to the problems associated with mineral wealth, not all scholars agree that these are effective governance mechanisms. Criticism has been directed at firms' motivation for joining

Table 2.1 Private governance solutions to the resource curse

Resource curse symptom	*Firm self-regulation*	*Cross-industry bodies*	*Multistakeholder initiatives*
Dutch disease			EITI—make public mining revenues to help forecast future income
Volatility		World Gold Council—works towards steady growth in the gold price	EITI—as above
Corruption/wasteful spending	Voluntary disclosure of payments to governments		EITI—disclosure of payments to governments
Weak state–citizen linkages		Ghanaian Chamber of Mines—lobbying for 50 % of royalties to go to local communities	
Low employment rates	Firm local procurement/hire quotas	Ghanaian Chamber of Mines—social responsibility model	ICMM—indigenous people and mining statement
Increased likelihood of conflict		World Gold Council—conflict free gold standard	Voluntary principles on security and human rights; UN global compact; Kimberley process
Weak institutions			EITI—promotes transparency and accountability

Source: Various private governance initiative websites

private governance regimes. For example, the oil industry's participation in the EITI has been argued to be a response to the reputation risk of the sector and also the firms' desire to alter the course of the industry norms surrounding 'best practice' (Gillies, 2010). Moreover, the diamond sector has been the site of 'conflicts between (and within) local communities, migrant workers, companies, and authorities', and this has often been overlooked in favour of mainstream narratives on resource wars, -such as that of

the ‘blood diamond’ campaign (Le Billon, 2008, p. 365). The voluntary nature of private governance has been highlighted as a major weakness of these particular governance regimes, a feature that makes enforcement, monitoring and compliance difficult. Critics argue that private governance initiatives have been successful if measured in terms of ‘reputation, communication with stakeholders and general awareness raising’, yet they have been less effective in terms of replacing traditional command and control governance mechanisms (Schiavi & Solomon, 2007, p. 39). Furthermore, the effectiveness of private governance regimes varies between initiatives, with particularly weak regimes such as the International Council for Mining and Minerals (ICMM) attracting significant criticism for attempts to woo its stakeholders through its ‘sustainable development framework’—which has largely failed, with some observers viewing this as a public relations exercise (Sethi & Emelianova, 2006). These criticisms are explored in detail for each of the private governance initiatives examined in Chap. 4.

Yet despite the critiques of private governance initiatives, they continue to be promoted as solutions to the ills of natural resource extraction, particularly in states with weak governance; they are therefore central to any understanding of the way in which mining sector governance is developed and assessed. While the voluntary nature of many of these initiatives renders them open to criticism, it remains that the industry and governments are increasingly relying on private governance regimes in order to supplement or even replace government regulation. As such, the role of firms in designing and promoting these initiatives, as well as their reasons for doing so, is central to any understanding of the resource curse.

Conclusion

This chapter has presented an overview of the current state of the resource curse and private governance scholarships. It has been shown that the existing resource curse literature, while rich in quantitative studies of the channels through which the resource curse occurs, lacks a broad understanding of the way in which rules and regulations governing the extractive industries are formed. It was shown that much has been written about the impacts of Dutch disease, volatility of mineral incomes and the existence of the rentier state. At the centre of this literature is the role states play in either exacerbating these outcomes, or methods by which they can assist in alleviating the poor social and economic development associated with mineral extraction. This literature review has highlighted the state-

centric nature of the existing scholarship and instead suggested that the role of firms in governing their industry should be acknowledged.

Secondly, the chapter presented a discussion of the private governance scholarship. Emerging in light of the globalisation debates of the late twentieth century, it was demonstrated that the international relations scholarship has moved beyond a state-centric understanding of governance with scholars now acknowledging the role firms and other non-state actors play in regulating their sectors.

The chapter then provided a brief overview of the ways in which firms can engender norms. Firms with significant private authority are able to promulgate progressive norms that eventually cascade throughout the industry. It was shown that by the early 2000s, the mining industry had witnessed widespread acceptance of the role of sustainability and corporate social responsibility. This example was used to demonstrate how firms are able to lift the standards of governance in their industry through the transmission of norms from one firm and one state to others.

Lastly, a political economy framework was developed through the synthesis of the resource curse and private governance literatures. This framework provides an understanding of how private governance regimes may be used to alleviate the outcomes associated with the resource curse. The remainder of this book attempts to understand how and why firms develop these regimes. It is shown that a more thorough understanding of the resource curse, the channels through which it operates and the potential solutions to the problem can be located through the use of a multi-actor approach. The introduction of firms to the resource curse literature allows not only for a closer examination of the causes and potential solutions to the resource curse, but also for a more complete picture of the governance of the extractive industries and the ways in which actors' behaviour is determined.

Notes

1. Leonard (1988, p. 2) defines pollution havens as less-developed countries that 'use lenient environmental regulations to attract multinational industries'. Inherent in this definition is the presumption that firms seek out these pollution havens and operate in ways that would be unacceptable in their home states.
2. The use of the term 'institutions' here follows that of Krasner's (1983, p. 1) definition of a regime; 'principles, norms, rules and decision making proce-

dures around which actor expectations converge in a given issue areas'. As such, this book uses private governance regimes and private governance initiatives interchangeably.

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CHAPTER 3

A History of Gold Mining in South Africa, Ghana and Tanzania

Introduction

The African continent is richly endowed with significant mineral, oil and gas resources, including large reserves of gold. As noted in the previous chapter, the continent is home to a large portion of the world's mineral wealth, including 42 per cent of the world's known gold reserves (Bush, 2008, p. 361). The continent's largest producer of gold, South Africa, is the world's sixth largest producer (George, 2014). Despite Africa's mineral resource endowment, poor governance of extractive industries has meant the benefits of this wealth have thus far not been distributed equally. As discussed in the previous chapters, good governance and institutional strength are essential for translating mineral wealth into economic growth and development, which are also matched by improvements in equality.

The three countries that form the focus of this research, Ghana, South Africa and Tanzania, share a history of poor natural resource governance, which has resulted in each country suffering from negative outcomes associated with the resource curse. In all three cases, control of gold mining governance has passed from colonial powers, to IFIs and finally to firms. Weak governance of the extractive sectors originated with European colonisation, where natural and human capital were exploited in order to enrich colonising powers. The lack of infrastructure, education and employment opportunities provided during the colonial period

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meant that upon independence (or transition to majority rule in the case of South Africa), these countries were highly underdeveloped and lacked the institutional strength to convert mineral wealth into economic growth and development. Further compounding this history of weak governance, in more recent times, all three countries have been forced to enact policies consistent with the Washington Consensus, specifically, deregulation of the mining sector, including the sale of mineral assets to private investors, and the establishment of generous taxation schemes. While this has led to greater investment in Africa's gold mining industries, it has also opened the way for a small number of multinational mining firms to control the gold mining sector on the continent. These firms have benefited greatly from the policies implemented as part of the deregulation process. Although all three countries share common historical attributes, the following chapter traces the history of gold mining governance in each country in order to elucidate the individual characteristics of each case.

What emerges from this analysis is a variation in the way each country has dealt with the failure of neoliberal reforms to deliver economic and social development. While in all three cases GDP per capita has increased in tandem with government revenues from mining, entrenched poverty, inequality and social malaise, such as a failure to improve health and educational outcomes, have remained. In the cases of Tanzania and Ghana, the countries have embraced private governance initiatives as one potential way to improve governance of the sector. While the Ghanaian and Tanzanian governments have collected increased revenues from gold mining over the past decade, this is yet to translate into genuine development and these countries therefore remain resource-cursed in this sense. Conversely, South Africa has retained much of the neoliberal reform introduced in the 1990s and has not encouraged firms to deliver market-led regulatory solutions. In the case of South Africa, very little has changed in the post-Apartheid era. Mining firms remain controlled by a small elite, while the country continues to experience extreme levels of inequality and poverty—accompanied by labour disputes and violence in the gold mining sector. It is concluded that all three cases retain features of the resource curse, as outlined in the previous chapter.

In order to further develop an understanding of the links between weak governance and the resource curse, this chapter explores historical governance of the three countries. Firstly, the decision to focus on gold is rationalised through a discussion of the importance of this mineral to these three countries, the growing demand for gold and the decade-long boom

in gold prices. Combined, these factors suggest that Ghana, Tanzania and South Africa should theoretically be experiencing a gold boom of their own, accompanied by economic growth and development. Instead, as the remainder of the chapter outlines, the history of gold mining governance in the three countries, particularly the role played by colonising states, IFIs and multinational mining firms, has resulted in the weak contemporary governance of the industry and has contributed to entrenching the outcomes commonly associated with the resource curse.

The Relevance of Gold Mining

Gold is mined in 34 SSA countries (African Development Bank Group, 2012). The global average production of gold over the period 2007–2012 was 2400 tonnes per annum, of which 20 per cent was mined in Africa (African Development Bank Group, 2012). The continent's largest producer is South Africa, which contributes 10 per cent of world production (African Development Bank Group, 2012). The next most significant producers on the continent are Ghana, Tanzania and Mali (Miller, 2013). This research focuses on the continent's top producers, namely, South Africa, Ghana and Tanzania. In addition to their gold output, these countries share a common colonial background (all were either colonised or administered by the British) and are relatively stable countries with functioning democratic systems of government. This last point provides sufficient reason to be optimistic about the impact of gold mining in these states, and as such suggests that improved governance of the gold mining sector *should* enhance development in these countries.

Gold is used for three main purposes: jewellery, industrial applications and as a financial reserve. The rise of the Indian and Chinese middle classes over the past decade has placed increased demand on gold jewellery. Further, China's economic growth over the same period has placed greater demand on gold as a financial reserve and as an industrial input. Together, these two countries account for half of the gold consumed between 2010 and 2012 (African Development Bank Group, 2012). In addition, global demand for gold grew during the Global Financial Crisis as investors sought safe haven assets as an alternative to the riskier US dollar. These factors have greatly increased demand for gold over the period since 2000. Correspondingly, the price of gold rose from US$350 an ounce in 2000 to a high of US$1553 in 2012, before falling to US$1195 in 2014, as is demonstrated in Fig. 3.1 (World Bank, 2015a).

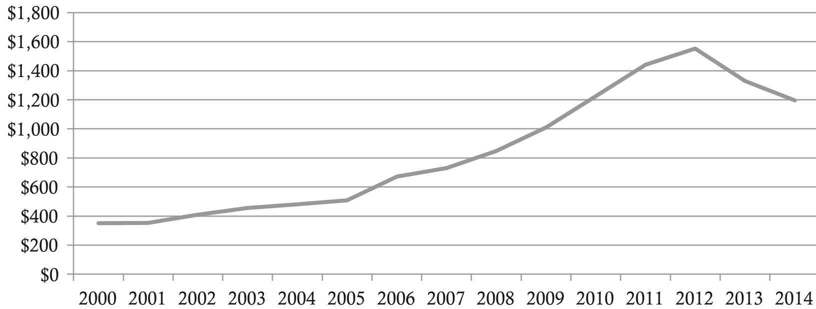

Fig. 3.1 Gold price $US per ounce 2003–2014
Source: World Bank, 2015a

Despite the recent drop in gold prices being used as a catalyst for wage freezes, reduced mine investment and even mine closure, globally, gold producers have benefited from this '10-year gold bull market' (World Gold Council, 2010). Gold mining firms operating throughout Africa have also benefited from this decade-long price growth. However, the gold producing countries of Africa have not benefited in the same way. Not only have many of Africa's gold producers suffered from slow growth rates compared to their non–resource-rich peers, alarmingly, economic growth in gold producing countries is slower than that of other *resource-rich* African countries (African Development Bank Group, 2012). In analysing why gold-rich countries suffer more acutely from the resource curse, the African Development Bank (2012) highlights the creation of enclave economies, poor linkages with the broader economy, the capital intensiveness of production and the poor contractual arrangements that give way to low royalty and taxation receipts.

The drivers outlined by the African Development Bank are congruent with those that emerge from the discussion of the resource curse literature in the previous chapter, and are evident in Africa's gold producing countries. With the exception of South Africa, gold mining countries in Africa experience few backward and forward linkages from the industry. Backward linkages with other sectors of the economy occur when inputs for gold mining are sourced locally, or when mining activity creates demand for local goods and services. Gold mines require infrastructure such as lighting, roads, yellow goods, explosives, chemicals and fuel, as well as services such as transportation. With the exception of South Africa, almost all African gold mining countries import machinery, explosives

and chemicals, relying only on the local economy for non-tradable goods such as transport (African Development Bank Group, 2012). The capital-intensive nature of the industry also means the employment generation is limited. For example, just 0.2 per cent of Ghana's non-agricultural workforce is employed in mining despite the industry accounting for 8.1 per cent of GDP (African Development Bank Group, 2012; World Bank, 2014). Forward linkages occur when downstream processing of gold occurs within the domestic economy. Again, with the exception of South Africa, gold sourced from African countries is refined elsewhere. While South Africa hosts the world's largest gold mining refinery, the Rand Refinery, neither Ghana nor Tanzania currently possesses the ability to refine their own gold. The Rand Refinery processes all gold produced in South Africa, and much of what is mined in Tanzania and Ghana (Larsen, Yankson, & Fold, 2008). In an effort to extend the benefits of gold mining to the broader economy, in 2009 the Ghanaian government announced the commissioning of a €4 million refinery in the capital, Accra, although at the time of writing, building of this refinery is yet to begin.

In addition to gold mining's relatively weak linkages with the remainder of the economy, the process of gold extraction produces tremendous waste, relative to other commodities (Gifford, Kestler, & Anand, 2010). This relatively high level of waste stems from the fact that gold can be mined at lower quality grade than other minerals (resulting in higher quantities of ore being extracted) and that most gold mining occurs in large open-pit mines (Gifford et al., 2010). The leftover rock waste piles from gold mining often include lead, mercury, cadmium and arsenic, which can pollute the water sources required for the extraction of gold (Gifford et al., 2010). These waste piles also attract illegal miners seeking small quantities of discarded gold. These illegal miners work in dangerous conditions, unprotected from chemicals and mine subsidence, and often clash violently with security services and mine site staff.

Gold mining contributes significantly to export base of the three countries examined in this book. Gold accounts for 3 per cent of South Africa's total exports, in Ghana it is 26 per cent and in Tanzania it is 36 per cent (International Trade Centre, 2014). Yet, overall it has failed to benefit many citizens of these countries. The inability of governments to effectively tax large mining companies, the lack of job creation (in mines as well as upstream and downstream industries), labour unrest, environmental degradation and conflict between large mining companies and small-scale or artisanal miners reflect the complexities of measuring mining's impact

on these economies. These negative outcomes support the resource curse thesis as outlined in Chap. 5, suggesting that mining and its associated industries often fail to generate economic growth, whilst impacting poorly on the environment and mine communities. The following section explores the history of mineral sector governance in these three countries, highlighting the historically weak management of the sector, which has led to these poor economic and development outcomes.

Ghana

The ancient kingdom of Ghana was located 800 kilometres north of the modern-day capital city, Accra, crossing into modern-day Mali and Mauritania (Hilson, 2002). At the time, the name Ghana strictly referred to the region's king; however, it was later used by Arab merchants, who traded gold for more than 700 years prior to the arrival of Europeans, to refer to the wider region (Hilson, 2002).

Modern-day Ghana, along with its precursors the ancient kingdom of Ghana and the Gold Coast colony, has produced a large portion of the world's gold over the past 1000 years (Hilson, 2002). The majority of Ghana's gold wealth lies in the western half of the country, in two belts that run into Burkina Faso and northwest to Senegal and Mauritania. These reserves currently make up 70 per cent of West Africa's total gold output (Utter, 1993).

Initial European contact with Ghana occurred at the turn of the fifteenth century. At this time Europe was facing a scarcity of gold, which was in turn undermining financial stability. The Portuguese were the first Europeans to arrive in modern-day Ghana, in 1471, and were greeted with an established trading system set up to engage in exchange with neighbouring kingdoms as well as with Arab merchants (Hymer, 1970). The sophisticated nature of the trading system, combined with the wealth of gold found in the region that was desperately required to stabilise the European financial system, made Ghana a highly attractive trading partner (Hymer, 1970). While the settlement lasted just 100 years, the new mine technology introduced by the Portuguese increased production levels drastically. Increased production led to mine expansion, which resulted in Ghana producing 35 per cent of the world's gold between 1493 and 1600 (Addy, 1998). During this period, Ghanaians largely regulated the trade in gold, negotiating with the Portuguese over the exchange of gold, as well as the circumstances under which coastal forts and warehouses

could be built (Hilson, 2002). Although Portuguese traders attempted to expand their trade inland, even seeking to establish a gold mine of their own, they were restricted by the Ghanaians to trading out of the coastal forts and ships (Hymer, 1970). The ability to control the trade in gold, combined with the Portuguese policy of keeping territorial and administrative responsibilities to a minimum level, meant that Ghanaians played a central role in the governance of the gold mining industry, extracting the resource and determining the price and the conditions under which trading would take place (Hilson, 2002). However, the eventual departure of the Portuguese marked a turning point in the management of gold extraction in Ghana. From the sixteenth century onwards, Ghanaians would have little input into the governance of this important export industry, including the distribution of the profits from mining.

Portuguese power was waning by the mid-sixteenth century, a result of which was a loss of control over the West African gold trade. After the sixteenth century, the British African Company of Merchants and the Dutch West India Company battled for control over Ghanaian gold, and in 1874 the British formally colonised what was then known as the Gold Coast (Hilson, 2002). Despite the British issuing 70 gold mining concessions, the 1880s saw very little increase in the production of gold, as transportation was still difficult and dangerous compared with the relative ease in which gold was being mined in, and transported from, the Transvaal region of South Africa (Hilson, 2002). In 1895, gold production finally increased after several gold mines were opened in Obuasi, including the Ashanti Goldfields Company which remains productive to this day (Laffoley & Laidler, 1993). In 1901, 16 years after the opening of the Obuasi mines, construction began on a railway line connecting Takoradi and Kumasi and running close to the mine sites (Jackson, 1992). The development of infrastructure lagged behind mine construction and only began once significant amounts of gold were being produced. Improved access led to more than 4000 mine concessions applications being lodged between 1901 and 1902 (Kesse, 1985). The same period, considered the first of the colony's gold booms, saw output increase 400 per cent as the Boer War scared investors away from South African mines (Hilson, 2002).

The Gold Coast's second gold boom occurred immediately following World War I, after which gold production rose steadily to reach 882,241 ounces in 1941 (Akabzaa & Darimani, 2001). Production fell during the World War II, dropping to a low of 527,628 ounces by 1945 and remaining below pre-World War II levels throughout the remainder of the

1950s. The decline in production was worsened by the uncertainty facing foreign investors as the colony's independence movement gained momentum. During the definitive colonial years, private investors responded to this uncertainty by ceasing to invest in mine maintenance, thus allowing mines to greatly deteriorate (Acquah, 1995; Akabzaa & Darimani, 2001).

The Gold Coast was the first SSA colony to achieve independence, with Ghana declared an independent state on the March 6, 1957 (Bourret, 1960). The new government, led by Kwame Nkrumah, inherited an unproductive gold mining sector, which had suffered from decades of neglect and underinvestment. Upon independence, the private firms that had underinvested in mine assets sought government grants to rehabilitate their mines. When these were denied, many firms simply moved offshore (Acquah, 1995). The Ghanaian government responded by nationalising all but two of these dilapidated mines. By 1961, the entire gold mining industry, with the exception of mines at Kongongo and Obuasi, was subject to state control (Jackson, 1992). In 1966, the government nationalised the Kongongo mine, leaving just AngloGold Ashanti's (AngloGold) Obuasi gold mine to be privately owned (Jackson, 1992).

Like many other post-independence African leaders, Nkrumah was driven by socialist principles, under which it was argued that the profits from gold mining belonged to all Ghanaian people. For Nkrumah, like Tanzania's post-independence leader Nyerere, nationalisation of gold mines was one obvious way in which the country's wealth could be directed towards broader goals of development. While Nkrumah's commitment to central planning was genuine, the gold mines were in such a poor state that government ownership was the only way in which complete closure of the mines could have been avoided (Acquah, 1995). The Ghanaian government's nationalisation strategy was formalised in a 1972 white paper, which included the intention to acquire a minimum of 55 per cent of equity capital in all mining companies and a directive that mining firms be reorganised as Ghanaian with head offices inside Ghana. The white paper was made into law the same year (Kesse, 1985). All gold mining firms, with the exception of Ashanti Goldfields Corporation (later AngloGold Ashanti Limited), were fully nationalised. In the case of Ashanti Goldfields Corporation, the government took a 55 per cent ownership stake, leaving the remainder in private hands, and the head office was relocated from London to Accra (Akabzaa & Darimani, 2001; Hilson, 2002). Following state control of Ghana's gold mines, it became evident that the Ghanaian government had neither the required capital nor the management skills

to rejuvenate the country's gold mines in order to bring them back to productive levels. Production fell following nationalisation, and by 1976 output had fallen to just 281,694 ounces, which equated to 80 per cent of 1960 output and just one-third that of 1941 (Hilson, 2002).

In addition to the underinvestment in the gold mining sector, the post-independence period was a time of great turmoil in Ghanaian politics. A series of coups and counter-coups was accompanied by serious economic decline, as each new regime became further indebted without implementing serious economic reform. Various administrations oversaw economic decline in Ghana, including the National Liberation Council (which overthrew Nkrumah and ruled from 1966 to 1969), the Progressive Party (1969–1972), the National Redemption Council (later the Supreme Military Council; 1972–1979), the Armed Forces Revolutionary Council (which lasted just four months) and a civilian government that was then overthrown in the 1983 military coup led by Flight-Lieutenant Rawlings, who subsequently created the Provisional National Defense Council (Hilson, 2002).

By the time the last of these coups occurred, the Ghanaian economy, including the minerals sector, was in a state of crisis. Between 1961 and 1983, GDP per capita declined an average of 1.6 per cent per annum, including a fall of 14.5 per cent in one single year—1975 (World Bank, 2015b). Inflation rates during the same period were also extreme, reaching 116 per cent in 1977 and 1981 and peaking at 123 per cent in 1983 (World Bank, 2015b). Over time, ruling regimes had combined a shift from a market-based economy to one of centralised planning, with a series of poor policy decisions, including the nationalisation of industry without the required managerial and institutional capacity, the introduction of import controls, increasing budget deficits and the overvaluation of the currency (Addy, 1998). As a result, in 1983 the newly installed military regime was forced to engage the IMF to design an Economic Recovery Plan (ERP), which included the privatisation of mines and subsequent investment in mine rehabilitation. The ERP was a type of SAP used by IFIs to provide conditional lending in return for the implementation of neoliberal economic reform. The liberalisation of the mining sector was formalised in 1986 by the Minerals and Mining Law, which provided concessions to foreign investors including tax breaks and variable royalties of 3–12 per cent (Hilson, 2002). The law aimed to diversify Ghana's economy away from cocoa production. It succeeded in this regard, attracting gold investors from the United States, Canada, Australia, Britain and

South Africa (Opoku-Dapaah & Boko, 2010). The law was followed by the Minerals and Mining Amendment Act 1994, which gave considerable incentives to potential investors including exemption from import and export duties, further reduced taxation rates and the removal of restrictions on the transfer of dividends (Larsen et al., 2008). Ghana's valuable geological endowment, as well as the favourable tax concessions, led to a rapid increase in investment in the period following the introduction of the new mining acts (Akabzaa & Darimani, 2001). Between 1983 and 1998, an estimated $4 billion was spent on mine expansion, exploration and development in Ghana, and as a result gold output increased 250 per cent between 1990 and 1994. However, this did not prevent the Ghanaian economy from experiencing another economic downturn—between 1990 and 1999, GDP per capita growth rates averaged just 1.6 per cent (World Bank, 2015b). While the 1986 Minerals and Mining Law and subsequent amendment led to increased investment in Ghana's previously suffering mining sector, the generous concessions provided to mining firms failed to enhance government revenues. Although the government had secured the right to claim a 10 per cent ownership stake in every mine, this was offset by tax breaks provided to mining firms, meaning government income from mining did not increase substantially until decades after the liberalisation of the sector that occurred in the 1980s and 1990s. Figure 3.2 demonstrates mining's overall contribution to the economy, which increased after 2002, yet only after 2007 did the government's share of

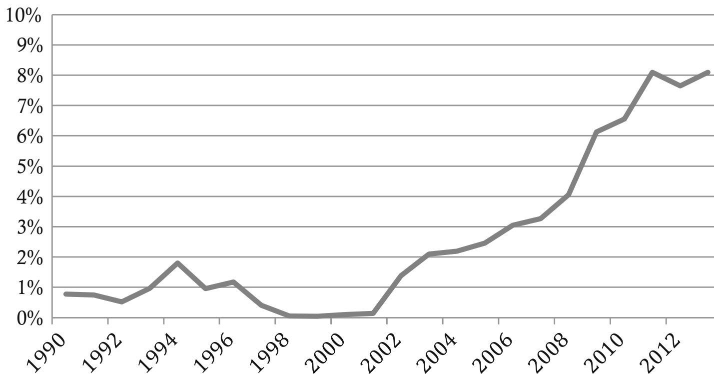

Fig. 3.2 Mineral rents as a percentage of Ghana's GDP
Source: World Bank, 2015b

mineral rents increase from US$123 million to US$1.24 billion in 2014 (Ghana Chamber of Mines, 2013b, p. 5; 2015, p. 6).

This analysis has traced the governance of Ghana's gold mining sector until the end of the twentieth century. It was demonstrated that although Ghanaians controlled governance of their gold mining sector until colonisation, afterwards control shifted to IFIs and MNCs. Prior to colonisation, and even during trade with the Portuguese, local gold miners controlled the price and conditions under which gold was traded. Miners were highly adept and able to extract what was perceived as a fair price for the commodity. Over time, however, control of the sector passed to foreign interests. The arrival and subsequent competition between British and Dutch trading companies saw mining licenses formalised and sold to private investors from outside the region. International mining companies were keen to invest in Ghanaian operations, particularly as the Boer War made South Africa an unattractive place to invest. As independence approached, foreign firms felt uneasy about the potential for mine nationalisation and were hesitant to invest in their mineral assets. Ghana's post-independence government was ideologically driven to nationalise the mines, but was also forced into this position due to the likelihood that these vital source of government revenues would be closed without recapitalisation. Although socialism was embraced with the intent to channel mineral revenues into Ghana's development, it became clear that the Ghanaian government was not skilled in managing gold mines. Additionally, political instability that resulted in a series of coups left the country on the brink of economic collapse, largely at the behest of the IMF and World Bank. Conditional lending from the IFIs saw the country's investment laws liberalised, particularly those pertaining to the gold mining sector. Generous concessions were provided to international firms to purchase government stakes in the country's mines, leading to increased investment in the country's gold mining sector. Yet this growth in investment was not matched by increases in economic growth, development or government revenue from mining. However, in the period since the turn of the twenty-first century, government income from the gold sector has increased.

Ghanaian Gold Mining in the Twenty-First Century

Ghana's contemporary gold mining industry is characterised by 11 large mines (owned and operated by seven international mining companies), a limited number of small-scale producers and a sector of registered

semi-formal, small-scale producers that make up 9–10 per cent of national output (Bloch & Owusu, 2012). These figures exclude the illegal small-scale miners known as *Galamsey*,[1] approximately 50,000–200,000 in number (Bloch & Owusu, 2012, p. 436). The ownership structure and 2014 output of the country's large-scale gold mines are outlined in Table 3.1. Ownership of Ghana's gold mines remains concentrated in the hands of three large gold mining firms. Of these, Gold Fields and Newmont Ghana Gold controlled 52 per cent of 2014 production. Together with AngloGold, whose centuries-long presence in Ghana (through Ashanti Goldfields Corporation) provides the company with a high level of

Table 3.1 Ghanaian gold mine ownership and production

Mine	*Majority owner*	*Government stake*	*Output (Oz, 2014)*	*% of total production**
Tarkwa	Gold fields	10 %	558,222	17.7
Akyem	Newmont Ghana gold	Nil	471,658	14.9
Ahafo	Newmont Ghana gold	Nil	442,020	14.0
Chirano	Kinross	10 %	286,326	9.1
Various	PMMC (purchases from various small-scale mines)	100 %	265,350	8.4
Obuasi	AngloGold Ashanti	Nil	243,223	7.7
Edikan	Perseus Mining	10 %	187,363	5.9
Damang	Gold fields (through Abosso Goldfields Limited)	10 %	177,741	5.6
Iduapriem	AngloGold Ashanti	Nil	176,930	5.6
Prestea/Bogoso	Golden Star	10 %	147,957	4.7
Wassa	Golden Star	10 %	112,835	3.6
Nzema	Endeavour Mining Corporation	10 %	88,476	2.8
Total output			3,158,101	100

Source: Ghana Chamber of Mines, 2015. *Table does not include gold produced by artisanal and small-scale miners

legitimacy, these three firms are able to exercise a high degree of structural and discursive power. The government revenue collected from gold mines and the services provided to the surrounding communities from these three firms confer them legitimacy that enhances their authority and their ability to contribute to governance of the industry in Ghana.

Although the 1983 liberalisation program (the ERP), the 1986 Minerals and Mining Law and the 1994 amendment created a favourable environment for foreign investment, the economic downturn of the 1990s demonstrated that this was not sufficient enough to increase government revenue from mining. In response, the government introduced the 2006 Mining and Minerals Act 703, in order to stimulate foreign investment (Bloch & Owusu, 2012). The 2006 Act kept many of the existing rules; however, it expanded on these by simplifying the way in which licenses were granted, reduced the maximum royalty rate from 12 per cent to 6 per cent and allowed companies to be granted highly criticised 'stability agreements'. Stability agreements included an exemption from any changes to legislation over the following 15 years and also allowed large firms, investing more than $500 million, to negotiate bilaterally with the government over exemptions from requirements included in the 2006 Act, including firms' environmental responsibilities and obligations to local communities (Larsen et al., 2008). As part of the stability agreements negotiated by AngloGold and Newmont Ghana Gold, the government's 10 per cent ownership stake was waived, meaning that 32 per cent of the country's 2012 production was exempt from legislation that required government part-ownership of gold mines. The changes made as part of the 2006 Act were highly effective; in the three years following its introduction, $3 billion was invested in the industry (Bloch & Owusu, 2012, p. 434). By 2009, mining accounted for 43 per cent of Ghana's exports and represented 5.8 per cent of Ghana's GDP, of which 95 per cent was derived from gold (Bloch & Owusu, 2012, p. 434). In the same year, Ghana was world's ninth largest gold producer, making up 4 per cent of global production (Bloch & Owusu, 2012, p. 434).

Ghana's economy also grew in the period following the implementation of the 2006 Act. In 2006, GDP per capita growth was 3.7 per cent (up from 1.5 per cent earlier in the decade) and has averaged 5 per cent in the period since (World Bank, 2015b). The effects of this economic growth were compounded by the steady increase in the gold price between 2003 and 2013, as highlighted earlier in this chapter. Stronger gold prices have buoyed the profits of gold mining firms and, in turn, theoretically should

increase the taxation paid to the Ghanaian government. While previously, mining firms operating in Ghana were able to avoid paying significant amounts of tax, as evidenced by the low share of government revenue from mining, Ghana's decision to join the EITI appears to have contributed to an improvement in this situation. EITI reporting began in Ghana in 2007, after which all firms (and the government) have been required to publicise taxation and royalty payments. Between 2007 and 2014, payments collected by the Ghanaian Revenue Authority from the mining sector increased from $US123 million to $US1.24 billion (Ghana Chamber of Mines, 2013b, p. 5; 2015, p. 6). Greater transparency in taxation, a stronger gold price and improved economic conditions have together contributed to the growth in mineral revenue collected by the Ghanaian government over the period 2002–2014, as demonstrated in Fig. 3.2.

However, despite the increased investment highlighted above, Ghana's economic growth has not resulted in improved development outcomes. One reason for this, as noted in the literature review, is that volatility most heavily impacts the poor in society. While Ghana's economic growth has averaged an upward trend, it has been highly volatile in the period since 2007. Furthermore, the gold mining sector remains highly capital-intensive and despite contributing 8.1 per cent to Ghana's GDP, the sector employs just 0.2 per cent of the non-agricultural workforce (African Development Bank Group, 2012). In addition, mine development has displaced large numbers of Ghanaians from traditional land, without providing adequate employment to meet the requirements of those laid off from farm work (Akabzaa & Darimani, 2001). The Ghanaian government estimated in 2006 that mining concessions covered 13 per cent of the country; however, in areas such as the Western Region, the figure is far greater. This allocation of land to mining has left indigenous populations to turn to artisanal mining as a way of substituting traditional farm incomes (Hilson, 2006). Artisanal and small-scale mining is commonplace in Ghana and often occurs on or near the leaseholds of large-scale mines, leading to conflict between large-scale miners and artisanal miners (Teschner, 2013). In addition, as outlined in the introductory chapter, while more Ghanaian children are attending school, the education system remains underfunded. The country is also unlikely to meet the MDGs around maternal health or achieving full employment. It remains that despite increased investment in mining, and improved government revenues from mining, Ghana faces serious challenges in converting these monetary benefits into development. As a result of these concerns, as well

as slower economic growth and inflationary pressures, the government was forced to rely on IMF assistance in 2009 and again in August 2014 (Sy & Deressa, 2014).

This section has demonstrated that governance of Ghana's gold mining sector has improved over the past ten years. This represents a significant shift from previous eras of poor governance, including during colonisation, nationalisation and the subsequent period of structural adjustment imposed by the IMF and World Bank, during which government revenues from mining remained very low. Increasingly, government revenues from gold mining are matching trends in gold production and the world gold price. Mining's contribution to GDP has increased over the past ten years, averaging 3.5 per cent annually between 2000 and 2012 compared to 0.8 per cent in the 1990s. While Ghana's enactment of neoliberal reforms has encouraged greater investment from international mining firms, it remains to be seen whether this can be translated into improvements in development indicators, such as life expectancy, average years of schooling and access to basic services. Although Ghana's economic growth has outstripped its peers, developmental measures remain poor. It can be concluded that despite greater foreign investment in the sector, improvements in transparency and increases in government revenues from gold mining, challenges remain in converting this economic growth into improved development outcomes.

South Africa

Gold was first discovered in Limpopo Province, South Africa, in 1870, and commercial mining began the following year (Sorensen, 2011). Throughout the 1880s further gold reserves were located, first in the eastern Transvaal, then in Barberton and Witwatersrand in 1886 (Richardson & Van Helten, 1984). In the same year, the discovery of the world's largest gold deposit in Witwatersrand accelerated the industry's expansion. The potential of the Witwatersrand goldfields lured many migrants to South Africa, including 75,500 British citizens between 1895 and 1898, (Richardson & Van Helten, 1984). There was a pause in the growth of mining during the Boer War, which lasted from 1899 to 1902; however, the second of South Africa's mining booms occurred in the early twentieth century (Sorensen, 2011). While the gold deposits uncovered in the Transvaal and Witwatersrand were important in their own right (contributing to 30 per cent of the world's gold output in 1908), they were part

of a broader minerals revolution in South Africa, which included the discovery of the world's largest diamond deposits in the Kimberley in 1870 and large deposits of coal in the Transvaal and neighbouring Natal Colony (Richardson & Van Helten, 1984). The discovery of minerals, particularly gold and diamonds, led to a 'transformation in the productive capacity of the region' that 'changed the whole political and economic constellation of South Africa' (Richardson & Van Helten, 1984, p. 321). This tripartite discovery heralded an acceleration in the development of industrial capitalism and entrenched the system by which cheap African labour would form the basis of South Africa's industrial revolution.

Gold mining in South Africa quickly turned from outcrop mining to a major industry, based on deep-level mining (Richardson & Van Helten, 1984). Unlike surface operations, deep-level mining required significant capital outlay, and there were only a limited number of mining firms that could raise the necessary capital to mine for gold. This led to the oligopolistic makeup of the industry, which remains in place to this day (Richardson & Van Helten, 1984). Although early mining houses were owned and operated by immigrants mostly from Britain, Martin (2013, p. 24) argues that the Randlords (as mining capitalists were known) were not simply an extension of 'overseas powerful capital or imperial political interests', but instead they saw themselves as British South Africans who were 'deeply committed to their future in southern Africa'. This ownership structure distinguishes South Africa's mining experience from that of colonial Ghana where foreign investors repatriated much of their profit back to their home states. South Africa's early mining companies were formed domestically, and many went on to operate mines elsewhere on the continent. Many of the large mining firms currently operating throughout SSA, including Gold Fields and AngloGold (through Vaal Gold, which became AngloGold, which then merged with Ashanti Goldfields Corporation), have their origins in the South African gold boom.

The majority of South Africa's gold, platinum and coal mines are located in the northeast of the country, in the provinces of Limpopo, Gauteng and Mpumalanga. Despite this mineral wealth, income levels vary greatly between these provinces. Gauteng houses the country's capital city, Tshwane (formerly Pretoria), as well as the commercial centre of Johannesburg. It also has the highest median monthly income in South Africa, of R3683 per month (Statistics South Africa, 2010). However, Limpopo province, where many gold and platinum mines are located, has the lowest median monthly income of R1800 per month, less than half of

that of Gauteng (Statistics South Africa, 2010). South Africa remains the most unequal society in the world, with income distribution still largely reflective of race and geography (Leibbrandt, Woolard, Finn, & Argent, 2010).[2] White South Africans who reside in urban areas (such as Gauteng) are less likely than their black, rural peers to live in poverty.

The distribution of profits from mining was highly unequal during the Apartheid era, yet the transition to majority rule has only served to further embed these inequalities. Unlike in Tanzania and Ghana, the South African mining sector was never nationalised; however, during the Apartheid era, the means of production were owned by a small number firms dominated by white South Africans. In 1994, the conglomerate Anglo American controlled 43 per cent of the Johannesburg Stock Exchange, while the top five companies controlled 84 per cent through a complex web of cross holdings (Nattrass, 2013). The system also relied on the utilisation by these firms of poorly paid black labour. In the mining sector, white workers were paid up to ten times more than black workers (Klein, 2007). The end of Apartheid in 1994 was celebrated as a chance to not only install majority rule, but to redistribute South Africa's wealth more evenly amongst the population. Instead, existing inequalities have worsened over time.

During the 1990s, when the African National Congress (ANC) was negotiating the transfer of power with the incumbent National Party, much of the public's focus was on the handover of political power, at the expense of the economic arrangements that would persist after Apartheid. While the ANC inherited political power through control of the parliament they were essentially shackled by the decisions made by the previous government, including a $850 million deal with the IMF, conditional on wage restraint and cuts to the budget deficit (although these conditions were not enshrined in a formal SAP as in the cases of Ghana and Tanzania) (Bond, 2003). The newly elected ANC also found that many of the Apartheid-era structures, including labour relations, had been deeply entrenched and were impossible to reverse. Further still, any policies aimed at redistributing wealth or land, creating jobs or increasing spending on social welfare were all contrary to the prevailing neoliberal consensus and were accompanied by explicit and implicit threats of capital flight (Klein, 2007).

The ANC was subject to the same conditions embedded in the structural adjustment programmes implemented in Ghana and Tanzania, even if one did not formally exist in South Africa. Originally advocating a policy of mine nationalisation, the ANC was forced to abandon this principle in

an attempt to placate international investors. Nonetheless, in the five years following the end of Apartheid, most of the country's biggest companies, including miners Anglo American, Billiton and De Beers, had moved their primary listing to overseas stock exchanges (Bond, 2003). Similarly, the ANC had campaigned on job creation but was deterred from supporting domestic industry through its membership of the General Agreement on Tariffs and Trade (GATT), which prohibited industry protection (Klein, 2007). Under the same agreement the government was prevented from distributing cheap anti-retroviral drugs to poor communities suffering from the country's HIV/AIDS epidemic (Klein, 2007).

The ANC was, however, able to introduce a series of economic empowerment schemes, commencing with the Narrow-Based Black Economic Empowerment Act of 2003. In 2007, this was strengthened further through the implementation of the more comprehensive Broad-Based Black Economic Empowerment Act (B-BBEE). Alongside measures aimed at greater inclusion for other minority groups left behind during Apartheid rule—for example, white women—B-BBEE drew attention to the limited role played by black South Africans in the economy, especially in the ownership of business.

Post-Apartheid, South Africa's mining sector legislation was also amended in response to declining revenues from the industry, as shown in Fig. 3.3. In 1998, the government released a white paper titled 'A Minerals and Mining Policy for South Africa', which noted the need to manage South Africa's minerals for the benefit of all its citizens. The paper also included recommendations aimed at attracting foreign investment in

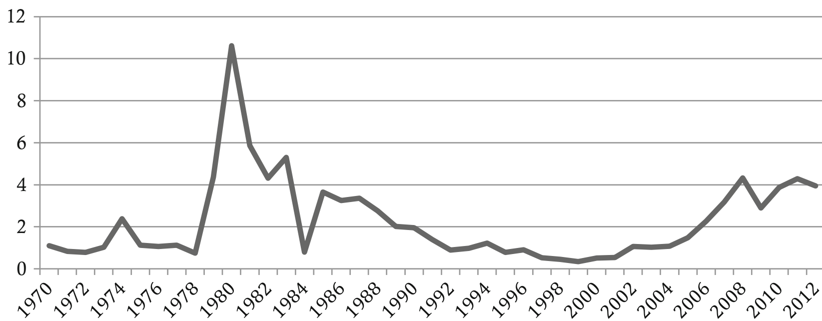

Fig. 3.3 Mineral rents as a percentage of South Africa's GDP
Source: World Bank, 2015b

order to bring the mining sector into the globalised economy (Cawood, 2004). In 2000, an attempt was made to legislate the advice given in the white paper through the introduction of the Draft Minerals Development Bill; however, due to the sweeping powers it vested in the government, it was rejected and redrafted into the Mineral and Petroleum Resources Development Act of 2002 (Cawood, 2004).

The 2002 act is focused on redirecting the benefits of South Africa's minerals to historically disadvantaged South Africans (HDSA), including people of colour, women and areas from which migrant labour is sourced (Cawood, 2004). The redirection of the benefits of mining is specified in the act, which requires firms to meet targets for employment equality, migrant labour, mine and community development, housing and living conditions, procurement and other financial and legal goals (Cawood, 2004). The act legislates a minimum 26 per cent ownership of all mining firms by HDSA and procurement requirements from B-BBEE entities. However, subsequent amendments allow companies to gradually increase their HDSA stake until the 26 per cent quota is completely achieved in 2014, or to compensate for lower equity stakes by increasing procurement from B-BBEE entities. Since the introduction of the act, mining as a percentage of GDP has steadily increased, rising from 1.1 per cent in 2002 to 4 per cent in 2012—as shown in Fig. 3.3.

The Contemporary Structure of South Africa's Mining Industry

Currently, South Africa is the world's sixth largest producer of gold with the second largest known gold reserves (George, 2014). In addition, the country produces significant amounts of other minerals such as platinum, manganese and chrome (Sorensen, 2011). Table 3.2 shows the output and ownership of South Africa's large-scale gold mines. South Africa is unique amongst the countries referred to in this book. Unlike Tanzania and Ghana, most mining companies operating in the country—including Gold Fields, Harmony, Sibanye, Pan African and DRDGold— are headquartered in South Africa. South Africa's gold mining industry is highly oligopolistic, with three firms producing 88 per cent of the country's total 2014 output. Furthermore, until February 2013, Sibanye's mines were part of Gold Fields, after which the latter divested two of their three South African assets. If Gold Fields' South Deep mine is added to this total, the total share of production held by the top producers rises to 92 per cent.

Table 3.2 South African gold mine ownership and production

Mine	*Majority owner*	*Output (Oz, 2014)*	*% of production**
Free state mines	Harmony gold	680,276	15.6
Driefontein	Sibanye	570,200	13.1
Kloof	Sibanye	547,800	12.6
West wits	AngloGold Ashanti	545,000	12.5
Vaal river	AngloGold Ashanti	452,000	10.4
Beatrix	Sibanye	332,900	7.7
West rand mines	Harmony gold	234,603	5.4
Various surface operations	AngloGold Ashanti	223,000	5.1
South deep	Gold fields	201,000	4.6
Cooke	Sibanye	138,400	3.2
Ergo	DRDGold	132,909 (FY2014)	3.1
Evander gold mines	Pan African	105,000	2.4
Barberton mines	Pan African	95,000	2.2
Various surface operations	Harmony gold	55,878	1.3
Kalgold	Harmony gold	37,358	0.9
Total		4,218,415	100

Source: Company websites and annual reports. *Table does not include production from artisanal and small-scale miners

Although South Africa's economy is larger and more diversified than Ghana and Tanzania's, the country saw an increase in mining's contribution to GDP following the deregulation of the mining sector in the early twenty-first century. Mining's contribution to GDP increased from an average of 0.6 per cent per annum between 1994 and 2001, to 2.6 per cent in the period from 2002 until 2013 (World Bank, 2015b). Nonetheless, despite rising revenues from mining, growth in the gold price and the introduction of B-BBEEE legislation, South Africa continues to experience extreme poverty and the world's worst levels of inequality. As noted in the introductory chapter of this book, the International Labour Organization estimates South Africa's unemployment rate to be 25 per cent (International Labour Organization, 2013). The structural power of South Africa's working class, trade unions and large firms has contributed to government policy that continues to resist labour market and taxation reform which would increase participation of large numbers of low-skilled workers and the long-term unemployed (Seekings & Nattrass, 2002). The country's high level of unemployment adds to the vast inequalities, poor

development outcomes and slow income growth that have characterised South Africa as resource-cursed (Elbra, 2013). As noted in the previous chapter, income volatility disproportionately hurts the poorest in society, and in South Africa, as in the other two countries included in this research, many citizens remain trapped below the poverty line and thus more heavily impacted by volatile government revenues.

In addition, the South African mining sector has, in recent times, been afflicted by an increasing number of industrial action incidents. In 2012, the country experienced the highest number of strikes since 1994. The most violent of these was the August 2012 wildcat strike at the Marikana platinum mine that resulted in the death of 44 people. The incident was the single greatest use of force by the South African security forces since the end of Apartheid and was compared by many to the 1960 Sharpeville massacre. The mine strikes, including that at Marikana, originally started in the platinum sector before spreading to gold, iron ore and coal mining. In September 2013, a total of 80,000 gold miners staged a legal strike (unlike the illegal wildcat strike at Marikana), although this was called off within one week. The National Union of Mineworkers, which organised the gold mine strike, argued that the pay increases being offered to workers were pitiful compared to the bonuses that middle and upper management had afforded themselves (Smith, 2013).[3] The more radical mineworkers and construction union were at the same time pushing for a 150 per cent pay increase and claimed 'the industry was locked into Apartheid-era pay structures despite 19 years of democracy' (Smith, 2013). Across the entire mining sector, striking workers were seeking pay increases and improved living conditions. Many South African mine workers migrate from other provinces or countries within the region and provided with sub-standard housing by mining companies. The rolling mine strikes were a reflection of disaffection between the mine owners and their employees, who felt disadvantaged by the distribution of the mine's wealth. The resource curse literature suggests that gaps between workers' real and expected income are likely to lead to tensions; those experienced in South Africa during 2012 and 2013 support this assertion (Ross, 2007).

This section has demonstrated that many of South Africa's citizens are yet to benefit from their country's natural resource wealth, and in the cases of those directly affected by mine violence or poor working conditions, many have instead been harmed. It is evident that Apartheid-era institutions have remained in place, resulting in a widening of inequality, disproportionately affecting black South Africans. South Africa's poverty

rate is amongst the highest in the upper-middle-income bracket while the level of inequality is the highest in the world. Corruption is a persistent problem, which appears to be worsening over time. Miners, unhappy with their working conditions and failing to perceive equitable returns from dangerous work in profitable mines, have initiated violent industrial action. Much of this description is incongruent with an upper-middle-income industrialised country. Instead, the experiences of many South Africans are closer to that of their SSA neighbours. South Africa's long history of gold production has failed to alleviate poverty or improve the livelihoods of most of its citizens. Instead, the country faces many of the same issues confronting other resource-cursed countries in the region.

Tanzania

Gold mining in Tanzania pre-dates the colonial period. The country has known reserves of diamonds and precious stones, including rubies and tanzanite, in addition to being the third largest gold producer in SSA (Miller, 2013). Prior to the arrival of German settlers in the late nineteenth century, gold, copper and iron had been mined and traded with Arab merchants (Iliffe, 1969). In 1885, the German East Africa Company was established to secure Germany an East African dependency (Iliffe, 1979). However, local resistance was strong, and it proved so difficult to secure the country militarily that by 1889, the German government had taken over administration of what was then referred to as Tanganyika (Coulson, 2013). In 1895, Germany announced an imperial decree that included the land ordinance chapter granting all land, not privately held or occupied, to the German colonial state (Iliffe, 1969). The land ordinance paved the way for the concession system and granted powers to the colonial administration that allowed it to sell mineral prospecting licences to overseas private capital, from which 76 prospecting fields had been established by 1910 (Emel, Huber, & Makene, 2011). Gold extraction continued in colonial Tanganyika, although at a much slower rate than in South Africa or Ghana, as preference was given to increasing the output of agricultural commodities, leaving most gold prospecting fields underdeveloped (Emel et al., 2011).

Following the Versailles Peace Treaty, which ended World War I, Germany's East African colony was split between the United Kingdom, Belgium and Portugal, with the UK retaining control of what is now mainland Tanzania, the Belgians given modern-day Rwanda and Burundi and

the Portuguese part of what is now known as Mozambique. Following the handover of Tanganyika to the British at the culmination of World War I, gold production remained low; just 1.6 tonnes of gold was produced during the 1920s (Roberts, 1986). The next decade, however, saw great increases in gold production throughout East Africa. Total gold production in Tanganyika during the 1930s was 14 tonnes. Between 1930 and 1934, gold made up 6.4 per cent of all exports, and by the second half of the decade, this figure had increased to 14 per cent (Roberts, 1986). During the inter-war period, gold was mined mainly by white migrants from the Belgian Congo and Northern Rhodesia, while the country's most consistently producing mine, Sekenke, was owned by a South African firm, South African Central Gold Mines Company (Roberts, 1986). Tanganyika's Mara mine was also developed by a South Africa firm, Tanganyika Diamond and Gold Development Co, and then sold on to another South African mining company, Anglo-Transvaal Consolidated Investment Co (Roberts, 1986). Buhemba mine was owned by British firm Nyanza Development Co, Ikungu by a Philippino company while many Indian traders held stakes in gold mine developments (Roberts, 1986). Ownership of mines and control of the distribution of profits were solely the domains of international investors. Yet, while ownership was concentrated in the hands of foreign investors, approximately 21,240 Tanzanians worked in the country's gold mines (Roberts, 1986). At its peak in 1940, gold extraction contributed to 90 per cent of Tanzania's mineral production; shortly after, the discovery of two large diamond deposits, Shinyanga and Williamson, buoyed the diamond industry and led to a dramatic rise in total mineral revenues (Lange, 2006).

In 1961, Tanganyika achieved independence. Three years later, the unification of Tanganyika and Zanzibar was completed, leading to the formation of modern-day Tanzania. Upon independence, the leader of the nationalist Tanganyika African National Union (TANU), Julius Nyerere, took over as Tanzania's first prime minister and president. As TANU spread out from the cities to rural areas, a diverse number of ethnic groups formed part of its popular base, meaning that no one ethnic group could lay claim to leading Tanzania's independence movement. The relative peacefulness of Tanzania's post-independence era has been attributed to the ethnic diversity within the independence movement (Havnevik & Isinika, 2010). In addition, Tanzania's political stability stems from the limited avenues for political dissent. In order to suppress Zanzibarian claims for independence, in 1965, the government of Tanzania introduced

a one-party constitution under the guise of a 'harmonious and united' nation (Havnevik & Isinika, 2010). Thus, while other newly independent African states, such as Ghana, experienced political upheaval during the post-independence era, TANU was able to rule relatively unopposed.

Newly independent Tanzania relied heavily on Great Britain for both human and financial capital (Havnevik & Isinika, 2010). This reliance on the Great Britain emerged from Tanzania's limited financial resources, small middle class and low education levels, which meant most government, police and military positions were filled by former colonial administrators (Havnevik & Isinika, 2010). Furthermore, trade and business in the immediate post-colonial era were mostly carried out by non-Africans, such as Indian and Chinese settlers (Havnevik & Isinika, 2010). Eventually, pressure mounted on the Tanzanian government to end this external dependency. Between 1970 and 1975, the country officially committed to a Pan-African Socialist vision, in the process aligning itself with China. During this period, Nyerere pursued a policy of *Ujamaa,* a combination of nationalism and African socialism similar to that practised in Ghana, Senegal, Guinea and Zambia. This form of politics emphasised the importance of extended families and rejected Western-style capitalism (Ibhawoh & Dibua, 2003). Under Ujamaa utilities, railroads, agriculture, mining and banking were nationalised, while prices, exports and trade were strictly controlled (Due, 1993; Organisation for Economic Cooperation and Development, 2013). Also central to Ujamaa was the concept of self-reliance, although Nyerere insisted, 'the doctrine of self-reliance does not mean isolationism. For us, self-reliance is a positive affirmation that for our own development, we shall depend upon our own resources' (Nyerere, 1968, p. 319). During the 1960s and 1970s these policies appeared successful when compared to other sub-Saharan states, many of which experienced ethnic tensions. Ujamaa had united Tanzania's various ethnic groups under a common language and had allowed the government to create a strong national identity, unity and ethnic harmony (Newenham-kahindi, 2011).

However, by the late 1980s, the country was experiencing economic stagnation and social unrest, which were undermining the success of Nyerere's policies (Newenham-kahindi, 2011). Economic conditions had deteriorated; in the 25 years between 1965 and 1990, GNP per capita declined an average of 0.1 per cent per annum, while inflation rates throughout the 1980s averaged 30 per cent per annum (Due, 1993; World Bank, 2014). The general economic decline affected the country's

gold mining sector, and in the years following independence, four of Tanzania's largest gold mines were shut down, Mukwamba in 1960, Geita and Kiabakari in 1966 and Buhemba in 1970 (Tesha, 2000). Gold production was more than 3 tonnes per annum in the early 1960s but had fallen to just 10 kilograms per annum in 1970, after the nationalisation of all mines, which took place in 1967 (Tesha, 2000).

Following nationalisation of the mining sector, its contribution to GDP fell from 3 to 4 per cent in the 1960s to just 1 per cent in 1981 (Lange, 2006). Most of this contribution was derived from the Williamson diamond mine, which, at the time, accounted for over 70 per cent of total mineral production (Lange, 2006, p. 3). Despite the intentions behind Ujamaa, nationalisation had deprived the industry of investment and capital, and minerals were increasingly being smuggled out of the country and sold on the black market. At the same time, the broader Tanzanian economy was close to collapse, with food shortages in the capital and urban social unrest, something not seen before in Tanzania (Cooksey & Kelsall, 2011). The subsequent war with Uganda eventually crippled the Tanzanian economy, and in 1985 Julius Nyerere stepped down as president, paving the way for the president of Zanzibar, Ali Hassan Mwinyi, to take over and enact economic reform (Cooksey & Kelsall, 2011).

In 1986, Tanzania sought assistance from the IMF and the World Bank, in return agreeing to implement the institutions' SAP. Internal and external trade were liberalised and mining opened up to foreign investment. Not only were mines made available for private investment but the government increased the channels through which minerals could be bought and sold; in 1991 alone, mineral sales increased 70 per cent (Lange, 2006, p. 3). The immediate growth in sales was largely attributed to the surge in gold prices and increased output from small-scale and artisanal miners. However, in the following years, the large-scale mining industry also benefited from the resumption of private investment. The increase in mining's contribution to GDP is shown in Fig. 3.4.

Despite liberalisation of the mining sector and the growth in gold and diamond sales, the Tanzanian economy remained hampered by poor growth levels into the 1990s. GDP per capita fell 0.2 per cent on average between 1990 and 1999, while during the same period inflation rates averaged 23 per cent. In response, the Tanzanian government again sought assistance from IFIs. In 1994, the World Bank initiated a US$14.5 million Mineral Sector Technical Assistance Project for Tanzania to further liberalise the country's extractive sector and stimulate economic growth.

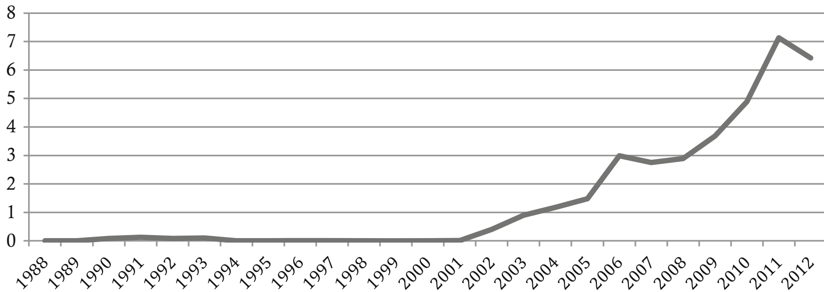

Fig. 3.4 Mineral rents as a percentage of Tanzania's GDP
Source: World Bank, 2015b

The World Bank designed the programme with the intention of introducing a 'legal, regulatory and fiscal framework, which would provide an environment conducive to private investment in mining' (World Bank, 1994, p. 6). In 1997, the Tanzanian government, using the World Bank's project as its base, formed its Mineral Sector Policy which emphasised the role of government as a regulator, rather than owner, of the country's mines (Lange, 2006). This policy was followed by The Mining Act of 1998, and then by the Mining Regulation of 1999. These regulations formalised the vision outlined in the earlier policy and were introduced in an attempt to 'harmonise investment relations between FDI and local interests' (Newenham-kahindi, 2011, p. 257). Neoliberal reform of Tanzania's gold mining sector was successful in increasing foreign investment. Yet, as the next section demonstrates, hostility towards international mining firms that are perceived to be unduly profiting from the country's mineral reflects the ongoing dissatisfaction with the distribution of profits from Tanzania's mineral wealth.

Growing Dissatisfaction with Contemporary Tanzanian Mining

Since the passing of the 1998 Act, multinational mining firms have taken a dominant role in Tanzania's gold mining industry. This is largely as, unlike in Ghana, ownership restrictions were relaxed to allow 100 per cent foreign ownership, along with unrestricted repatriation of capital and profits as well as guarantees against resource nationalisation and expropriation (Bourgouin, 2011). The government has repeatedly expressed hope that this approach would increase the sector's contribution to GDP to 10 per

cent by 2025. The Tanzanian Chamber of Mines and Energy (2013) estimates mining's current contribution to GDP as 3.7 per cent, although the World Bank (2014) suggests it may be as high as 6.4 per cent. The mining sector in Tanzania currently employs an estimated 15,000 workers, with another 50,000 thought to be employed in upstream and downstream industries such as mine construction and engineering, as well as mineral processing and refining (World Gold Council, 2012).

While reform of the mining sector (of which gold makes up to 90 per cent of total mineral exports) has boosted investment in Tanzania and increased mining's contribution to GDP, there has been considerable backlash from NGOs and communities, which argue that multinational mining companies have been given too much power under the reforms of the 1990s. The Tanzanian non-government sector has been vocal in its criticism of mining companies, particularly Acacia Mining (Acacia) and its parent company, Barrick Gold (Cooksey & Kelsall, 2011). Tanzanian NGOs and legal organisations, backed by groups in Canada and Norway, have together created a strong climate of opposition to multinational mining companies, with most pushing for these firms to be replaced by small-scale miners. In particular, they have singled out Acacia, which controls three of the seven operating gold mines (see Table 3.3), for its environmental and human rights record. Acacia's North Mara mine has been the site of long-running clashes that claimed as many as ten lives in 2014 alone (York, 2014). The campaign has been supported through newspaper editorials also pressuring the government to demand more from large-scale miners, or expel them all together (Cooksey & Kelsall, 2011). Amongst

Table 3.3 Tanzanian gold mine ownership and production

Mine	*Majority owner (%)*	*Output (Oz, 2014)*	*% of total production**
Geita	AngloGold Ashanti	477,410	37.5
North Mara	Acacia gold	278,808	21.9
Bulyanhulu	Acacia gold	211,334	16.6
Buzwagi	Acacia gold	207,514	16.3
New Luika	Shanta mining company	865,570	6.8
Golden pride	Resolute	7639	0.6
Biharamulo	Stamico	3819	0.3
Total		1,273,094	100

Source: Tanzania Minerals Audit Agency, 2015. *Production figures do not include output from artisanal and small-scale miners

the critics have been Tanzania's current President Jakaya Kikwete, who has accused investors of 'robbing Tanzania', while his finance minister has publicly suggested that Tanzania would collect ten times more in taxes if miners paid their share (Cooksey & Kelsall, 2011, p. 65).

This criticism resulted in the passing of the Mining Act 2010, which placed limitations on the rights of foreign mining firms operating in Tanzania. The Mining Act 2010 allowed the Minister of Energy and Minerals to negotiate an equity stake in a mine at any time, limited the granting of development agreements to projects worth more than $100 million, changed the calculation of royalty rates to gross sales value rather than net sales, limited the size of prospecting licenses and required local procurement and listing on the Dar es Salaam Stock Exchange (Cooksey & Kelsall, 2011). While the large mining firms and the Tanzania Chamber of Mining and Minerals see these changes as heralding instability in the sector, increasing the potential for corruption and positioning Tanzania as an unattractive place to invest, the government sees them as an appropriate method by which to increase the benefits accruing to Tanzania, as well as a response to the pressure being exerted by domestic and foreign NGOs. In response, Barrick Gold created African Barrick Gold (now renamed Acacia) to house what the company perceives as its riskier Tanzanian assets and has recently suggested that it may sell its 64 per cent stake in the company (MacDonald, 2013). In the three years following the introduction of the 2010 legislation, two of Tanzania's gold mines have also been shut down, although owners of both cited rising costs rather than the recently introduced legislation as being the reason behind these decisions. While mining firms have reacted negatively to the 2010 mineral legislation, the industry's contribution to GDP has been steadily rising since the law was amended. During the 1990s, mining made a negligible contribution to GDP, peaking at 0.1 per cent in 1991 (World Bank, 2015b). However, as liberalisation of the sector occurred and foreign investment took effect during the 2000s, the contribution of mining increased. In 2009, mining's contribution to GDP was 2.7 per cent, by 2011 this had increased to 5 per cent and in 2013 it has returned to 3.6 per cent (World Bank, 2015b). This increase may be attributed to a range of causal factors, including tougher mining legislation, as well as the increase in the gold price and Tanzania's decision to join the EITI, and as a result legislate for more transparency in taxation of the gold mining sector.

Currently, Tanzania has six operational gold mines. Acacia owns three of these mines, while AngloGold Ashanti, Shanta Mining Company and

the state-owned mining firm Stamico own the remaining mines. Resolute's Golden Pride mine, the first commercial gold mine to operate in Tanzania, ended operations in July 2013, while Acacia closed its Tulawaka mine in 2013, which was then sold to Stamigold in 2014 (Acacia Mining plc, 2015; Resolute Mining Limited, 2013).[4] In addition to the country's gold mines, diamonds are extracted from the Williamson Diamond Mine, and one Tanzanite and one coal mine are in operation. Output from Tanzania's operating gold mines is shown below in Table 3.3. Since the closure of Resolute's Gold Pride mine in 2013, just two firms, AngloGold and Acacia, dominate the country's gold production. The Geita gold mine is AngloGold's single largest gold mine and contributes 38 per cent to Tanzania's annual production. Acacia's assets contribute a further 55 per cent of total production. Together, these two firms contributed to 93 per cent of the industry's 2014 output, affording them significant authority.

Taxation of Tanzania's mines remains a challenge for the government. The Tanzanian Revenue Authority (TRA) has an operating budget of 3 per cent of total tax collected, which has been deemed insufficient to cover infrastructure, software, hardware and training needs (Fjelstad & Heggstad, 2011). As such, the Tax Modernisation Programme—a funding agreement signed in 2006 supported by the World Bank, Department for International Development (UK), Danida (the Danish International Development Agency) and the Government of Tanzania—has been implemented (Fjelstad & Heggstad, 2011). In addition to being underfunded, the business community of Tanzania has a history of mistrust towards the TRA. Many mining executives view the TRA as inefficient and corrupt, with a history of arbitrarily applying taxation rulings against companies (Cooksey & Kelsall, 2011). Similarly, the mining firms are largely distrusted by Tanzanian civil society groups, who view them as having acquired their tenements illegally and having failed to pay appropriate taxation throughout the life of their mines (Cooksey & Kelsall, 2011).

The governance of Tanzania's gold sector stands in contrast to that of the other two countries examined in this book. Like Ghana, Tanzania found itself deeply indebted post-independence and was forced to rely on IFIs for assistance. In return, the government was required to accept the structural adjustment programmes that accompanied this assistance. However, in the ensuing period the government has attempted to claw back some of the provisions given to mining firms during this period of liberalisation—in the process attempting to strengthen the governance of the sector. Under pressure from civil society and mining communities, the Tanzanian

government has tightened restrictions on repatriation of profits, amended accounting rules to improve transparency in taxation, raised prospecting and mining license fees and implemented local stock exchange listing and procurement rules. While these changes may have appeared to improve governance, there remain significant challenges in implementing these rules in the face of powerful multinational mining firms. The chronically underresourced TRA continues to face challenges in collecting appropriate taxation from mining firms. Furthermore, the rulings made by the TRA are considered by the business community to be arbitrary and are automatically seen as something to be challenged through the appeal process. As a result, the government of Tanzania in 2006 was again forced to seek assistance from the World Bank and other donors in order to strengthen the taxation department, one of the key institutions of mineral sector governance. While the government aims to increase mining's contribution to GDP to 10 per cent by 2025, governance of the sector remains weak. In addition, closure of the Tulawaka and Golden Pride mines following the tightening of regulations suggests firms retain structural power over the state. Where it is not in their interest to extract gold, mining firms are able to disinvest.

Conclusion

This chapter began by outlining the value of gold mining to the three countries included in this research. In addition, the relative importance of gold, as well as the decade-long growth in the world price of gold, was outlined. Ostensibly, rising demand and prices for gold should drive economic growth and development in gold producing states; however, as discussed in the previous chapter, the resource curse suggests that paradoxically, these countries will fail to benefit from these conditions. In light of these observations, the historical governance of Ghana, South Africa and Tanzania's gold mining industries was examined throughout the remainder of the chapter. The following similarities and differences between the countries and their experience with gold extraction emerge.

All three cases suffer legacy effects of British colonial rule. As discussed in the previous chapter, colonisation created 'gate-keeper states', where the state model was designed solely to extract mineral wealth for the imperial power, without the provision of public goods in return (Cooper, 2002). Colonisation halted institution building and economic modernisation, and left many colonial states unable to effectively manage extractive sectors upon independence (Acemoglu & Robinson, 2010).

Ghana and Tanzania both achieved independence from Britain during the 1960s. In both countries the independence movement fought on the platform of nationalist and socialist ideals and both post-independent governments nationalised industries, including the mining sector, with the aim of removing the countries' wealth from the hands of a small elite. However, many of these mines were left in a dilapidated state by previous investors, who had feared nationalisation of these assets and thus underinvested in their maintenance. This, combined with falling world commodity prices and inefficient management of mines by the state, led to both countries experiencing economic crisis by the 1980s.

The economic crises in both Ghana and Tanzania coincided with the emergence of the Washington Consensus, or the widely held belief that neoliberal reform was the most appropriate prescription for heavily indebted developing states. The IMF and World Bank provided concessional lending to both countries in return for deregulation of the economy, and in particular of the mineral sector. In both Ghana and Tanzania, gold mines were sold to private investors at reduced rates, with significant concessions aimed at attracting foreign investment. While Ghana and Tanzania were exposed to explicit intervention from IFIs, this was more implicit in the case of South Africa. Unlike in Ghana and Tanzania, the IMF only required the South African government to reduce wages and budget deficits in return for financial assistance. However, the ANC was nonetheless required to implement policies congruent with SAPs in an attempt to minimise capital flight following the handover to majority rule. In all three cases, the policies of the IFIs determined the structure of mineral sector regulation.

In all three countries, mining legislation implemented during the 1980s and 1990s encouraged private investment in the gold mining sector through favourable tax schemes, the ability to repatriate profits to the companies' home jurisdiction, as well as relaxed licensing requirements. A small number of multinational gold mining firms have benefited from this period of deregulation, as the ownership tables in this chapter demonstrated. Firms were able to purchase mines at reduced rates and have since benefited from taxation and licensing schemes designed to attract foreign investment. In this sense, deregulation has been effective in attracting investment in these three countries' gold mining sectors. Implementation of this regulation, along with a steadily rising gold price, has seen investment in gold mining increase in all three cases. However, this has not resulted in improved economic conditions or development.

Dissatisfaction with the lack of economic growth and development following deregulation has led to Ghana and Tanzania removing some concessions provided to mining firms. Both countries have also embraced private governance initiatives, such as the EITI and ISO14001. While the Ghanaian government retains a 10 per cent ownership stake in six of the country's gold mines, the strengthening of regulation has been most pronounced in Tanzania. The Tanzanian government has removed some concessions provided to foreign investors, required firms to list on the local stock exchange and procure inputs from local vendors, while at the same time joining up the EITI, thereby forcing mining firms to become more transparent. In both Ghana and Tanzania, government revenues from the sector have increased; however, there remain significant issues to overcome in translating this revenue into improved education, health and employment outcomes, as well as more evenly distributing the wealth provided by natural resource extraction.

In the case of South Africa, it was demonstrated that Apartheid-era institutions concentrated power in a small group of companies and individuals, which have been maintained long after the fall of the Apartheid regime. Despite legislating for a more equal distribution of mineral wealth to previously disadvantaged sectors of society, South Africa remains one of the world's most unequal societies. Unemployment is high, and education and health services remain poorly funded. While mining contributed to South Africa's standing as a middle-income country, and the regional hegemon, it has done little to improve the livelihood of the average South African due to the poor governance of the sector. Adding to this history of poor governance have been the recent tensions between capital and labour, which have again hurt the poorest sections of society.

Overall, it is clear that the poor governance record in these three countries stems from a combination of colonial exploitation, weak institutions, an inability to invest in or operate nationalised mines and the ability of MNCs to wield structural power over weak governments. What remains to be seen, however, is whether the private governance measures, instituted by firms, have strengthened or weakened governance in these countries. The next chapter examines these private governance initiatives and the approach taken by the largest firms in the gold mining sector. Pursuant to this, public statements made by the companies as well as the viewpoints of individuals inside these firms will be analysed to highlight the views of these actors towards private governance of the sector.

Notes

1. The term Galamsey refers to unregistered, small-scale miners who are highly migratory (Hilson, 2002). These miners employ traditional methods and often operate around the fringes of large-scale mines, often leading to conflict over resources.
2. This research relies on the World Bank (2015b) Gini coefficient calculation, which ranked South Africa as the most unequal country in the world in 2011 (the latest calculation for South Africa). Other studies (Central Intelligence Agency, 2009) rank South Africa as the second most unequal, after neighbouring Namibia.
3. The impact of the strikes on firms' assessment of business risk is discussed in greater detail in Chap. 5.
4. The Tulawaka mine (previously owned by African Barrick Gold; now Accacia Gold) was sold to the Government of Tanzania in 2013. Under the newly formed government-owned entity Stamico, the mine has recommenced operations under the name of Biharamulo.

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CHAPTER 4

Private Governance in the Gold Mining Sector

Introduction

So far this book has introduced the literature on SSA's resource curse, highlighting the state-centric nature of this scholarship. To this end, the concepts of private authority and private governance were also outlined, and the emergence of the scholarship on private sector governance was introduced. Firm-led regulation, or private governance, is of particular interest in SSA's gold mining sector, where industry regulation has historically been weak and where mineral wealth has failed to improve development measures. In particular, the history of gold mining governance in Ghana, South Africa and Tanzania was outlined in Chap. 3, where it was demonstrated that countries have rarely been able to govern their extractive sectors in the interests of development. During the post-independence era, IFIs, and now MNCs, have largely determined the form and content of industry regulation. Chapter 3 also demonstrated that gold mining firms' power is growing. The dominance of a neoliberal approach to managing developing economies, as encapsulated by the Washington Consensus, has seen an emphasis placed on attracting capital and investment, affording greater power to multinational mining firms. The intersection of weak governance in African states and the presence of powerful gold mining firms have led to the emergence of a range of private governance initiatives.

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It is from this juncture that this chapter commences. The chapter builds on the previous analysis by exploring the manner in which governance of Africa's gold mining sector has been transformed. It highlights the growing private authority of mining firms, which increasingly allows business to set the agenda through the development and adoption of private governance initiatives. Once they are viewed as legitimate, these initiatives are often seen as substitutes for government regulation. These initiatives are highly relevant to studies of the resource curse, as many have been designed with a view to addressing problems associated with mineral wealth in developing countries, specifically to alleviating the outcomes associated with the resource curse, as outlined in Chap. 2.

This chapter begins by exploring the literature on what motivates firms to self-regulate. The existing scholarship suggests that business develops private governance initiatives in order to minimise risk, enhance reputation and pre-empt government regulation. Secondly, this chapter traces the emergence of private governance in the mining sector. The shift in norms in the mining sector and the growing expectation that business is responsible for the economic and social development of the communities in which they operate are seen as driving the emergence of private governance initiatives. Lastly, the chapter outlines the main private governance initiatives adopted by gold mining firms, highlighting the features of the resource curse that they seek to address. In analysing these regimes, a three-tiered classification scheme is developed, drawing on that developed by Cutler, Haufler and Porter (1999) in their seminal text *Private Authority and International Affairs.* Firstly, firm-led governance or self-regulation is examined. Secondly, cross-industry bodies are discussed. Finally, multistakeholder initiatives that include a role for governments and/or NGOs are examined.

Why Do Firms Develop Private Governance Initiatives?

Although it is often assumed that business will go to great lengths to avoid onerous regulation, the evidence presented in this book suggests firms are instead willing to self-regulate and thereby participate in the governance of their industries. This section explores the rationales presented in the business and international relations literature as to *why* firms are willing to implement their own rules in the absence of government regulations.

Responsible firms may be perceived as legitimate governors and permitted, by governments and publics, to regulate their own industries. Consequently, firms also establish private governance initiatives in order to enhance their legitimacy. Cashore (2002) suggests that powerful firms, with significant private authority, adopt self-regulatory behaviour in order to develop three forms of legitimacy. Firms seek to enhance their moral legitimacy (where they are seen to be 'doing the right thing'), pragmatic legitimacy (where it is in the best interests of the firm) and cognitive legitimacy (either that abiding by these rules is 'understandable' or 'to do otherwise is unthinkable'). The formulation of private governance initiatives is a reflection of firms seeking all three forms of legitimacy, responding to stakeholder expectations and attempting to reduce risk and scrutiny (Haufler, 2001). Büthe and Mattli (2011, p. 214) note that the nature of international rule-making 'privileges timely involvement and speaking with a single voice'. Firms with significant private authority set the agenda early through the formation of private governance initiatives. When this form of governance is recognised by other firms and the industry presents a single unified voice, business is able to control the form and content of industry regulation.

Private governance is pursued to both reduce firms' risks and enhance their reputation (Haufler, 2001, p. 20). In the gold mining sector, risks include those arising from operating in conflict zones or disputed territories, potential conflict with artisanal or small-scale miners operating around large-scale mine sites, breaches of regulation in both operating and home jurisdictions and international NGO pressure (Haufler, 2001). Mining is an inherently unsustainable industry—finite resources, once removed from the ground, cannot be regenerated. Hard rock mining, including gold mining, is highly damaging to the natural environment and is therefore detrimental to local communities. Furthermore, the fact that minerals must be extracted in the location they are found heightens many of these risks. This unique characteristic of natural resource extraction, known by economists as asset-specificity, means that investments by firms are highly fixed; after all they cannot be costlessly deployed to other uses in the same way manufacturing investment can be (Williamson, 1975). The asset specificity of mining, whereby deposits must be extracted where they are found, has placed greater emphasis on mining firms obtaining and maintaining a social license to operate in the communities in which they work (Dashwood, 2007). In the case of community dissatisfaction, it

is highly costly for mining firms to abandon proven reserves and relocate their productive assets elsewhere.

Furthermore, firms wish to successfully enhance their reputation (or that of their industry) in order to be upheld as 'good corporate citizens'. The responsible firm, like the responsible industry, is likely to attract less scrutiny from governments and non-governmental organisations but may also gain sufficient legitimacy to be trusted to self-regulate. The benefits of self-regulation include both the ability to determine the firm's own rules and influence the rules applicable to the industry through the adoption of self-regulatory practices. The potential reward of being allowed to self-regulate as well as increased expectations that firms uphold responsible behaviour has meant that gold mining firms are more than ever required to offensively defend their industry and its practices.

Faced with a complex array of regulatory systems, multinational firms may also establish private governance initiatives in order to simplify their regulatory burden. Private authority allows firms and business organisations to develop their own regulatory solutions in order to 'pre-empt stricter public or private regulation and respond to strong standards with moderate alternatives' (Abbott, 2012, p. 549). Businesses with a broader geographical presence are more likely than their peers to suggest that private governance assists them in simplifying their compliance regime across the multiple jurisdictions in which they operate. It is argued that business sees private governance as one way in which to meet and exceed current regulatory requirements as well as 'anticipate and avoid future regulatory burdens' (Bernstein & Cashore, 2007, p. 356). In this vein, private governance has emerged in the 'shadow of hierarchy' or, put another way the threat of formal legislation has driven business to pre-emptively self-regulate (Börzel & Risse, 2010).

Similarly, these large firms may establish private governance initiatives not to enhance industry reputation but to differentiate themselves from their smaller, weaker competitors. Once standards are set sufficiently high to make compliance costs prohibitive for small companies, first-movers may 'ratchet up' standards to keep these smaller players outside the regulatory regime, thereby detracting from their legitimacy (Bernstein & Cashore, 2007; Porter, 1990). The raising of standards overtime creates barriers to entry for smaller firms and favours incumbent businesses (Levy & Prakash, 2003).

Much of the business literature assumes an inherent link between socially responsible corporate behaviour and profitability. In Margolis and

Walsh's (2001) review of the business literature, 68 per cent of the studies reviewed found a positive correlation between 'corporate social performance' and financial performance, while only 15 per cent found a negative correlation between the two. However, Vogel (Vogel, 2006a, p. 17) questions the soundness of this causal relationship, highlighting that 'there is no evidence that behaving more virtuously makes firms more profitable… conversely, the fact that CSR also does not make firms *less* profitable means that it is possible for a firm to commit resources to CSR without becoming less competitive'. Regardless, it is the *perceived* financial benefit of responsible business practices that continues to drive businesses' engagement with private governance regimes.

Finally, governments are increasingly entrusting regulation to the private sector, permitting, and even encouraging, firms to fulfil the function of industry governor (Aman, 1999). The increased willingness on behalf of governments to allow firms to engender their own governance mechanisms in turn relieves governments of their 'regulatory burden' (Falkner, 2003, p. 76). Büthe and Mattli (2011, p. 5) suggest governments are increasingly delegating authority to international private-sector bodies, or industry associations, that 'for [their] area of expertise, [are] viewed by both public and private actors as the obvious form forum for global regulation'. Similarly, Haufler (2001) argues that governments legitimise private governance initiatives under the guise of market competitive, flexible industry governance. As Green (2013) notes, it is where governments are unable or unwilling to regulate that firms and industry associations are being permitted to fill this void. Büthe and Mattli (2011) cite the increasing number of governments deferring to International Organization for Standardization (ISO) in preference to government regulation as evidence for this shift. The emergence of private governance as a source of governance represents the 'simultaneous privatisation and internationalisation of governance'; it is partly driven by governments' lack of technical expertise, financial resources or flexibility to deal with complex and ever-changing regulatory tasks but also encouraged by firms that see such regulation as more cost-effective and efficient than government-led regulation (Büthe & Mattli, 2011, p. 5).

In summary, the private governance literature suggests that firms self-regulate in order to minimise risk, enhance reputation, build legitimacy, simplify compliance costs, maximise profitability and because governments are either unwilling or unable to do so themselves (Aman, 1999; Büthe & Mattli, 2011; Haufler, 2001; Pattberg, 2005; Porter, 1990; Vogel,

2006a). Therefore, it is not surprising that the gold mining sector is home to many private governance initiatives.

The Emergence of Mining Private Governance Initiatives

As outlined in the previous chapters, many mineral-rich countries continue to face serious development challenges, despite the presence of natural resource wealth. And although it is now widely accepted that businesses have an obligation to address these developmental challenges, particularly the environmental and social concerns arising from their operations, this has not always been the case. Prior to the 1960s, concerns about environmental matters existed on the political fringe. The publication of Carson's ([1962] 2002) *Silent Spring*, followed by the report, *Limits to Growth* (commissioned by the Club of Rome), brought environmental concerns to the fore (Meadows, Meadows, Randers, & Behrens, 1972). Throughout the 1960s, growth in environmental awareness was accompanied by increasing regulation over ecological matters. This was accompanied by growing discussion in the business literature over firms' responsibility to stakeholders, rather than solely shareholders. Davis' (1960, p. 70) seminal work was one of the first to define businesses' social responsibility, which he asserted was 'businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest' (either the total absence, or ignorance, of women in executive roles led to most management texts of this era referring to 'businessmen'). From this point onwards, the corporate social responsibility (CSR) literature grew rapidly. Despite the presence of this literature, it would be remiss to suggest a consensus on the role of firms from this point onwards. Debate continued throughout this period over businesses' responsibilities beyond shareholders, and is best evidenced by the title of Milton Friedman's (1970) essay, *The Social Responsibility of Business is to Increase its Profits*. In this essay, Friedman argued that business should not have a 'social responsibility' beyond increasing profits for itself and its shareholders.

By the 1990s, societal expectations of firms had grown to include the acknowledgement of environmental and social impacts of business operations. However, in the face of these major changes, the mining industry maintained a 'business as usual' approach to addressing stakeholder concerns (Dashwood, 2012b). Mining firms continued to privilege profit and output over affairs such as sustainability and minimising environmental damage.

Only after the industry reached an impasse, at which access to finance and land was restricted, did it begin to address stakeholder concerns. This reluctance to embrace change, and the way in which the industry eventually came to accept sustainability as a central tenet of firms' operations, can be understood through the employment of a historical institutionalist approach, as outlined in Chap. 2. The interpretation of this impasse as both a policy window and critical juncture can assist in explaining how this resistance was overcome and the ways by which first-mover firms were able to engender norms around sustainable business practices.

The legitimacy crisis being faced by firms, during the 1990s, was a result of the growing gap between societal expectations and mining firms' institutionalised practices. The divergence between expectation and practice was having a tangible effect on mining operations in the form of drastically reduced access to capital, land and markets (Crossan, Lane, & White, 1999; Dashwood, 2012b). Increasingly, the investors and the public expected firms to address the concerns of a wider group of stakeholders, including those that were affected by their operations in developing countries. In the case of mining, this included not only shareholders, but also the communities in which mines were located and the areas from which labour was sourced.

This crisis of legitimacy, which manifested itself in the restriction of access to capital and therefore growth, opened what is known as a 'policy window'. The language of policy windows and policy entrepreneurs is most commonly associated with public policy scholarship and is captured in Kingdon's ([1984] 2011) seminal work, *Agendas, alternatives, and public choices*. Dashwood (2012b) adapts this framework to depict how gold mining firms engendered norms around sustainability. She depicts the industry's crisis of legitimacy as a policy window, or a point in time at which individuals within firms were able to push for change (Dashwood, 2012b). Policy entrepreneurs created new norms that were initially adopted within their respective firms but often spread to the remainder of the industry. In the case of the gold mining sector, firms that responded to the crisis through and acknowledgement of their responsibility to stakeholders, publication of CSR reports and eventually the development of private governance initiatives engendered new norms around CSR in the gold mining sector.

The engendering of these norms by a small group of first-mover firms can be considered a 'critical juncture' (Dashwood, 2012b). Understood another way, critical junctures are the point in time where 'substantial

institutional change takes place thereby creating a "branching point" from which historical development moves onto a new path' (Hall & Taylor, 1996, p. 942). This critical juncture in the mining sector led to a widespread acceptance of the norm of sustainability and the engendering of a range of private governance regimes developed to address the risks posed by mining in developing states (Dashwood, 2012b). These regimes are explored throughout this chapter.

The acceptance of this norm saw sustainability embedded in the operations, or at least the public reporting, of all large mining firms. Firms were encouraged to pursue self-regulatory strategies as a way to reduce risks, increase access to finance, markets and land, and enhance their reputation (Haufler, 2001, p. 20). In doing so, corporations were able to introduce the norms of sustainability and socially responsible business; these norms 'empower large MNCs and imbue them with a value and legitimacy that positions them as governing institutions' (Wilks, 2013, p. 167).

Drawing from the historical institutionalist framework outlined in the introductory chapter, it is possible to understand how private governance emerged in the gold mining sector. Mining firms' unwillingness to adapt to changing societal expectations in the decades leading up to the 1990s saw a crisis of legitimacy transpire. With restricted access to finance and markets, and increasing scrutiny from NGOs, management within large mining firms saw a need to improve their industry's operating practices and the communication of these to a wider group of stakeholders. This critical juncture opened a policy window from which first-mover firms were able to embrace the norm of CSR, which ultimately led to the creation of private governance as a way in which firms could encourage other firms within their industry to enhance their business practices.

In the case of SSA, private governance has emerged in the shadow of weak government regulation. As demonstrated in the previous chapter, state-led governance over the gold mining sector had been weakened in SSA states following the intervention from IFIs and the neoliberal reforms introduced in exchange for debt relief. Contrary to the common understanding of command and control regulation whereby governments prescribe rules and provide incentives and disincentives for following these, many SSA governments lack the capacity to set the rules or to monitor compliance (Haglund, 2008). Newell (2001) refers to this inability as the 'governance deficit'. Filling this deficit remains the focal point for many private governance initiatives. This governance deficit, combined with the historical conditions facing the mining sector as outlined above, suggests

the logical conditions under which private governance initiatives materialised in SSA's gold mining sector.

The next section develops a three-tier classification system for categorising private governance initiatives as company-level self-regulation, cross-industry cooperation or multistakeholder initiatives. This system is developed in order to categorise the key private governance initiatives adopted by firms in the gold mining sector.

Three Tiers of Private Governance

This chapter has thus far described the conditions under which greater cooperation between firms has logically emerged. In particular, businesses' preference for clear regulations, a shift to a preference for market-led solutions and the growing expectation that firms act 'responsibly' in their dealings with local communities has created the ideal conditions under which firms are encouraged to govern their sector. Cutler, Haufler and Porter (1999) assert that a combination of these factors, specifically the willingness of the state to defer to private authority, as well as the expertise possessed by firms, has led to a growth in cooperation between firms. They suggest that institutions established by firms can 'become authoritative because of the perceived expertise of the participant; historical practice that renders such exercise of authority acceptable and appropriate; or because of an explicit or implicit grant of power by states' (Cutler et al., 1999, p. 5). In analysing these forms of governance, these authors develop a classification system through which private governance regimes can be understood. These forms of private governance can be depicted as existing on a continuum of 'institutionalisation' where each of the categories increases in its formality and degree of strength in determining actors' behaviour (Cutler et al., 1999). The authors also suggest that this hierarchy may have implications for the way rules are formulated. For example, what emerges as an informal industry norm may eventually be adopted as regulation by a business association or moulded into a private regime with the help of NGOs and/or governments—thus moving along the scale of 'institutionalisation'. This was clearly the case, as is discussed later in this chapter, when British Petroleum (BP) yielded to external pressure to divulge payments to authoritarian governments in SSA. Despite significant pushback from these governments, this action eventually translated into an informal industry norm that finally emerged as a more formal multistakeholder regime, the EITI.

Informal industry norms and practices refer to the norms of business behaviour that govern actors' conduct. Cutler et al. (1999) suggest that while these norms appear evolutionary, there is often a distinct process by which first-mover firms engender behaviour that is adopted by the remainder of the industry. Moving down the continuum, coordination services firms refer to multinational law, insurance and management consultancy firms as well as financial clearing houses that dictate codes of conduct for firms. Following this, production alliances and subcontractor relationships refer to agreements between two or more firms operating across jurisdictions that, instead of competing, decide to cooperate in the international arena. Cartels, the least common of these coordination activities, refer to three or more firms that set prices and output levels in order to control market share. Of particular relevance to this research are the final two categories developed by Cutler et al. (1999), namely, business associations and private regimes. The former refers to both self-regulatory organisations that formalise the norms and practices of an industry and representative organisations that not only develop standards and norms, but also participate in the political process on behalf of members. Cutler et al.'s (1999, p. 13) latter classification is private regimes, 'integrated formal and informal institutions that are a source of governance for an economic issue areas a whole'. This typology provides a useful scaffold to analyse the emergence of private governance initiatives in the gold mining sector. Of particular relevance are the first, fifth and sixth forms of industry governance outlined in by Cutler et al. (1999, p. 13). These three categories are drawn on in this section, where a typology of private governance regimes specific to the gold mining sector is advanced.

The gold mining sector is home to a wide range of private governance initiatives. The emergence of private governance in this sector is a result of the combination of firms' willingness to develop regulatory solutions as well as governments' explicit or implicit deference to these rules. Using the above typology as a starting point, gold mining private governance initiatives can be analysed using a three-tier classification scheme. Firstly, at the individual business level, mining firms have designed and employed self-regulation in a number of issue areas including worker health and safety and the environmental and social impacts of mining. This regulation is often formalised in standalone policy documents or company codes of conduct and most closely resembles Cutler, Haufler and Porter's (1999) first regime type, namely, informal industry norms and practices. While self-regulation alone does not qualify as private governance, when other

actors recognise the authority of the first-mover firm and replicate rules instituted by this company, private governance emerges.

Secondly, industry-wide regulation is often developed through national mining associations whose focus is the promotion of the domestic mining industry's interests, for example, the Chamber of Mines of South Africa or the Ghana Chamber of Mines (Dashwood, 2007). Industry associations also exist at an international level, for example, the ICMM and the WGC, a body that represents 21 of the industry's leading players and refers to itself as the 'global authoritative voice for gold' (World Gold Council, 2013). This form of governance is similar to the fifth form of private governance outlined above, namely, business associations. This category incorporates the self-regulatory organisations (such as the ICMM) as well as the representative organisations (the WGC and Chamber of Mines) described by Cutler et al. (1999). Industry bodies are able to coordinate firms' approaches and responses to issues facing the mining sector. Furthermore, by leveraging their private authority, industry bodies can define and prioritise issues they deem to be important as well as present solutions to these in the form of private governance initiatives.

Lastly, self-regulation has extended to cooperation between firms, governments and civil society. This cooperation manifests itself in the form of multistakeholder initiatives, or PPPs, that have been developed to address particular issues deemed a priority by the industry or by external stakeholders (Dashwood, 2007). PPPs ostensibly exist to facilitate the achievement of public sector objectives through the enlistment of private sector resources; however, they also create an opportunity for business to agenda-set and control the rules and regulations applied to the private sector (Mayntz, 2002). This category fits most closely with the sixth type of private governance outlined above, namely, private regimes. While Cutler, Haufler and Porter (1999) note that these forms of governance have emerged to regulate one specific area of *economic* activity, in the gold mining sector at least this has been extended to governance over social and environmental issues. There has been an exponential growth in the number of multistakeholder initiatives formed in the mining sector. These have been developed not only to complete projects in cooperation with the public sector, but also to monitor and set regulatory boundaries around business behaviour. Many mining firms have cooperated on an interfirm basis or on a multistakeholder basis with NGOs and governments to engender private governance regimes (Dashwood, 2007). For example, the leading environmental standards adopted and applied in the mining

industry, ISO 14000, is a family of standards (including ISO 14001 a standard for the design of environmental management systems [EMS]) designed with input from business and adopted on a voluntary basis by the majority of firms in the sector. The private authority of firms legitimises this standard, deeming it a sufficient form of governance.

Self-Regulation by Firms

Private governance, in its simplest form, involves self-regulation by firms over issue areas such as environmental management, worker health and safety and relations with local mining communities. When firms with significant private authority self-regulate, and this becomes an industry standard, private governance emerges. Many self-regulatory initiatives are captured as part of firms' codes of conduct or CSR agenda and often take the form of operating to one standard across the various jurisdictions in which firms mine.

All large mining firms adhere to an internal environmental code of conduct, although the nomenclature may vary between firms. The establishment of these codes of conduct can be traced to a series of high-profile environmental incidents in the mining sector during the 1990s, after which non-governmental organisations began focusing their attention on the sector. Concurrently, an increasing number of international environmental treaties was being ratified, and 'green conditions' were being attached to previously looser finance (Dashwood, 2012a). Combined, this series of events formed the critical juncture referred to earlier in this chapter, after which many large-scale mining firms recognised it was in their interest to pre-emptively self-regulate their behaviour towards the natural environment. An example of this self-regulation is Harmony Gold Mining Limited's (Harmony) environmental policy that stipulates that although the business inherently impacts on the natural environment, the company will abide with all legislative requirements and in addition 'aim to prevent pollution or otherwise minimise, mitigate and remediate, harmful effects' of their operations (Harmony Gold Mining Company Limited, 2013). Similar pronouncements are included in other gold mining firms' codes of conduct; for example, Gold Fields Limited's (Gold Fields) 2014 annual report notes that the company's approach to environmental management is defined not only 'by relevant local legislation and regulations' but also by the company's 'sustainable development framework' and its commitment to various private governance initiatives (Gold Fields Limited, 2015, p. 72).

Practices in regards to worker safety as well as that of the communities surrounding the mines are also specified in company codes of conduct. For example, AngloGold's Human Rights Policy commits the company to respect all human rights as listed in the International Bill of Human Rights (which includes the Universal Declaration of Human Rights) as well as the International Labour Organisation Declaration on Fundamental Principles and Rights at Work (AngloGold Ashanti Limited, 2014). The company's commitment to human rights is an attempt to address concerns about mining's impact on local communities, particularly indigenous land rights. It also ensures that concerns over operations in conflict zones, post-conflict zones or areas of weak governance can be supported by a commitment to the human rights of those involved or affected by the conflict. Acacia Mining similarly outlines its intentions to protect its workers on site by specifying the company will act 'in accordance with recognized industry standards and to meeting or exceeding all applicable environmental and occupational health and safety laws and regulations' (Acacia Mining plc, 2014).

Cross-Industry Bodies

In addition to developing their own standards and codes of conduct, gold mining companies also cooperate to develop cross-industry bodies such as the WGC, the ICMM and country-level chambers of mines. These groups allow gold mining companies to prioritise issues facing the industry and to formulate a coordinated response. They allow firms to minimise risk, improve the industry's reputation as well as share information and best practice between firms.

World Gold Council

The WGC has a membership of 21 gold mining firms and aims to provide industry leadership as well as stimulate demand for gold. The WGC sees itself first and foremost as responsible for ensuring ongoing demand for gold, and secondly as a forum for mining companies to deal with issues facing the industry.[1] Nonetheless, the WGC has developed a Conflict-Free Gold Standard similar to the Kimberley Process for diamonds, allowing firms to document the extraction process for gold and have it certified as conflict-free. The development of this standard is a response to concerns mirrored in the resource curse literature, which suggests an increased likelihood of conflict where minerals are extracted. Efforts by gold producers

to develop and implement their own standard by which gold can be certified as conflict-free, in the absence of state legislation, reflect a desire to produce a coordinated response to this issue and to be able to credibly assert that the industry is self-regulating the production of conflict-free gold.

In addition to the Conflict-Free Gold Standard, the WGC has also published a Guidance Note on All in Sustaining Costs and All in Costs. The WGC states that the note provides advice to WGC members, as well as non-members, on how to effectively account for the various non-traditional costs associated with mining (such as administrative expenses incurred as part of production) in order to provide a more transparent picture of the economics of mining. The guidance note is freely available, and WCG member firms are in no way obligated to employ this level of disclosure; however, the drafting of the note provides a way for firms to make public expenditure such as community costs, royalties and production taxes and non-cash remuneration. Gold Fields was a leading contributor to the development of the note, which allows gold mining firms to maximise their costs in an effort to minimise profits (and henceforth company tax paid to governments).

International Council on Mining and Metals

The ICMM's remit varies from the WGC's in that its formation was in response to criticisms of mining's unsustainable practices and it exists largely to address these concerns. Formed in 2001, its membership consists of mining and metals companies, country-level mining associations and global commodity organisations (including the WGC). The organisation's efforts have been directed at the development of a set of ten guiding principles known as the Sustainable Development Framework. Members must commit to upholding the Ten Principles as denoted in Fig. 4.1. Members of the ICMM are required to report annually on their performance in these areas, including obtaining third-party assurance that the principles are being met.

The principles of the ICMM are designed to assuage concerns regarding mining in the developing world; they each seek to redress outcomes commonly associated with the resource curse such as improving transparency to avoid the corruption and mismanagement of revenues and upholding human rights in mine communities to discourage violence associated with mineral wealth.

1. Implement and maintain ethical business practices and sound systems of corporate governance;
2. Integrate sustainable development considerations within the corporate decision-making process;
3. Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities;
4. Implement risk management strategies based on valid data and sound science;
5. Seek continual improvement of our health and safety performance;
6. Seek continual improvement of our environmental performance;
7. Contribute to conservation of biodiversity and integrated approaches to land use planning;
8. Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products;
9. Contribute to the social, economic and institutional development of the communities in which we operate; and
10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

Fig. 4.1 ICMM's Ten Principles
Source: International Council for Mining and Metals, 2014

Of all the private governance initiatives examined in this chapter, the ICMM remains one of the weakest. The ICMM's Sustainable Development Framework has been widely criticised for being 'devoid of specificity, requirements for compliance, and independent assurance of compliance verification' (Sethi & Emelianova, 2011, p. 161). Sethi and Emelianova (2011) argue further that the ICMM exists only as a response to industry criticism and serves as a way in which firms can dictate the regulatory agenda. They also argue that the organisation has deliberately delayed finding solutions to some of the issues highlighted as part of the Ten Principles and that the reporting and auditing functions of the ICMM remain inadequate (Sethi & Emelianova, 2011). Further, the organisation's membership is derived entirely from the industry, with no formal

membership from civil society, for example, NGOs, that may allow for a more robust set of standards to be developed.

The limitations outlined above have led to the ICMM's Ten Principles being classified as a 'weak sword', according to Potoski and Prakash's (2005) typology of voluntary governance initiatives. The authors draw on club theory to classify voluntary initiatives, such as the ICMM Ten Principles, as either strong or weak swords. Those with third-party auditing, public disclosure and effective sanctioning mechanisms are deemed to be 'strong sword' clubs. Conversely, those such as the ICMM Ten Principles, with only third-party auditing but no public disclosure or sanctioning mechanisms, are considered 'weak swords'. The implication of this classification is that like other voluntary initiatives classed as weak swords, the ICMM Ten Principles are more likely to realise shirking from members and are thus less likely to be effective governance measures (Lindsay, 2011).

Chamber of Mines

The last cross-industry private governance mechanism examined in this chapter is country-level chambers of mines. Chambers of mines are commonplace in all mineral-extracting countries, and often include members from a range of mineral extraction industries. These industry lobby groups are responsible for promoting the importance of mineral extraction to the broader economy as well as coordinating industry response to government policy, or pushing a unified agenda in terms of industry governance. For example, the South African Chamber of Mines describes itself as the prominent industry employers' association that serves its members through facilitating interaction between firms to determine an industry-level stance on policy issues and to represent this position to the various levels of South African government (Chamber of Mines of South Africa, 2013). Similarly, the Ghana Chamber of Mines' mission is to represent a unified voice for the mining industry and to deliver services that address members, government and community needs in order to enhance development (Ghana Chamber of Mines, 2013a). In light of the hostile relationship between the Tanzanian mining sector and the government and public, the Tanzanian Chamber of Minerals and Energy posits itself as a mediator between the industry and key stakeholders, most notably between mining firms and the Government of Tanzania and the public (Tanzania Chamber of Mines and Energy, 2013). While these chambers vary slightly in their remit, depending on government and community attitudes towards mining, all three

aim to prioritise issues facing the industry, settle on a unified position on these key issues and promote the solution to governments and the public. Membership and funding of these organisations are solely industry-based and as such there is no external stakeholder monitoring or input into policy. Similarly to the ICMM, the remit of Chambers of Mines is not to govern the industry *per se*, but to allow firms to work together to prioritise issues and present solutions to governments and the public.

The next section examines the final typology of private governance initiatives, those that involve government and/or civil society. Referred to here as multistakeholder initiatives, these private governance regimes have been developed as a result of cooperation between industry, government and NGOs—relationships previously considered more likely to be confrontational than cooperative (Pattberg, 2005).

Public Private Partnerships/Multistakeholder Initiatives

Multistakeholder initiatives refer to private governance regimes with a combination of participants including business, government, international organisations and/or NGOs. Increasing cooperation between these groups has led to the emergence of several multistakeholder governance initiatives aimed at redressing negative outcomes associated with mineral extraction (Pattberg, 2005). Multistakeholder initiatives address issues that are usually removed from the principal operations of mining firms—that is, extracting minerals from the ground. These initiatives neither address narrow technical issues alone, nor do they fit under the umbrella of pure philanthropic programmes. Instead, they address the 'externalities of corporate activity' (Haufler, 2001, p. 14). Increasingly undertaken in partnership with governments, international organisations and NGOs, Haufler (2001, p. 38) labels these governance regimes 'programmatic' initiatives—programmes developed to address issues as diverse as revenue transparency within host governments, security and human rights as well as the formulation of EMS for mine sites.

These initiatives vary greatly in what they require of members, how they monitor compliance and the sanctions applied to members who deviate from the standards. However, multi-stakeholder initiatives are often considered to be universally weak, reflecting a lack of regard for the variations between regimes. For example, prospective members may be required to serve a probationary period of reporting as in the case of the EITI, or they may be one of thousands of firms who have made a loose commitment

to endorse the code of conduct, in the case of the UN Global Compact. Reporting requirements vary between all initiatives although it is an almost universal criticism that these regimes do not require robust enough reporting on a frequent enough bases. Lastly, if reporting requirements do exist, sanctions for non-compliance range from expulsion from the programme as occurred for Equatorial Guinea in regards to its EITI membership, or a simple request to improve efforts at compliance. These characteristics, together, determine how effective these private governance regimes are at addressing the problems they seek to solve. In all cases explored below, criticism of the initiative has been strong, suggesting there is room for all initiatives to improve their effectiveness. This chapter focuses on five most prominent multistakeholder initiatives employed in the gold mining sector, namely, the EITI, UN Global Compact, Voluntary Principles on Security and Human Rights, Global Reporting Initiative (GRI) and ISO14000 family of standards.

Extractive Industries Transparency Initiative
As noted earlier in this chapter, the shift in business norms seen in the extractives sector took place during the 1990s. Increasingly, goals such as accountability and transparency gained traction amongst a broad range of industry participants and observers, including NGOs, governments, IFIs and multinational extractive firms (Van Alstine, 2014). Consistent with this norms cascade was the 1999 publication of the Global Witness report, *A Crude Awakening*, which highlighted the extreme graft occurring in the Angolan oil sector. A major component of this campaign was a call for oil firms operating in secretive jurisdictions to publish their payments to governments (Extractive Industries Transparency Initiative, 2014b).

In response to *A Crude Awakening*, and mounting expectations that extractive firms *should be* concerned for the environmental and social impacts of their activities, BP took the unprecedented step of publicly declaring a US$111 million signature bonus paid to the Angolan Government as part of their oil licensing agreement. The release of this information angered the Angolan Government who threatened BP with contract termination in a letter copied to all oil companies operating in the country (McMillan, 2005). BP's decision to publish what they paid the Angolan Government further embedded the norm of transparency amongst large extractive firms and encouraged the formation of the civil society campaign Publish What You Pay (PWYP). Formally launched in 2002, PWYP has since been advocating for greater transparency in the

extractives sector, including detailed mandatory disclosure rules at various levels together with details of royalties and bonuses (Van Alstine, 2014).

In the same year, growing concern about the role of multinational extractive firms operating in opaque jurisdictions compounded by the difficulties unilateral action (such as that taken by BP) entailed saw the formation of a blueprint for the EITI. Announced by Tony Blair at the World Summit on Sustainable Development in Johannesburg, South Africa, in September 2002, the EITI called for the joint development between business and governments of a reporting standard applicable to the industry (Extractive Industries Transparency Initiative, 2014b). In 2003, an initial 12 principles were drawn up and implemented on an experimental basis by the governments of Ghana, Nigeria, Azerbaijan and the Kyrgyz Republic (Extractive Industries Transparency Initiative, 2014b). In 2005, six of these principles were agreed on as the basis of the EITI. At this stage, civil society was also invited into the initiative. Although it is based on the principles captured by the Global Witness report and by PWYP, the EITI has had far greater success due to its multistakeholder nature and more narrow focus on the publication of aggregate amounts paid to and received by governments. As noted by Van Alstine (2014, p. 25), 'PWYP seeks to influence mandatory regulatory reform, while the EITI promotes voluntary and incremental reform'. Of these two initiatives, the EITI has been notably more successful.

Countries that commit to the EITI legislate that all payments from oil and mining firms to governments will be made public. Governments and firms provide these figures, which are then collated into a report that is made available for the general public, with any discrepancies highlighted. At the time of writing, there are 31 complaint countries within the EITI; these are countries where all of the EITI requirements have been implemented (Extractive Industries Transparency Initiative, 2014a). A further 17 countries are candidates, and have partially met the initiative's requirements as outlined in Fig. 4.2 (Extractive Industries Transparency Initiative, 2014a). Although host governments choose whether to implement the EITI, mining and oil firms, in conjunction with governments, developed the initiative and have determined its current structure. Also, unlike most other multistakeholder initiatives, the EITI is not a voluntary private governance regime. Compliant countries are required to enact legislation requiring all extractive firms to make public their payments to governments, regardless of firms' support or lack thereof of the initiative. Sanctions for non-compliance on behalf of firms are the responsibility

EITI Requirements

1. The EITI requires effective oversight by the multi-stakeholder group;
2. The EITI requires timely publication of EITI Reports;
3. The EITI requires EITI Reports that include contextual information about the extractive industries;
4. The EITI requires the production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material paymentsto government by oil, gas and mining companies;
5. The EITI requires a credible assurance process applying international standards;
6. The EITI requires EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate; and
7. The EITI requires that the multi-stakeholder group takesteps to act on lessons learned and review the outcomes and impact of EITI implementation.

Fig. 4.2 EITI member requirements
Source: Extractive Industries Transparency Initiative, 2013

of the member government, and are usually contained in that country's mining legislation. However, the EITI is considered a private governance initiative as it was developed by firms, in conjunction with governments and civil society, as a response to the criticisms facing the industry. Mining firms also continue to influence the regulatory body through the ten positions on the EITI Board that are held by mining firm executives. Moreover, in compliant countries, the multistakeholder groups that implement the initiative contain mining company representatives. In this light, the EITI can be viewed as a private governance initiative that has been widely accepted and eventually adopted as government legislation in compliant states.

The EITI has been criticised for addressing only one part of the natural resource supply chain, that of revenue collection, whereas corruption in the design or awarding of contracts, or the use of resource revenues is not captured by the initiative (Kolstad & Wiig, 2009). It has also attracted criticism for long delays in reporting (up to four years from the period being analysed in the report). Lastly, the initiative assumes that 'more

information is better' and that once the accounts are made public, citizens have the capacity to hold governments to account (Van Alstine, 2014, p. 25). In many jurisdictions, widespread repression makes speaking out about potential corruption impossible for stakeholders such as civil society (Kolstad & Wiig, 2009).

In 2013, the EITI implemented a new standard in response to criticism regarding a lack of timely reporting and absence of sanctions for members who failed to submit accounts on time. The standard improves on the former EITI requirements by demanding timelier reporting, at a finer level of detail including at a company and project level. However, the standard has failed to deal with criticisms of the initiative's sanctioning mechanisms. It remains that sanctions against firms that deviate from these requirements have not been dictated at the EITI level and remain the responsibility of the state. This is seen to be ineffective, as in many cases the compliant country has joined the EITI in order to rectify the power imbalance between strong mining firms and the government.

United Nations Global Compact

The United Nations Global Compact was launched in 2000, two years prior to the EITI. This private governance initiative varies, however, in that it was developed by the UN and has since been voluntarily adopted by firms. The Compact also differs from the EITI by way of membership, in the case of the former more than 8000 signatories have committed to the Compact's principles; of these, 6000 are businesses (Sethi & Schepers, 2011). The Compact was formed as a response to UN Secretary General at the time, Kofi Annan's call for the business community to form an agreement with the UN and the private sector to promote human rights, ensure labour conditions and protect the environment in the face of increased global trade (Sethi & Schepers, 2011). This was an attempt by the UN to generate private governance over issue areas that developing states had been unwilling, or unable, to address. The UN's concerns also mirror the outcomes highlighted by the resource curse literature, where the presence of mineral wealth leads to a greater likelihood of conflict as well as increased scope for the repression of citizens who are disconnected from their governments. The following Ten Principles form the basis of the Compact, with all signatory companies agreeing to embed these into their operations (United Nations Global Compact, 2014) (Fig. 4.3).

Members are invited to make a clear statement supporting the Ten Principles and subsequently incorporate them into their operations. Every

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; and

Principle 4: the elimination of all forms of forced and compulsory labour; and

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Fig. 4.3 UN global compact Ten Principles
Source: United Nations Global Compact, 2014

two years, member firms are required to provide a brief report on the progress being made on internalising these principles within the firm's operations. These reports are available on the Global Compact's website (see http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html). Firms that do not provide these updates are sanctioned by being removed from the list of participants.

The Ten Principles contained in the Compact cover a multitude of issues such as environmental damage, labour rights and anti-corruption measures. The initiative has been described as lofty due to the vagueness of its prescriptions. Deva (2006, p. 129) argues that, 'the language of these principles is so general that insincere corporations can easily circumvent or comply with them without doing anything'. For example, principle 7 suggests, 'Business should support a precautionary approach to environmental challenges' (United Nations Global Compact, 2014). This nebulousness, specifically the lax requirements for signatories to demonstrate any measurable change in behaviour, has drawn major criticism.

Furthermore, the ease of membership and the sheer number of signatories have led to criticism of the United Nations for allowing its name to be associated with firms whose behaviour has stood in direct contrast to a commitment to human rights, labour rights, the environment or combating corruption. The Compact has been accused of being open to 'capture' by big business, 'that the UN, the supposed rule setter, wittingly or otherwise begins to adopt the agenda of business partners without debate or true democratic procedure' (Thérien & Pouliot, 2006, p. 67). One of the most commonly cited examples of this questionable link is PetroChina, whose parent company, China National Petroleum Company, was accused by human rights organisations of complicity in human rights abuses and genocide in Sudan through the company's ongoing support of the ruling regime (CSRwire, 2009). Legal scholars have pointed out several other signatories whose actions are 'simply inappropriate for partnerships with the UN' including Nike, Shell, BP Amoco and Rio Tinto (Sethi & Schepers, 2011, pp. 250–252). Critics have labelled the Compact 'bluewash', allowing firms to 'drape themselves with the UN flag to distract attention from human rights or labour abuses, poor environmental performance, or corrupt activities' (Berliner & Prakash, 2012).

The above summary suggests that the Compact is a 'weak sword' according to Potoski and Prakash's (2005) definition. While other private governance initiatives such as ISO14001 (discussed later in this chapter) were developed with sufficiently stringent requirements to be considered

adequate substitution for government-led regulation, the Compact is merely an ambiguous set of principles with low barriers to entry, requiring very little commitment from member firms.

Voluntary Principles on Security and Human Rights

A more detailed set of guidelines for the protection of human rights was developed through the Voluntary Principles on Security and Human Rights, established in 2000 by the British and United States governments in conjunction with oil and mining companies, Freeport-McMoRan, Shell, BP, Rio Tinto, Chevron and Texaco (Vogel, 2006b). Since the development of the principles, several other firms have joined including gold miners AngloGold, Barrick Gold Corporation and Newmont Mining Corporation (Voluntary Principles on Security and Human Rights, 2014). The initiative claims to provide a practical guide to assist members to manage risk, a platform for learning and the sharing of best practice and a framework to build capacity of members to address the issues of security and human rights in complex environments (Voluntary Principles on Security and Human Rights, 2014). The principles present a clearer set of guidelines for corporate behaviour than what is provided by the UN Global Compact.

The principles include a particular focus on conflict in and around mine sites, an issue pertinent to the companies analysed in this book. The presence of large-scale mines often leads to conflicts with local communities and small-scale or artisanal miners who have been either displaced by the presence of large-scale mines or have relocated to areas where minerals have been found in search of wealth. Clashes, such as those that have occurred at Acacia's North Mara mine in Tanzania, are evidence of this ongoing tension, and the principles have specifically sought to address concerns about human rights violations by mine security and local law enforcement. It is important to note that while artisanal and small-scale miners contribute to the production of gold in SSA, their input into industry governance is limited to their interactions with large-scale gold mining firms. Small-scale producers are not sufficiently organised to develop their own rules and regulations for the sector, although as the principles demonstrate, firms with significant private authority may develop industry governance that responds to the challenges of ongoing relations between large-scale miners and local communities, including artisanal miners.

The principles encourage firms to affirmatively use their influence to avoid human rights abuses, in contrast to the historical employment of a

strategy of political neutrality to justify inaction (Pitts, 2011). In doing so, they urge firms to share information on security and human rights risks. The guidelines suggest firms should make this information available to civil society, as well as report these concerns to host governments (Pitts, 2011). When compared with the UN Global Compact, the principles consist of a much more detailed set of procedures, and invite a greater awareness, action and responsibility from signatories. A narrow membership, restricted to only extractive firms, has allowed for the development of a more informative set of guidelines. The small membership base of 23 companies contrasts with 6000 in the case of the UN Global Compact.

Despite the principles' detailed nature and concentrated membership, it remains at best a set of guiding principles for business, rather than an effective governance mechanism. Firms are required to report annually to the Voluntary Principles annual plenary meeting in the form of a two-page report, through which firms confirm their ongoing commitment to the initiative. This report is neither made public, nor is it externally audited. The process for sanctioning non-compliant members also remains unknown. The lack of rigorous reporting and clear evidence that firms have acted collectively to safeguard the human rights of those affected by mining has drawn criticism of the initiative (Pitts, 2011). While the principle's detailed guidelines and restricted membership suggest this initiative could enhance governance of developing countries' extractive sectors, the lack of compliance monitoring weakens the principle's effectiveness immensely.

Global Reporting Initiative

Moving beyond the human rights arena, the GRI is the most globally well-known set of guidelines for the production of corporate sustainability reports (Brown, de Jong, & Levy, 2009). The GRI was developed in 1997 by United States CSR network, the Coalition for Environmentally Responsible Companies (Ceres), which is made up of various non-governmental actors including firms, NGOs, academics and organised labour (Global Reporting Initiative, 2014). The goal of the GRI was to harmonise the various environmental and sustainability reporting standards in use to create access to a free, standardised, comparable reporting system that could be adopted by business (Brown, 2011). Similarly to the EITI, the GRI aims to enhance the transparency of company reporting, particularly on environmental and social issues. While not specifically an extractives sector initiative, the reporting method has been widely adopted within the industry and is considered to be the preeminent framework for

voluntary reporting of businesses' environmental and social performance (Levy, Szejnwald Brown, & de Jong, 2010). Common reporting standards can be used to encourage firms to improve their performance in given areas, in this case social and environmental protections, by presenting comparable, publicly available information for other actors to use to hold firms to account (Levy et al., 2010).

While the initiative aims to encourage mining firms to be more transparent about their social and environmental impacts, it has had mixed results in achieving these aims. The uptake of the GRI principles has been swift, and 'social reporting, the associated language, concepts and assumptions, have rapidly become taken for granted among large MNCs'—a transformation to which the GRI has contributed strongly to (Brown et al., 2009, pp. 578–579). Conversely, the GRI has been criticised for its extensive scope, which has led to a high level of compromise in the design of the standards, a lack of detail required in firm reporting and little discernable impact on the way in which firms behave (Levy et al., 2010). Furthermore, while the multistakeholder nature of the initiative encourages input from a wide variety of participants, in reality a dominant constituency of large MNCs and international management and accounting firms has emerged (Brown et al., 2009). The emergence of this group, and its ability to determine the direction of the initiative, have drawn criticism of the GRI; yet, as this book argues, it is through the capture of such private governance initiatives that large firms are able to control the direction of regulation (Brown et al., 2009).

International Organisation for Standardisation—14000 Family of Standards

In addition to the development of reporting standards, firms have also actively participated in the formation of rules and standards governing environmental management. Of these, the ISO14000 family of standards is the most widely used in the gold mining sector. Within the ISO14000 family of standards, ISO14001 is the specific standard that governs the design of firms' EMS. ISO14001 has been widely adopted inside the gold mining sector, with many large gold mining firms seeking to have the EMS system for each mine site certified. Compliance is monitored through a third-party auditor, and companies are certified as compliant if their EMS meets the specifications outlined in ISO14001.

The International Organisation for Standardisation (ISO) is a federation of national standards organisations tasked with unifying and stream-

lining various national criteria into one international standard (Nadvi & Waltring, 2004). While each of these national-level standards bodies is made up of government, industry and consumer group, firms usually dominate the formation and development of standards (Clapp, 1998). More specifically, the majority of secretariats are held by standards organisations from industrialised countries, with these organisations strongly influenced by large firms domiciled in the same states. In the case of the ISO14000 standards, while governments were involved in their establishment, the development of this standard was controlled by national standards boards from developed countries, which are in turn controlled by private firms (Clapp, 1998).

ISO14000 was developed, by business, in 1996 in response to the potential for a proliferation of country-level environmental management standards thought to be emerging following the changing norms around business behaviour throughout the 1980s and 1990s. This 'hybrid private–public regime' (Clapp, 1998, p. 295) or 'corporate private regime' (Burke, 1999, p. 226) reflects the power of business to conduct 'quiet politics', engendering standards through their own country-level standards organisations that also promote their goals at the international level.

While ISO14001 was not the first firm-led environmental governance regime, its widespread adoption has meant it has surpassed all other voluntary environmental initiatives (Clapp, 1998). In the mining sector alone, the number of certifications rose from 88 in 1998, to 1067 in 2008 (Marimon, Llach, & Bernardo, 2011). The success and rapid acceptance of ISO14001 support Büthe and Mattli's (2011, p. 18) claim, that international private standards setting bodies, such as the ISO, where rules are set privately by a body that is 'internationally recognised as a predominant forum for writing rules in the issue area', dominate global standards setting.

From businesses' standpoint, ISO14001 has been a highly effective private governance regime. Not only did large firms control the design of the regulation, its widespread adoption has seen the initiative gain significant legitimacy. Once this standard was accepted by business as the most appropriate way in which to govern EMS design, it was then relied on as the basis for government regulations. For example, the standard has been adopted as official state policy in China, used as the basis of Japan and Ghana's national standards and adopted by the European Union in 1996 (Clapp, 1998). ISO14001 is seen as a legitimate standard and a convenient way to minimise regulatory costs by shifting the burden of compliance onto firms that are content to take on this role (Clapp, 1998).

It is clear from the above analysis that private governance initiatives are highly prevalent in the gold mining sector. Furthermore, many of these initiatives have been developed by powerful firms from developed countries, and are implemented to govern the mining sector in the developing countries in which they operate.

Conclusion

This chapter traced the emergence of private governance in SSA's gold mining sector. Firstly, the literature on firms' motivations for engendering private governance was explored. It was argued that firms pursue self-regulatory solutions to minimise risk, enhance reputation and where governments are unwilling or unable to govern. While the particular rationales provided by gold mining firms are explored in Chap. 5, it is argued that the emergence of gold mining private governance is a response to the high-risk nature of the industry and the weak governance of gold-rich countries.

Next, the chapter outlined the conditions under which mining sector private governance initiatives were developed. It was shown that the mining sector faced a critical juncture in the 1990s, at which point the industry was facing severe challenges related to its approach to economic and social development. Specifically, mining firms had failed to respond to changing societal norms including the expectation that businesses take responsibility for the consequences of their actions and the effects mining had on a broader group of stakeholders. After this tipping point, private governance initiatives aimed at rebalancing the negative effects of mining became central to the industry.

The last section of this chapter explored these initiatives in detail. Through the development of a three-tier framework, it was shown that gold mining firms self-regulate and cooperate across industry and with government and civil society to govern their sector. It was demonstrated that while these initiatives vary in their effectiveness, they are increasingly allowing firms and industry associations to formulate rules for the sector. This point is taken up in the next two chapters of this book, which pursue an analysis of firms' rationales for engendering private governance. Chapter 5 presents an analysis of company reports, delving into the motivations firms publicly state for supporting private governance initiatives. Chapter 6 explores the privately held views of senior executives from SSA's largest gold mining firms towards private governance of the industry.

Note

1. This order of priorities was conveyed to the author during an interview with a representative of the WGC in December 2013. Further details of these interviews can be found in Appendix C.

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CHAPTER 5

Firms' Rationales: Public Reporting

Introduction

This book has thus far outlined the historically weak governance of SSA's gold mining industries and the associated literature that explains these countries' resource-cursed state. During the colonial era, post-independence and in the most recent period following the debt crises of the 1980s, citizens of resource-rich African countries have not benefited from mineral wealth. Instead, more often the outcomes associated with the resource curse, as outlined in Chap. 2, have been observed. In addition, the book has explored the ways in which firms are able to utilise their private authority in order to engender their own governance regimes. Private governance emerges when other actors, including business and governments, observe the rules put in place by firms with significant private authority—this is particularly the case in states with weak governance. Taken together, these realities go some way to explaining the emergence of private governance as a solution to the resource curse. This chapter advances the existing literature on private governance by elucidating the rationales for firms' engendering of private governance initiatives in SSA's gold mining industries. It does so through an analysis of the public reporting of gold mining firms. The evidence presented in this chapter is further advanced in the following chapter, where the privately held views of mining executives are introduced. Taken together, these chapters present the

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first detailed study of the motivations of private actors in influencing the structure of Africa's gold mining regulation, developed through the analysis of public statements and elite interviews.

Many private governance initiatives have emerged in order to address the negative outcomes associated with extractive industries. The adverse effects of hard rock mining not only cause damage to mine communities but also pose a risk for mining firms. A poor reputation and potentially the loss of a firm's 'social licence to operate' are serious threats to the viability of mining firms. Furthermore, the outcomes associated with the resource curse provide an opportunity for firms to enhance their reputation, or that of their industry, by championing causes that governments have failed to effectively mitigate. As such, the gold mining sector has seen the emergence of a large number of private governance initiatives over the past 20 years. The proliferation of firm-led governance initiatives defies mainstream liberal economic thinking, suggesting firms are not solely driven by the goal of profit-maximisation. Put another way, 'it is clear that firms do not act as atomistic competitive units, driven solely by an economic imperative to maximise individual profits' (Cutler, Haufler, & Porter, 1999, p. 333). Instead, firms perceive value in contributing to the governance of their industry through cooperation and the formation of rules and regulations such as those outlined in Chap. 4. This chapter examines which motivations and drivers of self-regulatory behaviour each of the firms deems most important to present to the readership of their public reporting.

The analysis that follows examines the official justifications of firms towards private governance initiatives. Using companies' annual reporting, this chapter seeks to understand how firms portray their rationales for engendering private governance, and therefore regulating business behaviour beyond what is required by the state. Some of the rationales that emerge through this analysis are the reduction of risk, potential to enhance reputations, a perceived link between socially responsible business and profit and the role of governments in ceding regulatory power to firms. This last point is important in light of the findings presented in Chap. 3. Private governance emerges where there is both supply and demand for non–state-led governance. Governments must be willing to allow firms to self-regulate and business must also perceive value in standard or rule setting (Büthe & Mattli, 2011; Green, 2013). In the cases referred to in this research, weak governance of the extractive industries combined with states' reliance on international financial institutions (and

these organisations' preference for market-led solutions) has resulted in an ideal environment for the fostering of private governance.

This chapter analyses the financial year 2014/2015 reporting of the five largest mining companies identified operating in the three countries discussed in this book. All coding and quotations presented in this chapter are drawn from the latest reports available in October 2015.[1] The reports were analysed by applying coding to passages that represented the firms' motivations or reasons for pursuing sustainable business practices or engaging with private governance initiatives. The coding was grouped into two broad categories—strategic and normative codes. Although it can be argued that all actions undertaken by firms serve some strategic or material goal, it is possible to define some of these motivations as normative, specifically those rationales that do not result in immediate material impact on the firm. On this basis, strategic codes included those that materially affected the firm in the short-term such as impact on profitability, obtaining or maintaining social license to operate, minimisation of risk and actions undertaken in response to a tougher regulatory environment. Normative factors included those that related to moral or societal expectations such as obligation to mining community or stakeholders, a desire to enhance transparency or a commitment to best practice. The coding is then analysed by highlighting patterns of coding at the strategic versus normative and the sub-levels underneath these categories. This is done at the individual firm level, and what emerges is a clear delineation between the types of firms that embrace private governance for more strategic reasons and those that highlight normative justifications for these actions (Elbra, 2014a). Further, the chapter introduces qualitative analysis of these reports, incorporating coded passages to reveal the language through which firms describe their motivations for promoting private governance initiatives.

As noted in Chap. 3, the period captured by these reports followed a time of great turmoil for the South African mining industry. Four of the firms studied (with the exception of Acacia) have operations in South Africa. In fact, Harmony and Sibanye generate 91 per cent and 100 per cent of their respective output from South Africa. During 2012 and 2013, the country was plagued by a series of wage strikes across the mining industry, including the violence experienced at the Lonmin mining company's Marikana platinum mine in August 2012, which resulted in 44 deaths. While the strikes began in the country's platinum sector where the radical union, Association of Mineworkers and Construction Union

(AMCU), had taken control of collective bargaining, it soon spread to the gold mining sector (Botiveau, 2014). Gold Fields, AngoGold and Harmony were all affected by industrial action (Botiveau, 2014). Striking miners cited pay and living conditions at the mines as justification for their action. In the case of the Marikana strike, many workers noted that they had been forced from their homes in the Eastern Cape by the lure of mine work, only to be housed in poor conditions without potable water or basic sanitation (Denselow, 2012). One miner told the BBC that the striking miners were seeking 'a decent salary for hard work deep underground' (Plaut, 2012). The miners were specifically seeking an increase in their wage from ZAR4000–5000 to ZAR12,500 per month—an increase reflective of both perceived inequalities in pay as well as efforts to seek a fairer distribution of mine profits (Plaut, 2012). The mood amongst the miners and surrounding communities points to significant discontent with mining companies, the government and a perceived inefficient distribution of mineral rents. In 2015, the South African gold mining industry was again due to enter biennial wage negotiations, and given the recent experiences with industrial action this was unsurprisingly a dominant feature of the companies' annual reporting during this period. Additionally, the country's 2010 Mining Charter was being amended, and the revised legislation was due to be released in mid-2015. All four firms with operations in South Africa included comments in the CEO or Chairperson's report regarding the potential for mine violence and the implications of wage increases as well as any changes to the South African mining legislation. For all four firms, the potential for industrial action and legislative change presented a significant risk to their operations. Therefore, it is expected that a disproportionate number of statements regarding risk, compared to other codes, would be included in the reports.

Overall, through the analysis conducted, it is shown firms with the broadest geographical footprint are most likely to cite strategic reasons for engaging in private governance. These firms also join more private governance initiatives and are more likely to see these as an opportunity to control the regulation of their industry. Contrarily, smaller firms are more pre-occupied with satisfying mining communities and other stakeholders within the countries they operate in. These firms have a far more concentrated asset portfolio and therefore are less interested in reducing their compliance burden by joining private governance initiatives that

exceed government expectations. Instead, these firms perceive these initiatives as an opportunity to meet the obligations of those whom their operations most directly affect. What is common to all firms is a perceived link between the socially responsible firm and profit as well as an obligation to provide for the development of local mining communities and other stakeholders in the absence of government. These findings support the private governance literature that says that firms will self-regulate in response to perceived risks or opportunities; however, it demonstrates differences between the motivations most applicable to multinational firms compared to firms that operate in a single jurisdiction. The findings also highlight the factors that are most relevant to the gold mining sector, namely, profit and the requirement to provide governance where governments have not delivered.

The chapter is organised as follows. Firstly, this chapter introduces the firms included in this analysis. This section provides an overview of the five gold mining companies and details these businesses' approach to private governance. Company annual reports and sustainability reports published in 2015 are drawn on to elucidate the number of private governance initiatives firms are committed to, and the way these are described by the firms. Secondly, this chapter outlines the methodology used in the analysis and the reasons for examining company reports. Next, the coding structure and rules are introduced. Following this, the coding is compared at the highest level, comparing strategic and normative codes. Then, each of the codes under these headings is examined in detail. Lastly, the conclusions drawn from this analysis are discussed.

The next section examines the attitudes of SSA's largest gold mining firms towards private governance regimes. It demonstrates that firms with larger geographical footprints are more likely to participate in private governance initiatives; they do so as this reduces their compliance burden, and also allows them to control the direction of their sector's regulation. Smaller firms, with fewer operating jurisdictions, are less likely to engender private governance and instead focus on developing or maintaining strong community and host government relations. This section sets up the discussion continued throughout this chapter and the following chapter, where more detailed analysis of companies' attitudes are explored, using firms' reporting and elite interviews with industry representatives.

Mining Firms' Attitudes Towards Private Governance Initiatives

The firms examined in this study were chosen based on their contribution to the continent's gold production, as well as being filtered to include only those firms with operations in Ghana, South Africa or Tanzania. Table 5.1 shows the production levels of the largest gold producers on the continent. It should be noted that the four of the five firms with the largest African output are domiciled in South Africa. Of the firms listed in Table 5.1, all except Randgold Resources Limited and IAMGOLD Corporation have operations in Ghana, South Africa or Tanzania and are therefore included in this analysis. Additionally, Newmont Mining Corporation is excluded due to the limited percentage of its production sourced from Africa. Of these firms, AngloGold Ashanti Limited (AGA) and Gold Fields have the broadest portfolio of mines including those outside of SSA. Sibanye Gold Limited (Sibanye) and Harmony have the most limited geographical scope with all of their gold sourced from South Africa—with the exception

Table 5.1 2014 African gold production

Company	*Headquarters*	*African output (Oz)*	*Total output (Oz)*	*African production (%)*
AngloGold Ashanti Limited	South Africa	2,820,000	4,436,000	64
Sibanye Gold Limited	South Africa	1,589,000	1,589,000	100
Harmony Gold Mining Company Limited	South Africa	1,039,115	1,144,955	91
Randgold Resources Limited	Jersey, Channel Islands	1,147,414	1,147,414	100
Gold Fields Limited	South Africa	937,000	2,219,000	42
Newmont Mining Corporation	United States	914,000	5,231,000	17
IAMGOLD Corporation	Canada	741,000	844,000	88
Acacia Mining plc*	United Kingdom	718,651	718,651	100

Sources: Annual reports (2014) of the various companies. *Parent company, Barrick Gold is headquartered in Canada

of 9 per cent of Harmony's 2015 production, which was mined in Papua New Guinea.

Firms' attitudes towards private governance initiatives vary greatly. Some firms have embraced private governance initiatives, seeking to be involved in their design and adopting the regimes earlier than their competitors. Others have chosen to engage with as few private governance initiatives as possible. As Table 5.2 shows, there is a large variation in the approaches of gold mining firms to private governance initiatives, and much of this can be traced to the firms' global footprint. Companies such as AGA and Gold Fields, which have mines in numerous countries around the world, have embraced private governance initiatives. While there is a variation in the approaches of these two firms to the design of the regimes, with AGA having taken a more proactive approach in the development of these rules and regulations, both firms are largely supportive of the private governance regimes used across the industry.

Two of firms that are least engaged with private governance initiatives are the companies whose operations are concentrated in South Africa. This aligns with the position of the South African government, which has been dismissive of private governance regimes and defensive of its own legisla-

Table 5.2 Membership of private governance initiatives

	AGA	*Gold fields*	*Sibanye*	*Harmony*	*Acacia*
World Gold Council	X^^	X^^	X	X	✓^
ICMM	✓	✓	X	X	X^
EITI	✓*	✓	X	X	X^
United Nations Global Compact	✓	✓	✓	✓	X^
Voluntary principles on security and human rights	✓	X	X	X	X^
Global reporting initiative	✓	✓	✓	✓	X^
Mines ISO14001 certified	✓	✓	X	In the process of certifying mines	X

*AGA is a supporter of the EITI but also discloses all payments to government regardless of whether the country is a member of the EITI. Other EITI supporters in this table do not disclose these payments unless the country of operation is a member of the EITI, or where they are required to do so under regulations applicable due to their stock exchange listing

^Parent company, Barrick Gold, is a member of these initiatives. Barrick Gold owns 64 per cent of the shares in African Barrick Gold

^^Both AGA and Gold Fields withdrew their membership of the World Gold Council in June 2014, citing pressure to reduce costs as the basis of their decision

tive framework, which it argues is superior to multistakeholder initiatives such as the EITI (Compaoré, 2013). Neither Harmony nor Sibanye has joined as many private governance regimes as their larger peers, nor do they make as frequent mention of these in their reporting.

Finally, Acacia, whose operations are confined to Tanzania, is a direct member of only the WGC. Although not formally committed to the Voluntary Principles on Security and Human Rights, the company highlights, in its annual reporting, a commitment to training all staff in compliance with the Principles. Acacia's reluctance to join other private governance initiatives may stem from its ongoing tenuous relationship with the Tanzanian government and civil society, as outlined in Chap. 3. The company's sustainability report makes scant mention of private governance initiatives, instead highlighting the firm's efforts at funding local community development programmes. Acacia's apparent dis-interest in private governance initiatives may also be attributed to the fact its parent company, Barrick Gold, retains membership of the other initiatives examined in this chapter and its sustainability reporting mentions all subsidiaries, including Acacia.

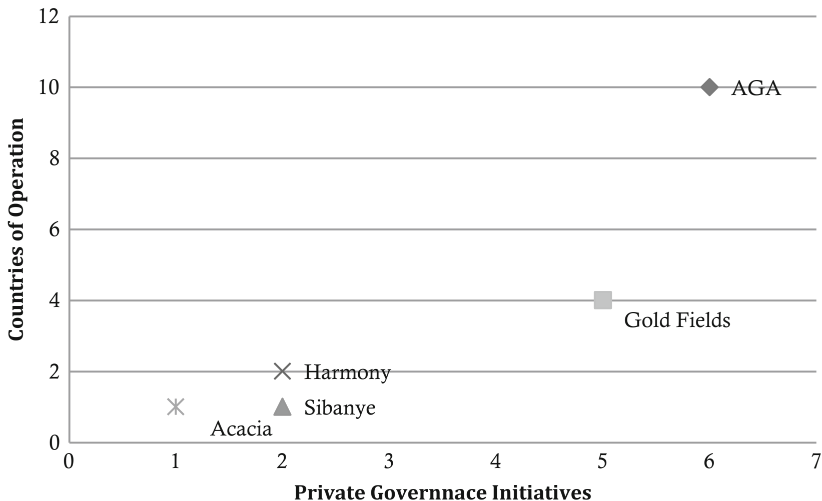

Fig. 5.1 Gold mining firms' geographical footprint and commitment to private governance regimes
Source: Company annual reports

The divergent views taken by firms, as discussed above, can be depicted by plotting firms' memberships of private governance initiatives against the number of jurisdictions the firms operate in. The relationship between geographical footprint and membership of private governance initiatives is demonstrated in Fig. 5.1, reflecting the trend in which firms that embrace fewer private governance initiatives operate in only one or two jurisdictions. These firms are also often late movers and therefore are unable to contribute to the form regulation should take, further decreasing their interest in private governance. Conversely, the two firms that are required to comply with a greater number of government regulations are most active in the design and adoption of private governance initiatives.

The following analysis outlines the types of private governance regimes the firms are committed to and the reasons firms suggest they either engender or participate in these forms of governance.

AngloGold Ashanti Limited

AGA's approach to private governance initiatives is demonstrative of a first-mover approach. Firms that are first movers benefit from greater input into regulation that may later be adopted by the state as well as the ability to 'ratchet up' this regulation to prevent late-moving or small firms from participating in the market (Braithwaite & Drahos, 2000; Porter, 1990). AGA has sought to be involved in the design and formulation of private governance initiatives and is quick to incorporate these into its operating model.[2] The company's annual sustainability report states that AGA continues 'to be informed and guided by standards set globally in organisations such as the International Council on Metals and Mining, UN Global Compact and EITI' supporting 'the efforts of these and many other organisations to develop a responsible business sector which benefits society as a whole over the long term' (AngloGold Ashanti Limited, 2015, p. 5). AGA provides a high level of detail regarding its participation in private governance initiatives, publishing a 41-page sustainability report separate from its annual report. The sustainability report is audited by Ernst & Young to externally validate its compliance against its own metrics, the Global Reporting Initiative guidelines and the Sustainable Development Framework of the ICMM.

AGA's implementation of the principles of the EITI, beyond what is required of members, is typical of a first-mover firm. The company voluntarily discloses all payments to governments regardless of whether or

not the host country is a member of the EITI.[3] In addition, AGA acted as consultant to the WGC in its drafting of the Conflict-Free Gold Standard (AngloGold Ashanti Limited, 2013, p. 46). By implementing private governance initiatives more stringently than is required and through participating in the drafting of these regimes, AGA demonstrates significant private authority. This private authority also provides AGA with a higher degree of legitimacy than its peers, and allows the firm a 'seat at the table' when rules are drafted. Private authority also allows firms, like AGA, to determine the direction of industry regulation, including what areas of their business are regulated and the content of these firm-led rules.

Gold Fields Limited

Gold Fields' corporate vision is to be the 'global leader in sustainable mining'. Although this vision is likely to remain unfulfilled, as the extraction of finite resources from the ground is inherently unsustainable, it reflects the firm's approach to sustainability and private governance. The company has embraced many of the private governance initiatives available to it.

While Gold Fields is a member of five of the six initiatives included in this study, the company does not promote its role in the drafting of these standards nor does it widely advertise its reasons for supporting the regimes. Contrary to AGA's separate sustainability report, Gold Fields includes details of its membership of private governance initiatives within its annual report, which notes 'Gold Fields has developed a comprehensive set of internal standards and principles that underpin how we do business. These include Gold Fields' Sustainable Development Framework' (Gold Fields Limited, 2015, p. 36). This section of the report goes on to list the company's commitment to sustainability standards including the ICMM Ten Principles, UN Global Compact and its adherence to the WGC's Conflict-Free Gold Standard (despite the company having left the WGC during 2014). The list of associations is also made available on the company's website, with additional details of how the firm complies with each private governance initiative.

While AGA and Gold Fields are members of a similarly large number of private governance initiatives, Gold Fields devotes far less space to explaining the motivations for its membership or how it sees private governance as beneficial to the company or the industry. It is also clear that while AGA prefers early involvement in the design of the regimes, Gold Fields does not. This may be as the firms either lack the private authority to be invited

to participate, or are less interested in shaping and formulating the regulations that may be applicable to their sector.

Sibanye Gold Limited

Sibanye's approach to private governance is in direct contrast to that of AGA and Gold Fields, despite the fact the company was formed from Gold Fields' South African assets in 2013. Given Sibanye's unbundling from Gold Fields, whereby three of Gold Fields' South African mines were demerged to form the separately listed Sibanye, it is surprising that such a sharp deviation in approach, from that of Gold Fields, has been taken. The company has joined only the UN Global Compact, which, as noted earlier in the chapter, is one of the least onerous of all the regimes examined in this book. The company reports according to the Global Reporting Initiative (GRI) guidelines, however have not formally committed to the initiative, nor do they provide any sustainability reporting through the GRI's database. Sibanye's integrated annual report does not include a section devoted to sustainability; however, this information is included on the company's website and is scattered throughout the report. Much of the discussion of sustainability is focused on company-level corporate social responsibility initiatives as well as relationships with stakeholders, and there is no discussion as to why Sibanye has committed to the Global Compact or why the company has chosen not to join any other voluntary private governance initiatives.

In fact, the firm has in the past explicitly suggested that business alone should not be responsible for alleviating the negative outcomes associated with mining, specifically highlighting the labour unrest that plagued South Africa in 2012 and 2013. In expressing this view, the 2012 Chairman's statement suggests the following,

> Importantly, with a growing appreciation of the role that businesses in South Africa have to play in addressing some of the broader socio-economic problems facing the communities we serve and from whom we source our employees, we also realise that we can't be expected to attain a better outcome all on our own. (Sibanye Gold Limited, 2013, p. 4)

Sibanye's operations are confined to South Africa and, unlike the previous two firms discussed in this section, compliance with legislative requirements is confined to those implemented by the government of South

Africa, as well as by the anti-corruption legislation implemented by the US Government, where the company has a secondary stock exchange listing. Additionally, the South African government has repeatedly refused to support private governance initiatives such as the EITI, instead arguing that their domestic regulatory system is more sophisticated than multistakeholder governance initiatives (Compaoré, 2013). The South African Government's reluctance to support initiatives such as the EITI further limits Sibanye's and other domestically oriented firms' likelihood of engaging with private governance. The limited legislation Sibanye is required to adhere to may warrant private governance initiatives a low priority. Furthermore, it is unlikely that their host government, South Africa, will be impressed by Sibanye's commitment to global standards, which it sees as unnecessary. It is clear that Sibanye has taken a very different path to AGA and Gold Fields in its approach to private governance. While the company is relatively new, having been formed in 2013, it is yet to emulate the approach to private governance taken by the former owner of its mines, Gold Fields.

Harmony Gold Mining Limited

Similarly to Sibanye, Harmony remains largely detached from the industry's private governance regimes. Harmony's production is sourced predominately from South Africa, and the company is required to comply with mining legislation in only two jurisdictions. This suggests that like Sibanye, Harmony may not see benefit in embracing superior global standards.

Harmony's engagement with private governance is the certification of all but two of its mines under the ISO14001 guidelines, and a commitment to certify the remainder in 2016 as well as reporting in line with the GRI guidelines. Harmony has agreed to sign up to the UN Global Compact, citing the following in their annual report: 'Harmony also complies voluntarily with the principles of the United Nations Global Compact, International Council of Mining and Metals, the Global Reporting Initiative and the Cyanide Code' (Harmony Gold Mining Company Limited, 2015, pp. 172). The reference to measuring the company's performance against ICMM principles and Cyanide Code standards suggests that Harmony recognises the legitimacy of the private governance regimes adopted in the gold mining sector. However, the firm does not see value in formally committing to these regimes.

Harmony recognises these initiatives as legitimate; however, it also sees a cost in compliance that is greater than the perceived value of membership. This may be a function of the limited number of country-level legislative regimes Harmony is required to comply with. It also reflects a late-mover disadvantage, whereby the firm has not been involved in the creation of these regimes and is perhaps being excluded from participating through high barriers to entry implemented by early movers such as AGA.

Acacia Mining plc

Acacia's engagement with private governance initiatives varies from the other firms studied in this chapter. Of the private governance regimes outlined in this chapter, Acacia has joined only the WGC. However, its parent company, Barrick Gold, is a member of five of the six of the regimes examined in this section and part of this company's reporting includes mention of Acacia.[4] Furthermore, whilst not a direct member of the Voluntary Principles on Security and Human Rights (although Barrick Gold is a supporter), the company highlights its ongoing commitment to training its stakeholders in the principles of this governance regime in its annual report. The company's unique approach to private governance can largely be attributed to the history of conflict Acacia has had with the communities surrounding its Tanzanian mines, in particular the North Mara mine.

Acacia (formerly known as African Barrick Gold) has experienced long-running and violent disputes with Tanzanian citizens living around its mine sites. These disputes have resulted in the loss of life and accusations that Acacia security has acted disproportionately to the threat of trespassers. Both the Tanzanian government and civil society have been openly critical of Acacia's actions in Tanzania and have accused the company of irresponsible behaviour. In response, Acacia has emphasised its engagement with initiatives on security and human rights principles, including those encompassed in the Voluntary Principles on Security and Human Rights. The group's annual report highlights increased training on the Voluntary Principles on Security and Human Rights across the group's stakeholders as both an achievement in 2014 and an area of priority in 2015, and onwards (Acacia Mining plc, 2015, p. 13). In addition, Acacia has reached an agreement with the Tanzanian Police Force to assist in maintaining security around their mines and dealing with potential incursions. This engagement with law enforcement is another attempt at increasing the company's private authority and lending legitimacy to their efforts at controlling mine security.

Outside of the WGC, Acacia makes no mention of its membership of any private governance initiatives. Instead, support of other regimes and the requirements of membership are left to parent company, Barrick Gold. It is clear that Acacia sees these initiatives as legitimate and as means to enhance the company's private authority; however, engagement appears to be on an issue-by-issue basis, in particular where membership can assist the company in securing its mines and positioning itself as a good corporate citizen in Tanzania where sentiment towards the mining company remains highly suspicious.

It is clear that the companies included in this study take divergent approaches to private governance. Large multinational firms, with significant private authority, are active participants in private governance regimes, and in the case of AGA, as central to their development. Conversely, the smaller firms are less likely to join private governance initiatives, and when they do, they appear to utilise them to enhance their relationship with their host state.

The remainder of this chapter seeks to establish which of the drivers motivate acceptance of private governance initiatives as solutions to the wide array of issues facing the gold mining sector in SSA. It relies on the analysis of company reporting in order to ascertain firms' motivations.

What Can Company Reports Tell Us?

As noted in the introduction, while it is assumed that gold mining firms are largely motivated by profit, this book takes the view that they are not *solely* profit-driven, utility-maximising actors. If this were the case, firms would simply chase the lowest cost environment in which to locate their activities and would pay no heed to environmental or social concerns. Instead, it is clear that actors within gold mining firms see some role for business in self-regulating their activities to mine in a way that meets the accepted norms around sustainability. In fact, the largest firms with the most significant private authority have propagated these norms. As such, this chapter seeks to understand what motivations firms publicly state for pursuing sustainable business practices through the engendering of private governance regimes.[5] Here, it is important to note that the beliefs and motivations of those who determine firms' approaches to sustainability cannot be objectively measured. This is because the attitudes and beliefs of participants cannot be directly observed; instead, they must be inferred from what is written or said by representatives of these firms through an examination

of the 'extensive trail of communications among actors' (Finnemore & Sikkink, 1998, p. 892). Taken together with the semi-structured interviews conducted with key participants, this book presents evidence that enables an enhanced understanding of businesses' motivations.

This chapter seeks to infer and interpret the actions of firms through an examination of the businesses' publicly available annual reporting. This research builds on that undertaken previously whereby the 2012 and 2013 reporting of the same firms was analysed (see Elbra, 2014a). As part of this research, content analysis of the reports is undertaken to highlight the most frequently repeated rationales for engendering private governance. This form of analysis 'codes' statements in order to make 'replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use' (Krippendorff, 2013, p. 24). This method of analysis has been used widely in order to examine corporate communications—including both integrated annual reports and sustainability disclosures (see Beattie, McInnes, & Fearnley, 2004; Buhr, 1998; Gray, Kouhy, & Lavers, 1995; Milne, Tregidga, & Walton, 2009).

The methodological decision to focus on firms' reporting, however, is not without issue. While these reports provide an accessible and detailed review of firms' *public* statements regarding their motivations, it remains that we are unable to directly observe the drivers of business behaviour. Because we are unable to directly discern actors' beliefs and motivations, and in order to understand why private governance regimes are developed, it is necessary to 'engage in an interpretive recovery of actors' private and shared beliefs' (Wendt, 1998, p. 103). In this chapter, the interpretive recovery is undertaken through the analysis of firms' public reporting. Together, with analysis of the elite interviews in Chap. 6, the evidence in respect of firms' motivations are triangulated to present the most thorough understanding of private governance in SSA's gold mining sector. The reliance on company reports as evidence reflects an understanding that while objective observation is not possible, these reports are the most important source of sustainability reporting (Tilt, 1994). They are also the main form of communication between business and stakeholders and are widely disseminated (Adams & Harte, 1998). Furthermore, much energy goes into the production of annual reports, and in doing so 'a company's management makes choices about the issues and social relationship that they consider sufficiently important to problematic to address publicly' (Neimark, 1992, p. 100).

The coded sections of the reports represent both the key messages management and the Board wish to convey to stakeholders as well as the best possible way they see their efforts at sustainability can be described. A great amount of resources are committed to producing company reports, and as such, while these cannot be taken as objective fact, what firms choose to include in their reporting provides an indication of what they see as the most important drivers of their sustainability agenda.

What Was Coded

This chapter utilises the most recent integrated annual reports and sustainability reports (where these were published separately) of the five gold mining firms examined in this book. These reports are focused on the financial year 2014/2015. In the cases of Gold Fields, Harmony and Sibanye, the firms' integrated annual reports were analysed. Integrated annual reports include financial and sustainability reporting in one document and reflect a shift away from publishing financial and sustainability results separately (Eccles & Krzus, 2010). This shift reflects the way that firms now see sustainability reporting as integral to business operations. AGA and Acacia continue to publish annual sustainability reports separately to annual financial reporting; for these companies, the sustainability reports were coded.

Firms' reports were coded with a focus on the sections devoted to *why* firms participate in private governance regimes or why they self-regulate.[6] Most of these passages appeared in the Chairperson's Report and Chief Executive Officer's Report, as well as the Sustainability section of the integrated report or the separate Sustainability Report. These three sections are where motivations and rationales for pursuing sustainable business practices are largely found, and coding for these motivations allows for comparison to be made between the five companies.

Coding

The codes applied to the documents were developed through the reading and rereading of the company reports. No *a priori* assumptions were made about the motivations of firms. Instead, the codes were derived from the statements made, in the reporting, about why firms engendered private governance regimes. It should be noted that this type of research represents qualitative content analysis, which should be distinguished from purely quantitative content analysis. The more a researcher focuses on

the text, the further he/she moves away from a positivist stance (Hardy, Harley, & Phillips, 2004). And, although this research is not strictly discourse analysis, it is argued that all textual analysis is an exercise in interpretation. Therefore, qualitative content analysis, as undertaken here, plays 'a useful role in expanding our understanding of the role of discourse in constructing the social' (Hardy et al., 2004, p. 20). As this research is undertaken from a critical realist epistemological position, it is recognised that not everything is observable and thus requires interpretation, hence the inclusion of textual excerpts to support the findings of content analysis. Furthermore, the coding was developed through a reading of the text, with no *a priori* assumptions about why firms self-regulate, standing in contrast to a more explanatory quantitative approach.

Codes were applied to statements that outlined firms' rationale for pursuing sustainable or responsible business practices. These statements are important because they either implicitly, or explicitly, reveal business motivations for developing and participating in private governance regimes. Furthermore, it should be noted that codes were applied only to statements about firms' *motivations* or *reasons* for pursuing sustainable or responsible business practices, rather than statements that simply listed which private governance initiatives firms had committed to. This is because this research seeks to understand what motivates firms to develop governance regimes beyond those implemented by the state. The codes were then classified as either strategic or normative in terms of their rationale for pursuing sustainable business practices.

The strategic coding includes references to the following motivations: minimisation of risk, enhancement of profitability, a response to a tougher regulatory environment and obtaining or maintaining a social license to operate. The normative rationales for pursuing sustainable business practices include an obligation to the mining community, a desire to enhance transparency, a commitment to best practice and the need to meet stakeholder expectations. It should be noted that the nature of mining in South Africa, in particular, means that many workers emigrate from surrounding provinces or elsewhere in the region in search of mining work. As such, for the purposes of this research, the mining community is defined as workers (including those from areas geographically dislocated from the mine) and local community affected directly by mining operations. Stakeholders are defined more broadly to include governments and shareholders as well as other groups affected by mining. These definitions reflect the accepted mining industry nomenclature.

Strategic Versus Normative

Examining the coding at the highest level, strategic versus normative factors, four clear patterns emerge. The largest firms with the broadest geographical footprint are most likely to refer to private governance in their reports. Further, the more 'multinational' the firm, the more likely they were to cite strategic reasons in preference to normative rationales. Lastly, firms that operate in one jurisdiction (or predominately so) were more concerned with normative drivers, reflecting the importance of good relations with host communities and governments.

The firms that most frequently refer to private governance regimes are the largest firms with the broadest geographical footprint. AGA has operations in ten countries and recorded 24 codes. Similarly, Gold Fields has mines in four countries and recorded 31 codes in total. These two firms are the most global of all the firms considered in this analysis and, as Fig. 5.2 shows, they clearly exceeded the remainder of the firms in regards to providing reasons for their pursuit of sustainable business practices. As was demonstrated in Chap. 4, the largest gold mining firms perceive private governance initiatives as a way to shape industry regulation. These firms have joined a large number of private governance initiatives and are more likely to refer to these regimes in their reporting. The frequent mention

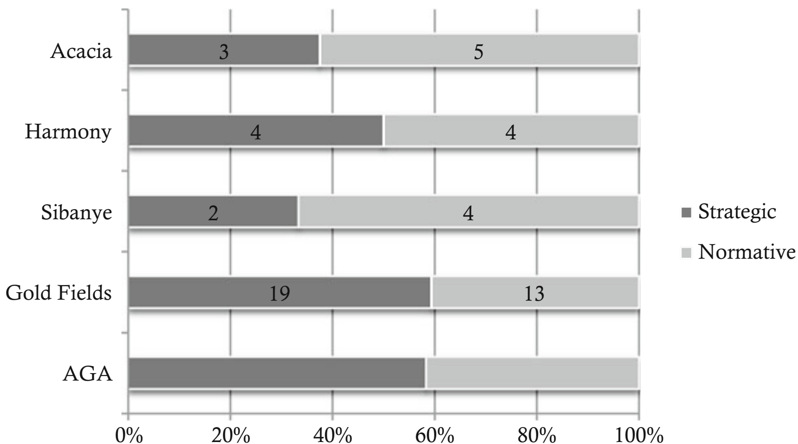

Fig. 5.2 Strategic and normative factors—numbers and percentages of codes
Source: Company reports

of private governance in these firms' reporting also allows them to build legitimacy and private authority, reminding readers of the reports of their role as governors of their industry. Overall, large firms with significant private authority see their participation in private governance as one way of governing their industry.

Figure 5.2 demonstrates that all firms, regardless of their size, cited both normative and strategic reasons for participating in private governance. Bernstein and Cashore (2007) note that while initial support for private governance initiatives is likely to be based on market-incentives, or cost-benefit analysis, over time firms are likely to shift to acknowledging normative drivers as their motivation for embracing sustainable business practices. As discussed in Chap. 2, this norm cascade is said to have taken place in the mining industry during the early 2000s after which time most large mining firms made sustainability central to their corporate social responsibility guidelines (Dashwood, 2012b). Following the acceptance of sustainability as a business norm, large-scale mining firms are unlikely to risk *not* being associated with private governance initiatives. The cognitive legitimacy afforded to firms that accept sustainability as a central tenet of their operations means to do otherwise would be unthinkable (Cashore, Auld, & Newsom, 2004).

Despite the presence of both strategic and normative motivations in company reports, some firms were more likely than others to cite strategic reasons for participating in private governance. These were the largest firms with the biggest geographical spread. Gold Fields recorded the greatest percentage of strategic codes in their reporting (59 per cent). The company with the next broadest geographical footprint, AGA, had 58 per cent of its codes applied to strategic motivations. These firms perceive a material benefit from implementing their own rules and regulations. One or a combination of the following motivations may drive this. Firstly, business or industry groups often implement self-regulatory schemes in order to pre-empt public regulation (Abbott, 2012, p. 556). Efforts at self-regulation are frequently seen as attempts to shape government regulation and, ultimately, share sovereignty with the state (Potoski & Prakash, 2005). In the case of firms operating in developing states, where mining legislation may be weak or non-existent, firms may act voluntarily to self-regulate their activities in advance of any potential future legislation (Maxwell, Lyon, & Hackett, 2000).

Secondly, firms with a broad geographical footprint are required to comply with a wide number of regulatory systems. In most instances it is

more cost effective, and simpler, for a firm to adopt the highest level of regulation (often that of a private governance regime) and utilise this to circumvent numerous government regulations that vary from country to country (Haufler, 2001).

Lastly, these firms, with the requisite private authority, may engender rules and regulations that benefit gold mining firms. For example, Gold Fields worked with the WGC throughout 2012 and 2013 to develop an accounting model that included the greatest number of expenses when calculating the cost to produce a bar of gold. The inclusion of these costs is beyond what the international accounting standards call for, but allows the company to depict narrower profit margins. Gold Fields intended not only to introduce this at the company level, but also leveraged its private authority to encourage the industry to adopt this reporting standard. The company's 2013 annual report notes,

> The industry is now starting to embrace such reporting and we are currently developing an industry standard in this regard through the World Gold Council. This will help us more properly reflect what it costs to produce an ounce of gold…For far too long the industry has reported an inflated perspective of our profitability, which has contributed to governments and other stakeholders seeking a greater share of profits, which don't necessarily exist. (Gold Fields Limited, 2013, p. 29)

The ability of Gold Fields to develop and encourage widespread adoption of an industry standard is indicative of the firm's private authority, and also of its desire to govern the sector.

Conversely, companies with only one operating jurisdiction were more likely to cite normative reasons for joining private governance initiatives. Additionally, these firms have signed up to fewer regimes and made fewer mentions of sustainable business practices in their reporting. Sibanye, Harmony and Acacia have operations in just one or two jurisdictions and are likely to have embraced fewer private governance initiatives. These firms have 33 per cent, 50 per cent and 38 per cent of their respective coding applied to strategic drivers. These firms do not need to simplify their operating procedures; in most cases they are required to comply with just one regulatory regime—that of the country they operate in. Instead, this concentration of operations (and subsequently revenue) means that these firms have an even greater desire to maintain good relations with host governments and communities. Furthermore, their status as late movers means they are unable to mould private governance initiatives to suit their

strategic goals, and therefore these are less appealing than for the first-mover companies. As such, late-mover, smaller firms more frequently cite normative reasons for pursuing sustainable business practices.

The emphasis on normative rationales for promoting private governance stems from these firms' requirement to be seen to be committed to the communities in which they operate. Compared to firms with wider geographical footprints, dissatisfaction from local communities has a proportionately larger impact on the businesses' operations, and in extreme cases can lead to serious financial implications. This quote from Acacia, in reference to its North Mara mine that has been the site of ongoing conflict, highlights this approach, 'we have engaged more actively with the community, the media and with our broader stakeholders with the aim of becoming a partner of choice and to ensure that our communities benefit from our operations' (Acacia Mining plc, 2015, p. 8).

Mining firms with assets concentrated in one jurisdiction are more likely than their multijurisdictional peers to profess concern about their obligation to mining communities, host states as well as a desire to behave morally. The importance that firms with narrower operating jurisdictions place on normative concerns is emphasised in Fig. 5.2.

Taken together, these findings are congruent with Bernstein and Cashore's (2007) suggestion that firms with larger geographical footprints find it more efficient, cost-effective and less risky to operate to higher industry standards developed through private governance, than to participate in a race to the bottom. They are therefore more likely to engage with private governance initiatives, frequently refer to these in their reporting and when doing so cite strategic reasons such as profit maximisation or the minimisation of risk as motivating factors. Moreover, there are stronger motivations for single-jurisdiction firms to ensure good working relationships with mine communities and other stakeholders due to the concentrated nature of their operations. These firms are therefore more likely to cite normative reasons for engaging in private governance, which they see as a tool for ensuring they promote good relations with stakeholders and communities. Lastly, first-mover companies can shape private governance initiatives to mirror their strategic objectives and norms that the businesses have prioritised; this in turn assists them in building legitimacy and private authority over issue areas deemed important by these firms.

Tables 5.3 and 5.4 examine these factors in further detail, highlighting the percentage and number of codes each company recorded for each factor, grouped by the two subcategories of strategic and normative factors.

Table 5.3 Strategic factors in detail

Company	*Profitability*		*Response to tougher regulatory environment*		*Minimise risk*		*Obtaining/Maintaining social license to operate*	
	(%)	*Number of codes*	*(%)*	*Number of codes*	*(%)*	*Number of codes*	*(%)*	*Number of codes*
AGA	29	4	7	1	43	6	21	3
Gold Fields	16	3	5	1	26	5	53	10
Sibanye	50	1	0	0	50	1	0	0
Harmony	25	1	0	0	25	1	50	2
Acacia	33	1	0	0	33	1	33	1

Source: Company reports

Strategic Factors in Detail

It was noted earlier that business is likely to initially engage with private governance regimes in order to exact strategic gains, but that, over time, motivations are more likely to transform into more normative factors. Despite this norm cascade occurring in the mining sector in the early 2000s, many firms remain driven by strategic or material gains in their pursuit of sustainable business practices. These drivers are outlined in Table 5.3 and include a desire to simplify the number of regulatory regimes firms are expected to comply with, avoid government regulation by pre-emptively self-regulating, enhance profitability, reduce risk and retain a social license to operate.

Profitability

All firms noted that profitability was one rationale for engaging with private governance initiatives. This is not surprising, given all five companies are publicly listed corporations and that the reports coded are the most widely read medium of communication with investors and shareholders. It also supports Vogel's (2006) assertion that, while empirical evidence suggests otherwise, business perceives a positive correlation between embracing corporate social responsibility and profitability.

As shown in Table 5.3, AGA referred to profitability as a motivation for engaging with private governance four times in its reporting, which made up 29 per cent of its strategic coding. Gold Fields referred to profit-

ability three times, or 16 per cent of the total strategic coding. For example, AGA's (2015, p. 4) report notes, 'It is clear that a growing number of investors recognise that a sound sustainability strategy is fundamental to the long-term success of the business' and 'the ability of the business to secure and maintain its social license is central to achieving sustainable returns' (2015, p. 7). While Gold Fields' (2015, p. 45) report notes that the company focuses on 'shared value: the pursuit of cost-effective, mine-level business strategies that enhance not only the value of our own business but also generate positive social impacts'. These two firms, the largest multijurisdictional businesses included in this study, perceive a link between sustainable business practices and profit. For these firms, self-regulation is a cost-effective measure aimed at reducing compliance costs associated with adhering to numerous regulatory regimes. Furthermore, these companies' shareholders perceive a link between risk management (through self-regulation) and profit. The promotion of private governance regimes as a solution to issues facing the mining industry represents a way in which firms with significant private authority, such as AGA and Gold Fields, can shape the regulation of their industry.

Response to Tougher Regulatory Environment

Secondly, coding for response to tougher regulatory requirements was only found in AGA and Gold Fields' reports. As noted earlier, these two multijurisdictional firms are likely to embrace private governance regimes as a method of reducing their compliance costs. Both firms made one mention of self-regulating in order to pre-empt or avoid government legislation. AGA's (2015, p. 35) report notes that the company has complied with and met 'potential changes to the regulatory framework in South Africa'. Gold Fields' (2015, p. 16) report notes that the company faces additional regulatory, fiscal and cost imposts due to a lack of cooperation from governments, host communities and organised labour to which it has responded by 'addressing these challenges and finding solutions that benefit all stakeholders'. Both firms possess significant private authority and are able to shape the regulation of their sector. In both instances, these firms are employing discursive power to suggest their efforts at regulation represent a superior response than what can be provided by the state. Further, Gold Fields' suggestion that its response to activism and a changed labour market is to implement its own 'solutions' indicates the company sees itself as filling the governance void left by recalcitrant states.

Minimise Risk

Coding for minimising risk predominately appeared in the two multi-jurisdictional firms' reporting. These findings confirm the expectation noted earlier in this chapter, that upcoming labour market negotiations and changes to legislation in South Africa would lead to a high number of codes for risk. However, it should be noted that this was largely confined to the two first-mover firms included in this analysis, AGA and Gold Fields. AGA's report made six mentions of risk minimisation as a driver of sustainable business practices, making up 43 per cent of the strategic coding for this firm. AGA's (2015, p. 5) report notes the company continues

> to engage with governments globally on issues affecting the mining industry. In these engagements we reinforce the need for a clear and stable regulatory and legislative horizon for the industry. It is regulatory certainty which will allow mining companies to optimise the benefits which can flow from natural resource extraction … Like all mining companies, we will invest in those jurisdictions which offer the best return on a risk-weighted basis. Less risky regions are inherently more attractive for investment.

The other company that coded for risk was Gold Fields, which recorded 5 codes for reducing risk (or 26 per cent of total strategic codes). This risk was acknowledged in Gold Fields' (2015, p. 22) report where it was noted that 'the sustainability of our business is ensured by understanding the linkages between all of the inputs and outputs of our operations, enabling us to maximise the benefits for all stakeholders and reduce the risks to the business'.

The remaining firms all recorded one code each for risk, although this made up 50 per cent of Sibanye's strategic coding due to the low number of references to private governance overall, and strategic rationales in particular. The reference to risk in Sibanye's reporting specifically refers to the establishment of voluntary counselling and testing centres for employees seeking HIV/AIDS assessment. The report notes that the company mitigates risk by 'keeping with our strategic intent of early diagnosis and treatment of disease, Sibanye has extended the VCT programme to all occupational health centres in 2015' (Sibanye Gold Limited, 2013, p. 66). In the case of Sibanye, reporting of risks to the business is highly specific and includes the possibility of employees contracting HIV/AIDS, or failing to seek appropriate treatment. The establishment of voluntary testing

centres, such as the one referred to in Sibanye's report, is controversial as they have been argued to be less focused on employee health and safety and potentially used as a way to inform employers of the HIV/AIDS status of their employees and therefore enable potential discrimination. Similarly, Acacia's reporting includes just one mention of risk, and it is again highly specific. Acacia's CEO notes, 'safety is something I am passionate about and having been involved in underground mining for over 20 years, I am well aware of the risks' (Acacia Mining plc, 2015, p. 13). The references to risk in Acacia and Sibanye's reporting are highly differentiated from that of AGA or Gold Fields where a more broad approach is taken to business risk and where reporting emphasises these firms' response to risk rather than the specific challenge facing the business.

What emerges from the analysis of these firms' reporting is affirmation that large firms with multiple jurisdictions rely more heavily on private governance as a solution to risks facing their business operations. The single-jurisdiction firms, Acacia and Sibanye, are focused on outlining their response to single-issue risks such as safety and the presence of HIV/AIDS. In the case of Sibanye, the response to this risk is reactive rather than proactive. This stands in direct contrast with the approach of Gold Fields and AGA, where coding for reducing risk was far more frequent and referred to a wider range of business risks as well as the pre-emptive approach these business took to potential threats.

Obtaining/Maintaining a Social License to Operate

The greatest number of strategic codes related to passages referring to firms obtaining or maintaining a social license to operate. For example, Acacia's report (2015, p. 13) notes that 'the increased integration of security operations with community relations activities took on a greater focus in 2014 and will continue in the year ahead'. Similarly, Gold Fields' report (2015, p. 22) notes that all current and any new potential operations will only succeed if a social license to operate is maintained, 'whole communities are directly and often exclusively dependent on the sustainability and growth of the mining sector and one of the biggest challenges facing mining companies is addressing what is known as "the social licence to operate"—building relationships and trust with our host communities'. When compared to the coding for reducing risk, which was largely confined to the two largest firms, four of the five firms noted that obtaining or maintaining a social license to operate was important. Taken together, these

two factors make up 64 per cent of AGA's strategic coding, 79 per cent of Gold Fields', 50 per cent of Sibanye's, 75 per cent of Harmony's and 66 per cent of Acacia's. These findings support Dashwood's (2007) assertion that a social license to operate is vital for mining firms. Asset specificity and increasing scrutiny from mining communities and NGOs mean that mining firms need to reduce risks to their operations and gather support for their activities in host countries and within local mining communities. The need to maintain this license to operate is evident in the frequency of which this was mentioned in firms' reports, in four of the five cases more frequently than profitability. Firms see an inextricable link between a social license to operate and the ongoing viability of their business.

Overall, the following findings are evident in respect of strategic motivations. All firms share a perception that socially responsible firms are linked to greater profitability, although this is emphasised more by multijurisdictional firms. Furthermore, these same large firms, with many legislative frameworks to deal with, are the only firms that cite increasing regulatory requirements as one reason they have turned to self-regulation. This is not a factor for the firms with operations in only one or two jurisdictions. Lastly, all firms share a concern for risk and the potential loss of their social license to operate—and see private governance as one way by which this may be maintained.

Normative Factors in Detail

As noted earlier in this chapter, the widespread acceptance of sustainability as a central tenet of mining firms' corporate social responsibility agenda took place in the mid-2000s (Dashwood, 2012b). Drawing on Finnemore and Sikkink's (1998) life cycle model, this period saw a critical mass of mining firms accept the normative validity of sustainability (Dashwood, 2012b). Following this tipping point, a norms cascade occurred, and hereafter the majority of mining firms accepted that their pursuit of profits must be matched with the ongoing concerns of workers, communities and the environment. The reports analysed in this chapter were published ten years after this tipping point was reached, and on this basis it is not surprising that normative factors feature heavily in firms' sustainability reporting. Of these, obligation to the mining community and a desire to meet stakeholder expectations were the most likely reasons firms cited as normative rationales for participating in private governance regimes (see Table 5.4). Other normative reasons cited included a desire to enhance

Table 5.4 Normative factors

Company	*Obligation to mining community*		*Enhanced transparency*		*Commitment to best practice*		*Meeting stakeholder expectations*	
	(%)	*Number of codes*	*(%)*	*Number of codes*	*(%)*	*Number of codes*	*(%)*	*Number of codes*
AGA	20	2	10	1	30	3	40	4
Gold Fields	17	2	8	1	8	1	69	9
Sibanye	25	1	0	0	25	1	50	2
Harmony	50	2	0	0	25	1	25	1
Acacia	40	2	0	0	0	0	60	3

Source: Company reports

transparency and a commitment to best practice in their operations. All normative codes are outlined in Table 5.4 below.

Obligation to Mining Community

In line with the norms cascade outlined above, obligation to the mining community was the second most frequent normative rationale for pursuing private governance. As noted earlier, the term 'mining community' includes local communities around mines, employees and labour-sending communities. AGA's (2015, p. 13) report, which makes two references to the firm's obligation to the mining community, notes that the company aims 'to create value for our operations and communities by helping to address the health and safety risks faced by our employees as well as the communities close to our operations.' Gold Fields, which also recorded two mentions of its obligations to the mining community, 'integrates sustainability into all of its growth activities. This is due to its desire to be seen—as a result of its actions, track record and stakeholder relationships—as the "partner of choice" for host governments, local communities and peer companies' (Gold Fields Limited, 2015, p. 82). Sibanye's (2013) report also included references to both local communities and to efforts at ensuring development of labour-sending areas.

In all five cases, firms provide services and infrastructure to their mining communities, where governments are unwilling or unable to do so. The coding reflects the observation in the literature that private gover-

nance emerges where governments are unable or unwilling to regulate. This is reflected in the statements coded for obligation to mining community. For example, AGA's (2015, p. 17) report states that this company acknowledges that 'public health risks are present in the regions where [we] operate' and that part of their sustainability focus is in eradicating diseases such as malaria, which benefits not only AGA's workforce (and by extension, AGA) but also communities where governments have not provided the necessary prevention or treatment measures. It is clear that firms perceive their role as to deliver economic growth and development to the communities in which they operate, many of which are underserviced by governments.

Desire for Enhanced Transparency

Two of the five firms noted that they pursue responsible business practices out of a desire for enhanced transparency in the mining sector. The desire to promote transparency is likely to be twofold; firstly, firms that have publicly committed to the EITI are likely to perceive benefits in reduced corruption and wastefulness within the industry, but also a public commitment to transparency enhances these firms' moral standing. This is congruent with Cashore's (2002) findings that firms seek moral legitimacy (along with cognitive and pragmatic legitimacy) through self-regulation and private governance. Gold Fields notes that the company is 'a strong proponent of economic transparency. This includes its proactive support of the Extractive Industries Transparency Initiative (EITI), as well as its own efforts to report its wider economic contributions to host communities and societies' (Gold Fields Limited, 2015, p. 46). AGA also notes that it has embedded transparency and a commitment to the EITI in its core values and that the company 'strive[s] to be transparent in its payments to government' (AngloGold Ashanti Limited, 2015, p. 19).

These references to the embedding of a commitment to transparency are in line with the literature that suggests firms will seek moral legitimacy in order to enhance their private authority. These three firms have expressed this explicitly in their annual reporting, highlighting that their actions represent 'the right thing to do'; these normative statements indicate the industry and its stakeholders perceive sustainability as a key determinant of business behaviour.

Commitment to Best Practice

A commitment to best practice was mentioned by four of the five firms. References were made to both specific initiatives and a company-wide approach. For example, AGA notes that it seeks 'to apply our ethical principles outside the business … through adherence to industry-developed standards on responsible gold' (AngloGold Ashanti Limited, 2015, p. 4). It also notes that in Tanzania the company has partnered with the World Bank to implement 'a pilot best-practice operation' in regards to dealing with artisanal and small-scale miners (AngloGold Ashanti Limited, 2015, p. 24).

The scholarship on corporate social responsibility suggests that the emergence of global private standards often results in the dissemination of best practice throughout industry (see Campbell, 2007; Galaskiewicz, 1991). This is argued to occur as private governance regimes, particularly cross-industry and multistakeholder initiatives, are forums for sharing knowledge, techniques and expertise—thereby lifting the industry's overall standards of behaviour (Campbell, 2007; Cutler et al., 1999). The ICMM in particular includes this in its vision, stating, 'Our vision is one of leading companies working together and with others to strengthen the contribution of mining, minerals and metals to sustainable development' (International Council on Mining and Metals, 2014). This rationale for the development of private governance regimes was also conveyed to the author during the interview process (see Chap. 6). It is clear from the private interviews as well as the vision statement of the ICMM that business sees private governance regimes as a way to share knowledge and expertise.

Four of the five company reports make mention of a commitment to best practice, or the sharing of information across the industry. This confirms the interview findings and the statements made by representatives of private governance regimes that suggest that firms see value in publicly emphasising their cooperation across industry. This finding suggests that information and expertise sharing takes place, in line with the literature that suggests private governance regimes are arenas where cooperation occurs (Cutler et al., 1999).

Meeting Stakeholder Expectations

A commitment to meeting stakeholder expectations was the most popular normative rationale for pursuing sustainable business practices across four of the five firms. This code was applied to passages where firms were refer-

ring to the need to appease governments and citizens of the countries in which they operated in, rather than those in the immediate vicinity of the mines. Firms with a smaller geographical footprint, such as Sibanye and Acacia, had a high percentage of their normative coding devoted to meeting stakeholder expectations. These firms' relationships with host governments are of increased importance due to the concentration of their operations and the lack of alternative sources of revenue.

In one case, a statement relating to stakeholder engagement was double-coded for profitability, suggesting Gold Fields perceives an overlap between the two. Gold Fields' (2015, p. 15) report notes 'globally, our operations are confronted by a range of external regulatory, political, labour and price dynamics that will impact on their future business performances. Gold Fields' approach is to deal with these issues in open and honest engagement with its key stakeholders'. This suggests an association between profitability and sound relations with host governments and publics.

Lastly, firms noted that stakeholder engagement was particularly important following the potential for labour unrest as well as impending legislative changes in South Africa. Four of the five companies included in this research (all except Acacia) have operations in South Africa; these companies' reporting highlighted the potential for labour unrest during the upcoming biennial wage negotiations as well as any changes to taxation or regulation following the revision of South African mining legislation. Gold Fields' report (2015, p. 15) notes that the company was preparing for legislative change by 'actively engaging with the South African Department of Mineral Resources to achieve common ground'. The anticipated potential for tension between labour, firms and the South African government may also be one reason for firms' heightened references to the need to meet stakeholder expectations.

Overall, the frequency with which firms referred to their desire to self-regulate in order to meet the expectations of mine communities and stakeholders suggests the purpose of firms' involvement in private governance is to enhance their reputation and maintain good relations with host communities and governments. Furthermore, the coding supports the assertion that private governance emerges where public authority is weak. It is clear that all five firms see their role as not only profit-making enterprises but also as responsible for contributing to the development of mining communities. The recognition that sustainability is a moral concern supports the conclusion that this norms cascade has taken place within the

industry and drives firms' behaviour. It is also notable that firms do not emphasise private governance as one way in which they may be able to pursue best practice in their business operations. This contrasts with the arguments made in the literature and comments made privately by mining firm representatives (see Chap. 6) that these initiatives are useful places for firms to share information, skills and management techniques to improve industry behaviour.

Conclusions

This chapter has outlined the reasons why gold mining firms operating in sub-Saharan Africa embrace private governance initiatives as part of their sustainability agenda. Firstly, this chapter introduced the firms considered in the analysis, and their businesses' approach to private governance. At this stage of the analysis, a typology emerged which delineated the approaches taken by large firms, with multiple operating jurisdictions compared with smaller firms that operate in one or two countries. Secondly, the methodological approach, including the reasons for examining firms' public reporting, was discussed. Lastly, content analysis of these firms' annual reporting was presented. It was shown that the broader the company's geographical footprint, the more likely they are to participate in and develop private governance initiatives; this supports the finding that these firms wish to contribute to the form and structure of industry governance. These same multijurisdictional firms were also more likely to cite strategic reasons for committing to sustainable business practices. This reflects the fact it makes good business sense for these firms to self-regulate their operations in order to avoid a plethora of regulations at the country-level. It also suggests that these firms improve governance of the extractives sector in the countries they operate in. Moreover, membership of a wide variety of private governance initiatives allows firms to build legitimacy and private authority that they can leverage to be seen as industry experts capable of governing their industry—something that is taken up in the following chapter.

Conversely, companies with narrow geographical footprints are more likely to cite normative reasons for participating in private governance initiatives. These reasons include appeasing stakeholders and/or mining communities. This reflects their desire to maintain a social license to operate in the country they mine in, but not a material desire to govern their industry. This is relevant as these firms have a concentration of

operations in just one or two countries, with which they must maintain a viable relationship—therefore, their reputation matters. It was shown that all firms perceive a link between socially responsible business practices and profitability, regardless of the validity of this claim. It was also demonstrated that firms implement their own standards of behaviour when government is unwilling or unable to do so. This is especially the case in developing states or countries where infrastructure and social services are not adequately provided, and includes all three countries analysed in this study.

Overall, the findings highlight particular reasons that gold mining firms engage with private governance, often instituting rules that govern behaviour beyond what is required by the state. Of these, the most notable is the requirement for firms to maintain their social license to operate as well as multinational firms' attempt to circumvent multiple regulatory regimes, and in doing so operating to a higher standard than what is required by host governments. Lastly, in states characterised by weak governance, it remains that private governance emerges where governments are unwilling or incapable of implementing standards and rules to regulate the industry. Where governments are unable or unwilling to regulate and firms perceive value in standard or rule setting, it is increasingly the case that firms and industry bodies are being permitted to self-regulate. In the cases referred to in this research, weak governance of the extractive industries (as demonstrated in Chap. 3) combined with states' reliance on IFIs (and, these institutions' preference for market-led solutions) and the willingness of firms to develop their own rules and regulations, has resulted in an ideal environment for the fostering of private governance.

Notes

1. For Acacia this represents Acacia Sustainability Report 2014, for Anglo Gold 2014 Sustainability Report, for Gold Fields Integrated Annual Review 2014, for Harmony Integrated Annual Report 2015, for Sibanye Integrated Report 2014.
2. This was conveyed to the author in an interview with an AngloGold executive, details of which can be found in Chap. 5, which examines the interviews collected as part of this research.
3. AngloGold is the only gold mining company included in this study that voluntarily operates at this level of disclosure. Other mining firms, including Rio Tinto, have adopted the same policy. While these policies were adopted

prior to the implementation of the US government's Dodd-Frank legislation, section 1504 of this legislation requires firms listed on any US stock exchange to disclose payments to governments, although it should be noted that section 1504 is currently suspended following successful legal action from the US petroleum industry. Similar legislation has been introduced in the United Kingdom, Norway and South Korea, meaning that many firms are now required to disclose these payments regardless of their commitment to the EITI.

4. At the time of writing, Barrick Gold owned 64% of shares in Acacia Mining, although it was seeking to divest these following the name change from African Barrick Gold plc to Acacia in 2015.
5. As highlighted in the introductory chapter, this book acknowledges the role of norms and ideas; however, a purely constructivist approach is not taken. Instead, it is argued that both structures of power and agency matter—and that the interaction between the two is complex. This is supported by March and Olsen (1998, p. 952), who argue, 'Any particular action probably involves elements of each [logic]. Political actors are constituted both by their interests, by which they evaluate their expected consequences, and by the rules embedded in their identities and political institutions. They calculate consequences and follow rules, and the relationship between the two is often subtle'.
6. See Appendix B for further details of coding structure.

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CHAPTER 6

The Discursive Power of Firms

Introduction

Extractive firms are at the centre of the governance of SSA's gold mining sector. This point is at the centre of this book and has been developed through an analysis of the resource curse and private governance literature, as well as the introduction to private governance initiatives and firms' approaches to these outlined in the previous chapters. Gold mining firms are engaged in an activity that is highly damaging to the environment; furthermore, mineral-rich states have been shown to experience negative effects from mining including slower economic growth, greater volatility, higher levels of corruption and greater incidences of conflict. The literature demonstrates that firms with significant private authority are able to develop and implement their own private governance regimes in response to these negative effects (see Büthe & Mattli, 2011; Cutler, Haufler, & Porter, 1999; Falkner, 2003; Hall & Biersteker, 2002). Within the gold mining sector in particular, large multinational mining firms have engendered private governance regimes to address many of the symptoms of the resource curse including corruption, environmental damage, conflict around mine sites and the volatility of mining incomes. These regimes were outlined in Chap. 4, and firms' publicly stated motivations for engaging with these modes of governance were introduced in the previous chapter through an analysis of firms' public reporting.

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This chapter advances the discussion of gold mining sector private governance by examining the motivations for engendering this private governance, as communicated by senior management of gold mining firms as well as representatives from industry bodies. The chapter utilises the 'three faces of power framework' to analyse the interviews conducted with senior executives from two of the largest gold mining companies operating in SSA, as well as with representatives from Chamber of Mines and the WGC. The interview process proceeded as follows. Interviewees were asked a series of questions focused on what they believed motivated their firms to develop and participate in private governance initiatives. They were also asked about whether they saw these initiatives as effective methods of governing their sector and whether they had seen tangible improvements in the contribution of mining to host states as a result of private governance regimes. Two sets of questions were utilised, one for the mining company executives, and the other, a slightly modified version, for the representatives of the private governance regimes. Both questionnaires sought interviewees' perceptions on why firms participate in private governance (at each of the three tiers outlined in Chap. 4; the firm, industry and multistakeholder levels) and whether they believed this enhances the governance of the gold mining sector in the countries these companies operate in. In particular, respondents were asked whether they saw an improvement in economic growth, equality or development following the implementation of private governance regimes.

In this chapter, firms' motivations for participation in private governance initiatives are analysed using the three faces of power framework that allows us to assess the premise that firms are increasingly relying on discursive power to supplant the regulatory efforts of the state. By examining firms' use of instrumental, structural and discursive power, it is argued that gold mining firms rely less on instrumental power and more on structural and discursive power to determine the regulatory environment. When asked about instrumental power, respondents noted that activities such as lobbying and funding of candidates were not particularly effective. Rather than rely on activities like lobbying, respondents noted that they would be more likely to exercise structural power, threatening to reduce their investment in response to proposed regulatory reform. Interviewees expressly rejected the race-to-the-bottom hypothesis, instead suggesting that the governance systems they developed were employed across all jurisdictions. All respondents emphasised not only their firm's rule-making power but also the superiority of firm-led governance compared

with government regulation in the jurisdictions of South Africa, Ghana and Tanzania. When methods of discursive power were discussed, interviewees were in agreement; respondents highlighted their ability to govern the sector efficiently, evidenced by their previous efforts at self-regulation. Furthermore, their responses suggested that firms utilise discursive power in order to strengthen their structural or rule-making power. This chapter provides evidence to suggest that as private governance develops over time, firms utilise the specialised knowledge they produce as a tool of discursive power—to build a reputation as industry experts and thereby influence the regulation of their sector, eventually sharing sovereignty with states (Elbra, 2014b; Fuchs, 2007; Levy & Egan, 2003).

This chapter is ordered as follows. Firstly, the three faces of power framework is introduced to assist in explaining how gold mining firms utilise their private authority in order to develop private governance. Secondly, the interview process and choice of interviewees are outlined. Finally, individuals' and firms' attitudes towards private governance regimes are examined through a discussion of the interview responses. It is concluded that gold mining firms harness discursive power, supported by structural and instrumental power, in order to supplant the regulatory role of the state.

Three Faces of Power

The three faces of power framework, like much of the literature on power, has traditionally been applied to states. However, from the 1970s onwards it was recognised that widespread acceptance of the capitalist norm of profitability afforded firms an increasing amount of power (Lindblom, 1977). While it is evident that firms are capable of harnessing various forms of power to contribute to the governance of their industry, the three faces of power framework is useful in providing a deeper explanation as to how firms exercise power in order to govern their sector. This framework considers the use of instrumental, structural and discursive power, by actors such as firms, and is outlined below.

Instrumental power refers to actor-centred, relational power where firms act voluntarily with the intention of influencing political actors or outcomes (Fuchs, 2005). It is argued that business exerts its influence over the political process by staffing governments with supporters of industry, and influencing government decision-makers through campaign contributions as well as lobbying (Hacker & Pierson, 2002). Levy and Egan (1998, p. 342) suggest that instrumental power is created through a

'dense network of relationships between business and the state'. Activities such as lobbying, the creation of interest groups and the funding of political candidates are all examples of firms' ability to employ instrumental power to shape policy outcomes (Fuchs, 2005). Despite the fact firms continue to lobby governments and fund candidates, the literature on business power argues that instrumental power, when used alone, is weak. It is asserted that scholars of international relations have tended to overplay the access of business to senior government positions and ignored the lobbying efforts of competing interests as well as the deep divisions within the business community (Hacker & Pierson, 2002). Nonetheless, the vast resources available to firms, and in particular the effectiveness of lobbying and campaigning in augmenting *structural* and *discursive* forms of power, suggest that instrumental power remains a necessary (if not, useful) tool of business.

Structural power refers to businesses' ability to punish one country, or reward another, in return for favourable investment conditions (Cox, 1987; Frank, 1978; Fuchs, 2007). Understood another way, business is able to 'impose costs for certain policy choices' by implicitly or explicitly threatening to relocate capital and labour offshore (Fuchs, 2007). Alternatively, firms are able to exercise structural power by moving to countries where investment conditions are made favourable to business. Much of the hyper-globalisation literature suggests that in an era of globalisation and free-flowing capital and labour, firms' structural power is likely to be strengthened (Friedman, 2000). Although mining firms suffer from asset specificity, where business is tied to a specific locale, they still remain capable of exercising structural power by making decisions about where to conduct mine exploration, convert known reserves into operating mines and purchase existing mines based on the presence of favourable investment conditions (Williamson, 1985). States rely on the capital and expertise possessed by multinational mining firms in order to translate mineral wealth into income. Ultimately, firms possess structural power as they have the ability to either extract minerals if conditions are favourable, or leave them in the ground if they are not. As outlined in Chap. 3, the existence of mining codes that provide generous tax and regulatory concessions to attract international investment in developing countries' mining sectors is evidence of mining firms' structural power.

Furthermore, mining firms exercise 'active-structural' power (or agenda-setting power) through the formation of rules and regulations that govern their industry. By determining which issues are regulated, and

the form of the regulation, firms are exercising active-structural power. It should be noted that this form of power is much more overt than the more traditional, passive interpretations of structural power that rely on the mobility of capital (Fuchs & Lederer, 2007).

Although structural power alone is useful in the way that it allows business to prioritise issues facing the industry and deliver regulatory solutions, it can be further enhanced through the use of discursive power. Discursive power employs communicative practices and cultural norms on the basis that interests do not need to be pursued if they can be created (Elbra, 2014b). Non-state actors, such as firms, possess the power to 'broaden the scope of practices these norms engender, and sometimes even renegotiate or transform the norms themselves' (Keck & Sikkink, 1998, p. 35). When used effectively, discursive power creates 'truths' about policy that are accepted by politicians and the public alike (Lukes, 1974). Firms' perceived legitimacy in particular issue areas means they are able to promote 'the projection of a particular set of interests as the general interest'(Levy & Newell, 2002, p. 87). The perceived effectiveness of projecting power is reflected in the comment made by BP's European Director at the time, Richard Newton, who noted, 'if people think you have power, then—to some degree at least—you do' (Buchan, 1998). Discursive power does not rely on coercion, rather on the 'perception of legitimacy and voluntary compliance', which, combined with its wide-ranging nature, makes it difficult to recognise and therefore to hold the users of this power accountable (Fuchs, 2007, p. 64).

As outlined in Chap. 4, extractive firms have created a wide range of standards and rules applicable to issue areas as broad as human rights, environmental protection, accountability and transparency, mine safety and the trade in conflict minerals. Firms use their discursive power to promote these standards and rules as the 'accepted way of doing things' that may be relied upon, if and when governments design legislative solutions to these issues. This rule-setting power is enhanced when a company or industry is viewed as a 'responsible firm', or 'responsible industry', whose behaviour is of a high-enough standard not to warrant intervention from host governments. At its height, rule-setting power, complemented by the discursive power of firms, can see business viewed as industry experts and legitimate governors.

Firms with significant private authority are able to jointly organise issues in and out of politics, using the above three faces of power. The ability of gold mining firms to influence the regulation of their sector through

the employment of lobbying, networking and leveraging of expertise is a reflection of Culpepper's (2010) arenas of 'quiet politics'. Quiet politics is said to take place away from public scrutiny in areas marked by low visibility, technical complexity and informality (Culpepper, 2010). All three of these features are intrinsic to the gold mining industry, but gold mining firms in particular rely on their technical expertise to leverage their private authority. While all three faces of power are distinct, the remainder of this chapter demonstrates that gold mining firms rely most heavily on the combined force of structural and discursive power. Once firms are able to prioritise issues facing the industry, design regulatory solutions for these problems and promote these as the most effective forms of governance, the need to lobby, or exercise other forms of instrumental power, lessens.

In the gold mining sector, firms exercise structural power through the pressure they bring to bear on host states, which are required in turn to provide concessions to encourage investment. Furthermore, firms use active-structural power, such as the formation of industry standards or multistakeholder initiatives to self-regulate. This form of power is complemented by discursive power, or the ability to paint self-regulation as superior to government regulation and to create an image of business as a legitimate governor. Powerful gold mining firms are able to define and prioritise issues facing their industry and legitimise private governance regimes as solutions to these problems. In doing so, business fulfils the role of industry governor, thereby encroaching on the sovereignty of the state (Elbra, 2014b). In order to understand how firms utilise their private authority, a series of interviews was conducted with both gold mining firm executives and representatives of private governance initiatives.

Interviews

Between June and December 2013, interviews were conducted with three senior executives of two of SSA's largest gold mining firms, as well as with a representative of a Chamber of Mines and a respondent from the WGC.[1] As outlined in Table 4.1, the firms included in this study are firms that feature in the top ten global gold miners in terms of market capitalisation, revenue, production and reserves. Furthermore, the majority of these companies' gold production takes place in SSA. These companies were selected on the basis that they represent the largest and most significant companies operating in SSA, and therefore possess the greatest private authority and are able to set the regulatory agenda for the remainder of

the industry. This is not to say that these firms and the respondents are representative of the entire gold mining industry. The industry consists of many multinational mining firms, whose varied countries of origin may affect the way in which they act overseas, medium-scale miners as well as small-scale and artisanal miners (see P.A. Hall & Soskice, 2001 for a detailed discussion of the varieties of capitalism literature). However, these firms remain the largest operating firms throughout SSA, and are those responsible for engendering private governance initiatives. The actions of these firms also influence the remainder of the industry, as the norms established by large firms with significant private authority set the standards for industry-wide business practice.

The company executives selected as interviewees for this study are vice-presidents of their respective firms. These representatives are responsible for the company's corporate social responsibility and/or sustainability agenda, and report directly to the chief executive officer (CEO). Therefore, their views on private governance are important, as it is their direct opinion and understanding of various private governance regimes that determine the advice they provide to their company's CEO, Board and other senior executives. This advice is often then acted on and translated into company policy. The interviewees also represent the largest firms in the industry, and those with the greatest private authority who can influence the direction of industry regulation. Therefore, the chosen respondents influence the sustainability policies of the firms that make up the majority of SSA's gold mining industry. The interviews provide insight into the motivations and opinions of the individuals directly responsible for briefing company Boards and other executives on the role gold mining firms play in regulating their sector, as well as the direction of company policy in relation to private governance initiatives.

Conversely, the representatives from the private governance initiatives do not drive the views of mining firms; instead, they are responsible for harmonising the views of various firms into a single coherent position to be adopted by their industry body. This role gives these respondents a valuable perspective on what motivates individual firms to create, and participate in, private governance initiatives. As the interviewee from the Chamber of Mines noted, 'each company will have its own distinct vision and policy, but we try as much as possible to bring all of these distinct policies and visions into one umbrella. So that is what, everything that we do, represents or reflects what they do as individual companies'. The respondent from the Chamber of Mines is responsible for bringing together the

views of various mining firms operating within their country. Similarly, the interviewee from the WGC is responsible for harmonising the views of 21 gold mining firms and industry organisations operating globally, although the interview questions specifically sought their opinion of what motivates firms operating in SSA, rather than elsewhere globally.

In this chapter, all views and direct quotations are presented anonymously. Two of the five interviewees consented to being named in research output from the interviews, while the remaining three interviewees requested anonymity. In the interests of consistency, this book utilises the interviews on an anonymous basis. Furthermore, as noted throughout this book, the mining sector is highly scrutinised by external stakeholders, many of whom have pre-determined prejudices towards the actors involved in mining. Therefore, in order to avoid any unintended negative consequences from participation in this research, it is considered most appropriate for the interviewees not to be named.

The following section examines the views of these mining executives towards private governance regimes through an application of the three faces of power framework. It is demonstrated that discursive power, enhanced through structural power, remains the strongest combination of the three faces of power. Also, it is shown that as firms increasingly rely on discursive power, instrumental and structural power become less important. Overall, it is demonstrated that discursive power is the preferred method by which firms legitimise private governance regimes and by which they share sovereignty with the state.

Instrumental Power

Firms operating in the gold mining sector continue to exercise instrumental power, although other forms of power are increasingly complementing these efforts. The interviews demonstrate that although respondents recognise the weakness of instrumental power, gold mining firms continue to lobby governments and form interest groups in order to promote their objectives. The diminished reliance on instrumental forms of power is a reflection of the perceived ineffectiveness of these activities, as well as firms' shift to the use of structural and discursive forms of power. The analysis highlights the continued use of instrumental power to augment structural power, or lobbying governments in the face of implicit or explicit threats.

The acknowledgement that instrumental power remains a necessary undertaking, despite being limited in its effectiveness, was reflected in the

response of one interviewee who suggested, 'mining companies do actually have a fair amount of lobbying control…whilst we're very often the favourite whipping post, sometimes when we speak we do actually get listened to and generally what's good for mining is good for economic development'. This respondent highlighted not only the criticism the gold mining sector faced, but also the ongoing need to campaign and agitate governments to improve investment conditions. The respondent's link between what's 'good for mining' being 'good for economic development' hints at the use of structural power, where it is intimated that the success of the mining sector remains central to the economic success of the host country. This reflects an implicit suggestion that unfavourable conditions for mining firms would have economic ramifications for the country more broadly.

Another respondent noted that lobbying still occurred within the gold mining industry but that this was something their firm in particular did not excel at. Instead, the respondent highlighted that a rival firm was much better at lobbying and agitating for change early on in the political decision-making process, noting 'of course there's always an attempt to lobby the government around legislation, but it is normally reactive on [our] level … by the time the government is deciding to put a resource tax of 70 per cent on you, it's already way too late to start lobbying'. This respondent highlighted the view that instrumental power alone was weak, but also noted its continued use by firms as a way of enhancing structural power. The same interviewee emphasised this by noting that while lobbying should have taken place earlier, their company's response to a proposed tax increase would be, 'we're spending X billion on your community, you can put the tax up but then *you* take over the spending'. This comment and the previous reference to the link between mining industry growth and economic development suggest that firms are willing to use instrumental power, or lobbying, to augment their structural power. In these cases, reference is made to the threat to reduce investment in community development programmes, or that harming the profitability of the mining sector would have negative consequences for the wider economy.

The Chamber of Mines representative also highlighted the use of instrumental power to enhance structural power. The representative noted that one firm operating in their country was unhappy with proposed legislation regarding the accounting treatment of income generated through multiple operating sites, such as a mining company with more than one mine. Both the firm and the Chamber of Mines saw the proposed changes as

unclear and disadvantageous to mining companies. The interviewee said, 'we thought that the law wasn't properly defined. So we engage[d] government in trying to define the law properly…so it's more of influencing policy'. The Chamber is tasked with lobbying on behalf of the industry, in this case that the affected firm required greater clarification of the ruling. The Chamber of Mines lobbied on behalf of this firm for clarity on the proposed ruling; however, this was also an opportunity to exercise structural power in order to change the proposed legislation, in favour of this particular firm and the industry more broadly.

As the above interview responses demonstrate, lobbying does take place within the industry. However, the interviewees largely rejected Levy and Egan's (1998, p. 342) interpretation of instrumental power, as 'dense networks of relationships' including a 'revolving door of decision-making personnel between business and the state'. In the case of South Africa, where four of the five firms included in this analysis are headquartered, state–firm relations are hostile, as recent non-cooperation over that country's mineworker strikes demonstrates. One interviewee highlighted this lack of cooperation in their response to a question about whether government takes the lead from self-regulating firms, noting, 'so governments adopting these rules and regulations? Ah no. Not at all to my knowledge'. While some interviewees referenced peers at other gold mining firms, and referred to the exchange of personnel between firms, there was no evidence that this occurred between business and government. This suggests that instrumental power, at least as defined by Levy and Egan (1998), is not central to the development of African gold mining firms' private authority.

The analysis of the interviews, focusing on firms' instrumental power, demonstrates that this form of power is rarely used alone in the case of SSA's gold mining firms. While the respondents acknowledged that lobbying governments remains necessary, it is usually combined with the use of structural power in the form of implicit or explicit threats often linked with the profitability of gold mining firms and the benefits they provide to the local community or host state's economy. As the remainder of this chapter demonstrates, as firms grow increasingly reliant on structural and discursive methods of power, they rely less on instrumental power. Or, as firms are able to create their own standards and regulations and promote these as the most effective forms of governance, the need to lobby governments or fund campaigns to push for more favourable rules and regulations reduces. Instead of lobbying governments to implement favourable

regulation (or to leave certain areas unregulated), business is increasingly developing its own forms of governance and, in turn, minimising the requirement to rely on instrumental power.

Structural Power

As outlined earlier in this chapter, firms exercise structural power through two main mechanisms. The first of these includes firms' efforts to ensure that political conditions are favourable to business, without lobbying or agitating for these outcomes. These efforts need not be explicit; the implicit suggestion that firms will decamp, or choose to invest, in host states depending on the favourability of investment conditions is a common expression of firms' structural power, evidence of which can be seen in the concessions provided to gold mining firms outlined in Chap. 3. Secondly, firms employ active-structural power through the formation of their own rules and regulations. Business is able to use its structural power to prioritise and organise issues into and out of politics, as well as rule policy options in or out of consideration, through the presentation of private governance initiatives as governance solutions (Hacker & Pierson, 2002).

Many gold mining firms employ a consistent operating standard across all jurisdictions through the self-regulation of their operations. This suggests little evidence of the hyper-globalists' prediction of a race to the bottom, as discussed in Chap. 2. Instead, firms are motivated to self-regulate for a range of reasons, including the wish to avoid activist and NGO scrutiny, to appease investors and to create a single set of operating procedures across all regions. Self-regulation by firms, often in the form of codes of conduct, is the antithesis of the race to the bottom that many early scholars of globalisation forecast (Wallach & Sforza, 1999). Three of the five firms that are the subject of this study have trans-border operations, and are in turn subject to a range of legislative requirements in the various jurisdictions in which they mine. As the interview responses presented in this chapter demonstrate, firms actively promote their commitment to operating to one standard across various jurisdictions. The actions of these firms may be more clearly understood through an application of Vogel's (1995) race to the top thesis. Vogel's thesis suggests that more stringent regulation is transmitted from developed countries, by firms in the form of private governance initiatives, to developing countries. As discussed in Chap. 2, Vogel's (1995) race to the top, or California effect, sees firm's self-regulation improve regulatory standards in states with weak governance.

When asked about the motivations behind self-regulation, the interviewees suggested their companies pursue this strategy as it is the 'right thing to do'. This motivation is also expressed in the statements found in the companies' official documents, as outlined in the content analysis presented in the previous chapter. While the representatives of firms, and their official communications, may suggest firms are motivated by normative concerns, Cashore (2002) adds that firms also adopt self-regulatory behaviour in order to develop pragmatic legitimacy (asking what's in it for them?) and cognitive legitimacy (either that abiding by these rules is 'understandable' or 'to do otherwise is unthinkable'). These various forms of legitimacy were reiterated by one interviewee who suggested, 'There's a whole bunch of stuff you have to do or you lose your mining license. Then there's a bunch of stuff you do because you think it'll make you look better, and then sometimes there's stuff you do because it's just right'. It is demonstrated that firms seek all three types of legitimacy when implementing private governance regimes. They formulate rules on the basis of moral and pragmatic legitimacy, responding to stakeholder expectations and attempting to avoid risk and scrutiny.

Interviewees specifically rejected the notion that firms' actions vary across the different jurisdictions in which they operate. Instead, they referred to the moral imperative to enhance their business operations in all jurisdictions, with one respondent saying, 'you have to make sure that as a company … you've got your own internal policies, because it allows for the consistency across the various jurisdictions—because the laws may not necessarily be the same'. A respondent from another firm highlighted the fact that their business operated in multiple jurisdictions in both developed and developing countries, and as such the respondent had formed internal policies that standardised their approach across the globe. They stressed, 'one of the big driving forces behind putting this framework together was this whole argument of, we do operate in some very diverse jurisdictions, and [we] should not be applying different standards to those jurisdictions. We should be living to one code'. The representative of the WGC supported these views, suggesting, 'our member companies, I think they all have global approaches and global standards and if they're doing something in one part of the world, if they're following standard in one part of the world, they follow it in all the other places'. The WGC representative went on to emphasise the point that firms are keen self-regulators by adding, 'the belief that there should be comprehensive standards employed across the world, that's something I see and hear very strongly'. Another

mining executive noted that while reporting varied between their company's jurisdictions, it was up to 'the local Executive Vice-President of the region to keep an eye on things and to go above and beyond the reporting requirements'. The evidence presented suggests that not only are firms *not* engaging in a race to the bottom, as earlier scholars of globalisation predicted, but that they conform with Vogel's (1995) California Effect thesis. By engendering their own norms regarding business behaviour and disseminating these across industries, firms are essentially 'trading up'. In doing so, they are improving the overall level of governance in SSA's gold mining sectors.

These statements also suggest that there remains some agency for individual actors and firms to promote norms that reflect their own understanding of the 'way things ought to be done'. What is particularly interesting about statements such as these is that they were made on an anonymous basis as part of the interview process and therefore cannot be attributed to public relations efforts. The mining industry is often criticised of engendering private governance regimes in order to successfully 'greenwash' business practices, as discussed in Chap. 4. If this were the case, these kinds of statements would be included in the firms' public reporting. Instead, the interviewees suggest they were pursuing a higher level of governance out of a moral imperative during the interview process where no names or companies were to be ascribed to comments. This suggests that, in contrast to the structural explanations for the emergence of private governance (i.e. profit maximisation, avoiding government regulation, etc.), agency matters. In particular, firms and individuals who see value in pursuing responsible business practices can use this agency to engender norms that are adopted by the remainder of the industry.

In addition to the moral imperative motivating the self-regulation of business behaviour, respondents highlighted the pragmatic legitimacy driving self-regulation. In reference to reducing risk and avoiding excessive scrutiny, one interviewee noted that their company had 'defined sustainable development really as managing our risks and capitalising on our opportunities. That is where the shareholder value proposition is. Shareholders want to have a level of comfort that you know what your risks are, you're managing them appropriately'. This comment supports the observation in the previous chapter that business perceives a link between socially responsible business and profit—in this case the respondent suggested that investors demand effective risk management, often through private governance initiatives. Another respondent noted:

> For me, the biggest challenge to the industry is getting ahead of the game. The more proactive you can be, the more cost efficient your operations are going to be. If we wait until the proverbial hits the fan, it always costs us more money. And at the end of the day it's just good business sense. If you are perceived to be a very responsible business…the amount of time spent getting interrogated by regulators, or NGOs and the rest of it comes down, time is money. The amount of interference you have in your business lowers, and again, any interference costs you money because it takes people away from what they're supposed to be doing, and that's producing a bar of gold.

These comments reflect an acknowledgement that business finds it both expensive and morally unacceptable to reduce the standards of its operations to the lowest requirement of each country it operates in. This is especially the case in jurisdictions where governance of the extractive sector is weak. One respondent, from a firm with operations in multiple jurisdictions, noted that their actions in South Africa were a response to clear legislative requirements, where the expectations of mining firms were well defined. In less-mature mining industries, this same respondent suggested it was up to the firm to replicate this higher standard of behaviour. The respondent noted:

> We do regulate our own actions in terms of how we act in countries where there is weak governance. So in a case like South Africa where we are here and legislation is quite clear, it's easy. But in some countries where you're entering a new country for the first time and they don't have that mature mining industry. I think as a listed company it becomes very clear what your actions should be. And the fact that you're in a country with an immature mining regulatory industry means that we then have to look at our experience from elsewhere to ensure consistency.

Another respondent echoed these sentiments, saying, 'South Africa has some pretty tight corporate governance rules…all the listed companies, so that's about 450 odd companies here in South Africa, listed on the Johannesburg Stock Exchange, are required to produce an integrated report which also says you have to report not only on your financial results but on the impact you had on environment, society and so on'.

The above analysis illustrates the manner in which gold mining firms utilise structural power to control the direction of industry regulation. Firstly, firms employ traditional methods of structural power, such as relying on

the neoliberal norms of profit and economic growth to ensure that investment conditions are kept favourable. Secondly, firms develop and implement their own forms of industry regulation. These private governance initiatives are developed by firms and are employed across the various jurisdictions in which firms operate. The development of private governance initiatives is an attempt to enhance firms' moral and pragmatic legitimacy. Addressing stakeholder concerns through the development of private governance regimes is both 'the right thing to do' and serves the interests of the firm by reducing risk, providing certainty about regulation as well as enhancing firms' private authority. The next section explores how firms build cognitive legitimacy, through the promotion of these private governance initiatives as the strongest form of governance. Firms employ techniques of discursive power to elevate business as a responsible stakeholder, capable of developing and implementing robust governance systems. This is particularly the case in the countries of SSA, where, as demonstrated in Chap. 3, governance is already weakened.

Where firms have employed discursive power effectively, building a reputation as either a responsible firm or a responsible industry, governments may rely on market-based regulatory solutions. The benefits of being seen as a responsible firm include the ability to self-regulate, and therefore influence the form and structure of industry regulation. This next section explores interviewees' responses in light of discursive power. All respondents were keen to highlight that their firm more often than not exceeded what host governments required. It is argued that the promotion of self-imposed minimum operating standards across multiple jurisdictions is reflective of firms' desire for certainty and risk minimisation, and is also an exercise in discursive power whereby firms delineate themselves as the holders of knowledge, and as experts whose self-regulation is superior to that implemented by the state.

Discursive Power

Firms use structural power to create discursive power. Firms legitimise private governance by dictating the natural way of doing things, or promoting self-regulation as an adequate form of oversight business. One of the most apparent areas in which firms are exercising this form of power is the increasing willingness of companies to take public stances on non-core business issues, such as ending the trade in conflict diamonds (and now conflict gold as well as columbite–tantalite, or coltan), promoting

the transparency of payments to governments, reducing environmental impact, and promoting human rights in the environments in which they operate. Firms have sought to engender, or participate in, multistakeholder initiatives that govern these issues. In the process, business becomes the holder of knowledge, and increases its legitimacy in these specific issue areas, as well as more broadly (Fuchs, 2005). Firms are able to deflect calls for greater legislative oversight by arguing they have developed and committed to the highest voluntary standards, and exclude from the agenda issues for which they do not wish to prioritise.

In order to organise issues in and out of politics, firms have created industry bodies, such as those outlined in Chap. 4 (including the WGC and ICMM), that allow firms to work together to decide on the areas they wish to prioritise and to promote widely accepted solutions. These private governance initiatives were developed by firms with significant private authority; these are the same firms with the largest geographical footprint and which are most likely to benefit from the formation of industry standards. An executive from such a firm noted:

> The top five gold producers we are, as I say, we belong to the same kind of club in terms of the World Gold Council, the ICMM, the EITI, the Global Compact, so everybody's doing the same things. I think it's then up to us to improve the industry but you do get the leaders and the laggards simply because of their own circumstance.

For this respondent, the benefits of ICMM membership for their firm was 'this network of high level professionals from the industry that sit down on a regular basis, we discuss our challenges and figure out strategic responses to it'. The respondent also noted the high number of issues being added to the sustainable mining agenda meant that it was impossible for their firm alone to decide what was on the agenda and respond appropriately. They respondent suggested, 'We were expected to react to so many different initiatives … but through the ICMM you can attack this as a collective and actually dish out the work'.

These comments suggest that executives in these firms view their businesses as having the sufficient private authority to set the agenda for the remainder of the industry. When these firms prioritise certain issues and form governance solutions in response, they perceive these solutions as a way to improve the overall industry reputation and to pull the 'laggards' into step with the first-movers within the industry. Secondly, the

comments made above support the concept of a non-scientific epistemic community put forward by Cutler, Haufler and Porter (1999). These authors argue that leaders within these firms create informal shared learning, where norms and accepted behaviours emerge. Through the formation of private governance regimes, 'repeated interactions build up common expectations about appropriate behaviour' (Cutler et al., 1999, p. 8). The development of a community of business executives, who together prioritise and respond to the issues facing their industry, enhances these firms' private authority and allows them to develop rules and regulations that impinge on the sovereignty of the state.

Another interviewee, from another large mining firm with operations in numerous jurisdictions, confirmed this, listing all the private governance initiatives that their company had joined and suggesting membership of these regimes represented 'a vast, in fact a super-normal, amount of reporting and regulation and visibility at a global level'. The responses of these two mining executives reflect the attitudes of large mining firms, with operations in numerous countries. These firms are keen to not only set the regulatory agenda in order to streamline the number of regulations they must adhere to, but also to influence industry regulation.

Contrary to the argument put forward in the private governance literature, respondents from these large firms did not express an interest in utilising private governance regimes to exclude smaller firms, for whom the expense of meeting such standards is uneconomical (Bernstein & Cashore, 2007; Porter, 1990). While it may be the case that large firms wish to distinguish themselves as 'responsible' firms that can be trusted to regulate their own behaviour, they also have an interest in maintaining the industry's reputation. One respondent from such a firm noted that a failure by one mining company to maintain its social license to operate would affect all gold miners, even outside that particular jurisdiction. The respondent suggested:

> I think we'd have more impact if the industry collaborated than if you pull off on your own because that doesn't lead to sustainable outcomes because when 'company x' fails in 'country y' you might think it's better, but in the long term if 'company x' would be successful, and you are also successful, it will be better perceptions about the value-add of the gold mining industry.

Another respondent supported these comments, arguing that their support for the ICMM is largely based on attempting to enhance the entire industry's practices and reputation. The respondent noted that their company's

CEO 'believed that the industry had been much maligned for its practices in the past…he also felt that it was in the industry's best interest to pursue this concept of sustainable development because one of the challenges we constantly come up against is that there are different standards in the industry'. This respondent compared their company's approach to sustainable mining with those of smaller and less responsible companies. 'You can go to one mine and see exceptional standards of environmental management, or exceptional engagement with stakeholders, or really good risk management and you go next door to another mine and basically they're just focused on raping the place and picking its eyes out and making as much money as possible'. The respondent concluded by noting that this was an opportunity for their firm to lead the way in setting the regulatory agenda, and that the ICMM was one way that their firm set the standard for other companies. 'The result of that is that the entire industry gets tarred with the same brush, and really he [the CEO] was looking for a way to almost catalysing this transformation within the industry and he felt that we were a very important player in that process'. It is interesting to note that this CEO referred to their company as 'a very important player in that process', suggesting that management of this firm is cognisant of the company's private authority and understands their role as an industry leader, capable of controlling the agenda of private governance initiatives. Furthermore, they see the role of such governance regimes as lifting the standard practices of the industry, and subsequently its reputation.

The respondents from the private governance initiatives commented both on the ways in which large firms could influence smaller industry players, indicating a desire amongst gold mining firms for multifirm cooperation, and a sector-wide agreement on which issues are prioritised and how these should be regulated. When asked whether they saw peer-to-peer learning and shared knowledge between firms, the representative from the Chamber of Mines replied with:

> We do, a lot. For instance the current corporate social responsibility (CSR) framework that we are using as an industry, it was one organisation that began it, and we saw it and we thought it was good and then we tried to adopt it and each firm replicates it. It then became the industry standard and that is what they are all using now.

For this respondent, the Chamber of Mines was a convenient forum for firms to determine priorities and potential solutions. The respondent noted, 'You will find a good practice…from your competitor or from your

rival, then you just try to replicate it. If it works, why not? If it doesn't, then you try to adjust it a little bit, so no problems'. Similarly, the interviewee from the WGC highlighted the role of their forum for promoting 'peer learning, and collective action' between member organisations.

This sector-wide approach creates cumulative private authority, allowing regulation of these issue areas to be designed and implemented by the firms themselves. One interviewee saw their company's membership of international organisations, such as the ICMM, as both a symbolic and a practical way to manage the firm's reputation. The interviewee noted that 'all of these memberships and reporting initiatives are one way of keeping the company on the right track. And it's also … an attempt to woo the international investors, because South Africa is always seen as a very risky environment'. When asked what motivated another interviewee's company to join private governance initiatives such as the ICMM, EITI and the Global Compact, the respondent indicated a desire to exercise structural and discursive power, or to have direct input into the design of regulation. 'It was realising early on in the process that these things will become necessary conversations in the future. So it is about leadership and actually saying let's take action ourselves in supporting this, whether in the standing committee or contributing to a paper, and whatever because it is important'. The decisions of these large firms to sign up to many different voluntary reporting initiatives and standards—including the United Nations Global Compact, the EITI and ISO14001—are indicative not only of their willingness to self-regulate but also of their interest in contributing to the form and structure of industry governance. The same interviewee added, 'And I think it hasn't been wasted because over the years, a lot of these initiatives have really come up and are now important and you actually think, well you were there and it was the right call at the time because you had a leadership that actually understood that these issues are global issues and they matter right across the different jurisdictions'.

The interviewee from the WGC confirmed that firms cooperate to develop and promote private governance initiatives in order to present a unified front for the industry. The interviewee noted that, 'Amongst our member companies there is very strong commitment around a belief in the role that gold mining can and should play in driving broad social and economic development that is sustainable. And that is a common message and everybody is in line with that and believes that's important'. In determining key issues, and producing solutions, firms are relying on their private authority to legitimise their approach. This suggests that firms utilise

structural power to control the types and design of the regulation affecting their sector; however, this is intertwined with discursive power, which they rely upon to legitimise these efforts (Fuchs, 2005).

When asked about the effectiveness of private governance compared to government regulation, all respondents argued that private governance was often more efficient, reflecting their view that firms are better positioned to govern their own industries. This view is consistent with the private governance literature, which recognises the emergence of private governance as a result of governments relying on market-led governance solutions that firms are willing to provide on the basis that they are seen by firms as more cost-effective and efficient (Büthe & Mattli, 2011). This was reflected in the following comments. The representative from the WGC, when asked about the effectiveness of firm-led regulation *vis-à-vis* government regulation in developing states, noted that, 'When standards have been developed in a way that are inclusive of a range of stakeholders and recognised as such, they have the potential to be more effective than government legislation, [government regulation] can quite often be quite a blunt tool and it doesn't understand the dynamics of the industry, and doesn't set out rules that supports and maximises the development potential'. A mining executive noted, 'Generally in all jurisdictions that we operate in we go above and beyond what's required of us in terms of the law. Because very often the law is just the basic fundamentals and to be able to extract real value out of a lot of these initiatives you have to go one step further'. These comments suggest firms are not only willing to exceed government regulation, but that they perceive it as weak and as an opportunity for firms to enhance their private authority by exceeding such regulations.

At their most effective, private governance regimes become the basis of government regulation, entrenching firms' role as co-governors. This was alluded to in several comments from interviewees. One respondent stated, 'I think as we raise the bar governments normally follow'. While another respondent confirmed that governments took the lead from firms already operating in various jurisdictions, 'You are having governments as well trying to be consistent across the various jurisdictions. And learn from industry, because a lot of the time we're there and acting on the ground long before government catches up with certain regulatory issues'. By positioning the industry as a more effective governor than the state, the interviewees are relying on discursive power to enhance gold mining firms' structural, or rule setting, power. In doing so, the industry

is able to enhance its private authority and reinforce its role as an effective co-governor of industry. The WGC representative highlighted what they saw as the advantages of firms working together and with governments to form rules and regulations, suggesting, ‘I think there are real benefits of having both individual companies and member organisations working collaboratively on these issues. There are many things where individual companies are always going to be at the front line in terms of what’s happening in a particular geography’. One mining executive noted that their company hoped to see governments transform the rules engendered through private governance into legislation, noting:

> You then say a company is not the state, and nor it should it be. You need a platform where you can have these conversations, and some people think ‘you are the company’ and say ‘you should be leading the conversation’ but you are guests in that country. Yes, we can bring a certain level of structure, and practice and transparency, but at the end of the day those things work when you’ve got a functioning government. To a large extent.

The following comment from a gold mining executive suggests that firms continue to play an active role in determining what is organised in to (and out of) politics. When asked whether their firm’s self-regulation influenced government policy, the executive responded, ‘I do think it has a huge influence in trying to get these countries to have a coherent conversation as well like we try to have in the different jurisdictions’. This comment suggests that this respondent’s firm utilises agenda-setting power, self-regulating in order to persuade governments to replicate and thereby implement policy favourable to firms.

The combined use of structural and discursive power to set the regulatory agenda can be seen through the widespread adoption of ISO14001, an environmental operating code, designed with input from business and now present in the majority of mine operations. As noted in Chap. 3, the ISO14000 family of standards is not unique to the mining industry; however, it was designed by business and has been voluntarily implemented by gold mining firms since the 1990s (Kantz, 2007). The standards emerged as a response to the predicted proliferation of country-level environmental standards that were expected to emerge during this period. Additionally, mining firms were increasingly being expected to demonstrate a commitment to the environment in order to secure previously available finance, land and licences.

One gold mining executive, who participated in the interviews, highlighted the fact that their firm was the first to commit to ISO14001 in all their operations. The executive noted that while 'initially our peers hated us, they were extremely upset with us because we'd just now raised the bar and put pressure on them'. In the end, most followed suit and now 'just about all of our peers have gone the ISO14001 route'. ISO14001 is now the accepted environmental standard in the industry. The same interviewee noted that the drivers for the widespread adoption of ISO14001 included the tightening of environmental regulations, 'and within all these regulations there's a fundamental duty of care. And directors need to make sure they divulge their responsibility properly, in terms of duty of care. And one way to do that adequately is to go to ISO14001'. The interviewee went on to add, 'When it came to asking questions about the environment we just pulled out the certificate and said, you know we're a certified company, you're welcome to ask us questions but you know it's basically whether you believe the certifying company or not'.

The private authority of mining firms has been leveraged to entrench ISO14001 as the accepted industry environmental management standard. In doing so, multijurisdictional mining firms have avoided various country-level regulations. Firms develop and promote these standards in the anticipation that over the long run they will be adopted by governments, or at the very least used as a basis for future regulation (Clapp, 1998). In examining the case of ISO14001, it can be argued that structural and discursive power have together been used successfully, due to not only the widespread adoption of this initiative by firms, but also the increasing bases on which national environmental legislation is being based on ISO14001. One interviewee noted that when the Ghanaian government implemented its new mine environmental auditing process, known as the AKOBEN audit, 'It immediately clicked with [me] that these guys are just using the ISO14001 as the base'. In Ghana, the private governance regime developed and adopted by firms to manage mine-site environmental risks was viewed by the state as an adequate basis for government legislation. Ultimately, the cumulative private authority of gold mining firms lent sufficient weight to this standard to see it adopted by the Ghanaian government.[2]

It has been shown that while business utilises all three faces of power, discursive power is most heavily relied on to legitimise or promote private governance initiatives. Contrary to the private governance literature, there was no evidence that firms with the most private authority designed regulation to exclude smaller players. In fact, the nature of trading in

commodities led many respondents to highlight a desire for good practice throughout the industry. The reputational risk to the entire industry, from the irresponsible actions of one mining firm, outweighs the benefits to be gained from ratcheting up regulation (Bernstein & Cashore, 2007; Porter, 1990). Respondents also highlighted what they saw as a role for firms in the absence of state regulation, or where this was perceived to be weak. This emphasis on the superiority of firm-led governance, over that developed by the state, aligns with the private governance literature that suggests firms-led regulation emerges where governments are unable or unwilling to regulate, and where firms see private governance as more efficient (Büthe & Mattli, 2011; Green, 2013). The discursive power of gold mining firms has been enhanced through the increasing willingness of states to rely on market-led solutions to governance, such as those explored in this book.

Overall, this section has demonstrated that as firms' discursive power grows, business is less reliant on instrumental power. Firms are able to harness the structural power afforded to business through the privileging of profit, in order to secure favourable investment conditions. Furthermore, private governance solutions, developed by firms, are increasingly seen as superior to government regulation. This is particularly the case in countries with weak governance of the gold mining sector, such as Ghana, South Africa and Tanzania. Analysis of the interviews highlights the use of discursive and structural power, in preference to traditional instrumental power. While it was shown that firms continue to lobby governments, they do so in order to enhance their structural power. These implicit or explicit threats to disinvest in communities or host countries are a powerful tool of business. Furthermore, the rules that firms develop are often adopted as industry regulation. Active-structural power, or the engendering of regulatory regimes, is enhanced by firms' discursive power. Large gold mining firms, with significant private authority, are able to elevate the private governance initiatives they engender as superior to state regulation. In doing so, they can control the direction of sector governance and share sovereignty with the state.

Conclusion

From this discussion and the evidence presented, it can be concluded that Africa's gold mining firms are not averse to regulation. Instead, they utilise various forms of power to ensure that firm-led private governance solutions are seen as legitimate forms of governance. Firms use instrumental powers

to enhance their structural power, through the lobbying of governments to adopt their rules and regulations. Furthermore, once private governance regimes are viewed as the natural way of doing things, firms gain discursive power, which business views as most effective. Instrumental, structural and discursive powers are used together, overlapping to legitimise private governance regimes as solutions to the issues that have been prioritised by business. Over time, as firms' discursive power strengthens and private governance initiatives are seen as legitimate governance solutions, the need to employ instrumental power diminishes.

It has been shown that gold mining firms seek to determine the form and content of industry regulation, and that they do so through the formation of private governance initiatives. From this discussion it is evident that business favours rules, particularly those designed by firms themselves. Private governance regimes are an attempt to govern the sector in order to maintain a strong industry reputation as well as a chance to exercise discursive power and paint business as the most knowledgeable source of governance. Gold mining firms use their discursive power to lift the reputation of both the firm and the industry, further enhancing the legitimacy of private governance regimes. The cumulative private authority of the gold mining industry then allows these firms to depict gold mining private governance initiatives as superior to state regulation. Firms argue that they are more efficient regulators, which are receptive to a wider range of stakeholders and able to design regulation that is effective and likely to be adopted on a widespread basis. Ultimately, successful private governance initiatives, such as ISO14001, are adopted by governments, consequently allowing firms to design and promote the regulation that is eventually applied to their sector.

These findings build on the previous chapters, supporting the assertion that gold mining firms participate in industry governance and contribute to the potential solutions to the resource curse. It has been shown that firms can develop legitimacy through the ongoing use of discursive techniques including the depicting of business as industry experts best placed to govern their sector. Firms continue to exercise discursive power, which they view as the strongest form of power, primarily to build a reputation as industry experts and thereby influence the regulation of their sector, in turn, sharing sovereignty with states.

The findings outlined above, and those made in the previous chapters, suggest a range of theoretical and empirical implications, as well as raising future research questions. The next, and final, chapter of this book sets out these conclusions, as well as highlighting the direction of the future research agenda arising out of this project.

Notes

1. See Appendix C for details of the study.
2. ISO14001 has also been used as the basis for country-level environmental regulation in the European Union, China and South Korea.

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CHAPTER 7

Private Governance as a Solution to the Resource Curse

This book set out to answer two distinct but interrelated research questions. Firstly, what role do MNCs play in governing SSA's gold mining sectors? Secondly, why do these firms leverage their private authority in order to set the rules and regulations that govern their sector? In order to answer these questions, this research centred on the gold mining sectors of SSA's three largest producers: Ghana, South Africa and Tanzania. Firstly, the resource curse literature was explored, demonstrating the breadth of the scholarship and the enduring focus on the role of the state in alleviating the negative outcomes associated with Dutch disease, income volatility and rent-seeking. Next, the historical governance of the gold mining sector in each of these countries was outlined, and it was shown that management of the gold mining sector in each case has been weak, with control of the sector passing from colonial powers to MNCs. Further, it was demonstrated that the gold mining sector has not delivered the types of benefits to broader society that would be expected from mineral-rich states, leading to the conclusion that each of the countries included in this research was indeed resource-cursed.

A discussion of the ways in which firms govern followed. Next, a typology of private governance used in the gold mining sector was advanced. Here, private governance initiatives were presented as firm-level, cross-industry and multistakeholder initiatives. Already, a clear delineation between firms emerged. It was shown that large gold mining firms with significant private authority could be regarded as first-movers. These businesses are active rule-setters that engender private governance regimes and voluntarily adopt firm-led governance measures. These businesses do so in order to build

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legitimacy and control the direction and content of the regulations applied to their sector. Conversely, smaller firms with fewer operating jurisdictions were seen to join fewer initiatives. It was concluded that these firms were more focused on building and maintaining relationships with host states and were either unable to exercise private authority or saw their late-mover status as prohibitive to them contributing to the regulation of the industry. From this observation, analysis of the five largest firms operating in the three countries was undertaken. Content analysis of the firms' public reporting reaffirmed this typology of firms. Furthermore, it highlighted the rationales firms provided for joining these regimes. In order to triangulate these findings, interviews were conducted with representatives of gold mining firms and private governance initiatives. What emerged from the interviews was a clear preference for the use of discursive power, on behalf of powerful firms, to determine the direction of industry regulations. Together, the analysis of public reporting and the interviews demonstrated that gold mining firms prefer rules, even more so when these are set by business themselves. Secondly, the analysis demonstrated that firms with significant private authority see private governance as a way by which they can determine the rules applied to their sector. Lastly, it was shown firms that leverage their private authority to depict themselves as superior governors are sharing sovereignty with the SSA states in which they operate.

This chapter will discuss these findings and their implications in detail. Firstly, the empirical findings of the book with respect to the gold mining industries of the three countries, as well as the firms included in this research, will be outlined. Secondly, answers to the research questions will be presented. Lastly, the chapter will conclude with a future research agenda that emerges from the above discussion.

Empirical Findings

It is concluded that each of the countries suffers from some incarnation of the resource curse. As outlined in Chap. 3, all three countries have experienced slower economic growth, higher income volatility and/or symptoms of the rentier state.

Ghana

Since the emergence of gold mining private governance initiatives in the early 2000s, Ghana has seen significant growth in government revenues from mining. The country has welcomed private governance regimes,

piloting the EITI in 2003 and using the ISO14001 standards as the basis of the government's EMS legislation (known as the AKOBEN audit), implemented in 2009. The acceptance of market-led governance has coincided with greater liberalisation of the mining sector in Ghana and even more generous concessions to international mining companies. As was outlined in Chap. 3, the Ghanaian government's attempts to wind back some of the liberalisation measures implemented during the 1990s (e.g. the right to 10 per cent ownership of all mines) have had varied success. Nonetheless, Ghana's GDP per capita has increased over the past decade, as has the industry's contribution to economic growth. Mineral rents as a percentage of GDP have grown since the early 2000s, increasing from 2.1 per cent in 2003, to 8.1 per cent in 2013 (World Bank, 2015b). On the basis of these figures, it can be argued that the gold mining sector's contribution to the economy has improved vastly since the emergence of private governance regimes such as the EITI and ISO14001. However, headline financial indicators mask much more problematic measures of progress.

Despite the increase in government revenue derived from mining, a shift to market-based governance solutions has seen particularly severe volatility, most noticeably in the GDP per capita in the period since 2007. While the average GDP per capita growth between 2007 and 2014 was 5.2 per cent, severe volatility remains (World Bank, 2015b). GDP per capita grew just 0.9 per cent in 2009, but 5.4 per cent the following year (World Bank, 2015b). These findings support the resource curse literature, which suggests that mineral rents are associated with greater economic volatility. There also appears to be serious problems translating economic growth into sustainable development outcomes. As outlined in Chap. 3, the Ghanaian government will fail to meet a number of MDGs, and while important social services such as education have received increased funding, outcomes have not improved. Furthermore, the embrace of market solutions has not led Ghana away from reliance on IFIs, with the country forced to rely on IMF assistance as recently as in 2014.

What can be concluded from Ghana's experience is that private governance initiatives have produced uneven outcomes. Overall, mining's contribution to the economy has been growing steadily since the emergence of private governance initiatives. Additionally, the implementation of private governance initiatives such as the EITI has led to increased transparency on behalf of governments and mining firms, allowing Ghanaian citizens to access information on the contribution of mining to their economy, which has in turn reduced the amount of corruption occurring in the sector. Partially due to increased revenue from mining, the country's average

GDP per capita has also grown over the past decade. Yet this figure has been highly volatile, and, as noted in Chap. 2, high-income volatility most greatly affects the poorest sections of society. It remains that many Ghanaians live in poverty, while many have been displaced from their ancestral land in order to allow for mine expansion. The varied results discussed above suggest that private governance has improved Ghana's institutional settings, bringing greater transparency and accountability to both mining firms and government institutions. The Ghanaian government also derives an increasing amount of its revenue from the sector; however, this is yet to be translated into tangible development outcomes such as improved education levels.

South Africa

In the period since gold mining private governance initiatives emerged, the government of South Africa has continued to resist encouraging firms to self-regulate their activities. The South African government has repeatedly rejected private governance regimes as a solution to the country's social ills. In particular, the South African government has publicly derided the EITI. The government maintains the stance that the country's regulatory system is more robust than its SSA peers and that domestic legislation is the most suitable manner through which to control the behaviour of mining firms. As mentioned in Chap. 6, a public role for the private sector is rebuffed by the state, with one interviewee noting that the South African government was highly unlikely to replicate any governance initiative engendered by firms.

Standing in stark contrast to Ghana and Tanzania, South Africa has not welcomed firm-led regulation. However, similarly to the other cases, South Africa has seen growth in mining's contribution to GDP over the past decade. Simultaneously, the mining sector has been deregulated, and foreign investment encouraged. The case of South Africa varies from that of Ghana and Tanzania, in that South Africa has a large domestic mining industry, with the majority of the country's gold mining firms domiciled locally. The focus of domestic minerals regulation has been to rectify the structural racism and associated imbalances that were cemented during the Apartheid era. As such, the focus of minerals sector legislation has been a combination of deregulation to attract foreign capital alongside enactments that require firms to redistribute the benefits of mining to HDSAs through management and ownership quotas, as well as procurement requirements. This focus has occurred at the expense of remedying

other negative outcomes associated with the resource curse such as environmental damage, civil unrest and a lack of transparency in payments to governments by firms. What emerged from the analysis of this case is that the South African government has been unsuccessful at rectifying the gross inequalities in South African society. At the same time the country has continued to suffer from other manifestations of the resource curse such as continued corruption in the mining industry, slower economic growth than both middle-income countries and SSA states, as well as the violent breakdown of the tripartite agreement between labour, business and the government.

It has been shown that while mining's contribution to government revenue has grown, this has not been matched by improvements in development or equality. The country remains the most unequal in the world, and its mineral wealth is now concentrated in the hands of a new elite and is not benefiting the broader population. Symptoms of a rentier state, as put forward by the resource curse literature, are evident. Most clearly, weak linkages between the state and citizens are apparent in South Africa. There is little incentive for the South African government to improve institutions, particularly in what amounts to a one-party state. Repeated corruption claims against government ministers, as well as ongoing industrial violence in and around mine sites, supports this claim. While the interviewees consulted during this research suggest that they are willing to self-regulate and that this form of regulation is superior to that implemented by the state, they also highlight the unwillingness of the South African government to cooperate with business. The lack of cooperation and continued distrust of private governance as a solution to the ills of mineral extraction are highly evident, and at least partially contribute to the resource-cursed condition of South Africa.

Tanzania

While Tanzania was forced to deregulate its mining industry in the 1990s, in the period since the government has been able to reverse some concessions provided to investors. The government has also been receptive to private governance initiatives and has joined the EITI. However, relations between the country's largest gold mining firm (Acacia) and the government remain strained. By 2010, dissatisfaction with gold mining firms' (particularly Acacia's) lack of positive impact on the Tanzanian economy prompted the government to introduce legislation requiring firms to list

on the Dar es Salaam Stock Exchange, procure inside Tanzania and pay greater royalties in return for mining licenses. Combined with the country's introduction of the EITI and the growth in the price of gold, the new legislation has led to mining's contribution to GDP dramatically increasing since 2000. In 2000, mineral rents made up a negligible amount of government revenue, yet by 2012 this had risen to 6.4 per cent; the government is aiming for this figure to reach 10 per cent by 2025 (World Bank, 2015b). Over the same period, GDP per capita growth has been steady, averaging 3.6 per cent between 2000 and 2014, without the volatility seen in Ghana (World Bank, 2015b).

While mining's contribution to government revenues continues to grow and headline economic figures such as GDP per capita growth reflect a robust emerging economy, several developmental challenges remain. And despite the reversal of mining company concessions in recent years, sentiment towards the industry remains negative.

Firstly, continued mine site violence exists as artisanal and small-scale miners encroach on the operations of large mining firms; in response, firms have engaged security services and local police in what has often resulted in violent conflict. This ongoing violence has important implications for the resource curse scholarship, specifically, that which seeks to account for the increase in civil unrest in the presence of mineral rents. The current scholarship is divided over whether the increase in likelihood of civil conflict is caused by greed or grievance. This debate centres on whether separatist groups are motivated by a desire to control mineral wealth or whether groups are dissatisfied that mineral wealth is being extracted at the benefit of governments and see an opportunity to rent seek. This debate assumes that states are the principal unit of analysis and that the conflict will be a case of separatist groups expressing dissatisfaction with the state. In the case of Tanzania, *firms* now possess such significant private authority that the central government and citizens work together to challenge the power of business. The original greed versus grievance theory was formed on the basis that governments were the sole locale of power. In the case of Tanzania, where power rests with multinational mining firms, the greed and grievance model fails to explain the drivers of conflict. This book challenges this ongoing debate by suggesting that neither model is satisfactory in explaining the causes of conflict in mineral-rich states.

Secondly, both the Tanzanian government and civil society have vocally criticised the gold mining industry for avoiding its taxation obligations. Additionally, Acacia has been accused of leading a campaign of violence against those who reside around its mine sites. Furthermore, despite strong

economic growth being partially derived from the gold mining sector, the government remains hampered by several challenges. Foremost among these are the underfunding of the taxation department, limited and unreliable electricity and transport infrastructure and the continued underdevelopment of Tanzanian society in the form of stagnating education and health measures.

Further, in response to the efforts by the Tanzanian government to rescind some of the concessions provided to mining firms, two mines have been shut down. The ability of businesses to exercise structural power in the face of a recalcitrant state is clearly evident in the case of Tanzania. Interestingly, one of the closed mines was recently purchased by the state and began reoperating as of 2014, in a move reminiscent of Tanzania's previously nationalised mining sector.

In all three cases, although income from gold mining has risen since the turn of the century, little of this wealth has been successfully directed towards development. The cases share several similarities, yet the countries are also highly divergent in their willingness to embrace firm-led governance and the way this decision has impacted on economic growth and sustainable development. In particular, South Africa's reluctance to work with business and support firm-led governance as a solution to the ills of mining stands is in strong contrast to Ghana and Tanzania, where governments have encouraged private governance initiatives, particularly the EITI. Many of the firms studied as part of this book, including the first-mover firms, are domiciled in South Africa, yet it is the country least likely to engage with private governance. This supports the assertion that private governance is developed by large, powerful firms from powerful states and exported elsewhere. In Ghana and Tanzania, the willingness of governments to revert to market-led governance has improved institutional settings, delivering more government revenue from mining along with greater reporting and transparency. Yet governments have been unable to harness these economic benefits for development. This book has concluded that in each of the countries studied, despite varying approaches to private governance and market-led regulation, mineral revenues have not been effectively directed at development.

Findings in Respect of Firms

What is shown through this analysis is that large firms with multiple operating jurisdictions are more likely to seek to control the regulation of their sector by forming and promoting private governance regimes. These firms use their private authority to engender private governance regimes and

promote them as superior forms of governance. They do so by relying on their discursive power, in preference to lobbying or threatening governments with disinvestment. This book examined the rationales that firms provided for developing private governance regimes and in doing so a typology of firms emerged—those with significant private authority who were keen to set the regulatory agenda for their industry and were more likely to cite strategic reasons for doing so. These firms were contrasted with smaller firms that were less interested in private governance, which, when they did join initiatives, tended to cite normative reasons as rationales. These findings were supported by the elite interviews undertaken with mining company and private governance representatives. Analysis of these interviews suggests that gold mining firms with significant private authority rely most heavily on discursive power to set the industry's regulatory agenda. They do so because this is the most effective form of power, which allows business to leverage its technical expertise and knowledge to develop rules and regulations that are accepted as superior to those implemented by governments. This section outlines the typology of firms developed throughout this book, the rationales that firms present as driving self-regulation and the way in which large, powerful firms build discursive power in order to control the regulation of their sector.

In Chaps. 4 and 5 of this book, firms' attitudes towards private governance regimes were analysed using publicly available reporting. What emerged from this analysis was a typology of firms. Firstly, large MNCs that operate in multiple jurisdictions were shown to fervently embrace private governance initiatives, actively participating in the formation of these regimes and voluntarily adopting them as self-regulatory mechanisms. It was argued that these firms pursued private governance initiatives in order to reduce operating costs and improve industry reputation but importantly also to enhance their private authority. The way in which these firms repeatedly referred to their membership of private governance regimes was seen as a legitimising tool, through which business was able to depict itself as an expert and natural governor of its sector. These firms present their own rules and regulations as based on specialist knowledge and therefore more effective than those implemented by the state. They are able to pre-empt regulation by implementing their own rules, or in the case where governance is particularly weak, they can fill the governance-deficit and in turn influence future regulation. This suggests that these firms may enhance governance of the gold mining sector in the countries in which they operate.

Conversely, smaller firms with fewer operating jurisdictions were shown to be less likely to embrace private governance regimes and even when these firms adopted the initiatives, they were highly unlikely to have participated in their formation. These firms have a much narrower concentration of revenue and as such are required to maintain strong ties with local communities, stakeholders and host governments. Moreover, their late-mover status means that private governance initiatives are established, with existing agendas and rules, prior to these firms' involvement. Large first-mover firms, described in the previous paragraph, are likely to control the direction of these private governance regimes, and as such these regimes are less valuable to the smaller firms, which are unable to determine the direction of industry governance. Taken together, these facts explain the reluctance with which smaller firms have adhered to voluntary industry-driven standards. For these firms, reputation matters; however, controlling the direction of industry regulation is less important.

The evidence presented in this book challenges Bernstein and Cashore's (2007) theory that firms initially engage in private governance for strategic reasons, after which a norm cascade is reached and firms are then more likely to cite normative reasons. While the norm cascade did take place in the gold mining industry, it remains that the largest firms, with the greatest private authority, continue to cite more strategic reasons than normative reasons for engaging with private governance initiatives. This suggests that the firms with the most legitimacy still see private governance as bearing material benefit on the business in the form of profitability, a way of pre-empting regulation and the manner by which they can control the direction of industry regulation.

The interviewees' responses affirm what is described in the institutional literature in Chap. 1, that is, that firms are capable of implementing new norms through the production of political institutions that both enable and constrain actors' behaviour. Using the framework of constructivist institutionalism, it was shown that firms set the regulatory agenda and act in a manner that is not purely outcome-maximising (March & Olsen, 1998). Firms with significant private authority, that is those included in this research, are able to engender new norms of behaviour as shown throughout this research. These firms develop regimes that determine the behaviour of other actors within the sector; including other firms and governments. This was most clearly demonstrated in the case of ISO14001, where voluntary adherence to this firm-led governance regime was at first undertaken by a single firm. After being adopted across the industry,

and used by several governments as the basis of formal regulation, it was demonstrated that this firm-led governance institution determined actors' behaviour. In this case, firms were able to engender a new norm around business behaviour, which in turn constrained actors' preferences.

Furthermore, this research illustrated the manner in which first-mover firms, such as those discussed in Chap. 5, are capable of altering industry governance. In line with the historical institutional approach outlined in Chap. 1, the institutions that govern African gold mining exhibit both continuity and structured change. Chapters 5 and 6 show that first-mover firms, or those with significant private authority, are capable of working within the constraints of path-dependent institutions to generate regulatory reform.

This research has also drawn important implications for the race-to-the-bottom thesis. It has been demonstrated that gold mining firms actively reject this approach. The formation of rules and regulations by firms supports this. Instead, the gold mining industry of SSA more closely reflects Vogel's (1995) California effect thesis. According to Vogel (1995), large multinational mining firms are likely to lift standards in the countries they operate in, thereby spreading improved governance. On the basis of the evidence presented throughout this book, the largest gold mining firms, with significant private authority, do operate to higher standards than local legislation requires. They do so because this is more cost-effective, simpler and provides them with enhanced legitimacy. A by-product of this, however, is the improvement of operating standards within the jurisdictions in which they operate. If these firms possess sufficient legitimacy to be able to set new standards of corporate behaviour, which are adopted by other firms and expected by the public and governments, governance of the sector is improved. This in turn benefits the largest firms, as the reputation of the industry is enhanced and the risk of environmental or workplace incidents by smaller peers is reduced. This also suggests that the race to the bottom thesis does not apply to SSA gold mining.

In a related sense, the interviews and associated content analysis did not suggest that there was an effort on the part of firms to engender private governance in order to keep smaller firms, with less authority, out of the industry. Because of the nature of commodity trading, there is no way for firms to differentiate their product to end-users; instead, efforts by firms are directed at obtaining or maintaining a firm's social license to operate. There is also little evidence to suggest that large firms form private governance initiatives with the intention of excluding smaller companies. In

fact, the interviewees noted that one indiscretion by any mining firm in the region would have negative consequences for all firms. As such, gold mining private governance initiatives have been developed with at least some intention of improving the behaviour of all firms and enhancing governance of the sector. However, the ability of large firms to set the regulatory agenda confers them private authority and legitimacy relative to smaller firms and the state.

This book also demonstrated that firms with significant private authority are able to utilise their power *vis-à-vis* the state to be seen as legitimate rule-makers. Analysis of the elite interviews suggests that large firms increasingly rely on discursive power (more so than instrumental or structural power) in order to develop their authority. Firms' membership of private governance initiatives and their frequent mention of these in their public reporting further enhance their legitimacy and private authority. Firms with sufficient private authority are able to set standards and rules acknowledged by other actors as legitimate. Firms' reliance on discursive power stems from the fact that it is easier and more effective for them to leverage their reputation as industry experts in order to determine the direction of industry governance. It is more costly and highly visible for firms to lobby or agitate for change, or to threaten states either explicitly or implicitly. Instead, firms leverage their role as holders of knowledge and expertise to develop their own rules and regulations that control the direction of industry regulation. The implication of this finding is that by relying on discursive power, firms are able to depict themselves as superior governors of their industry and thereby encroach the sovereignty of the sub-Saharan states that they operate in.

The most successful private governance initiative explored in this book is the development, adoption and promotion of the ISO14001 standard. This private governance initiative provides a pre-eminent case for understanding how firms design and adopt regulation that is eventually used by governments as the basis of their legislation. While ISO14001 was not developed by the mining industry, its creation was firm-led. Within the gold mining sector, the decision by one firm to seek certification for their gold mines as ISO14001-compliant was reflective of a first-mover approach. The creation of a new norm, by this single firm, around businesses' obligations to environmental management stimulated an industry-wide adoption of the standard. In subsequent years, all large-scale mining firms have either had their mines certified or have committed to doing so. Moreover, ISO14001 is now being used around the world as the basis of

government environmental legislation. This case demonstrates that firms develop private governance for strategic reasons (it was created in order to pre-empt government legislation) and for normative reasons (it was voluntarily adopted as it was seen as 'the right thing to do'). Firms with significant private authority are able to influence the norms of behaviour for the remainder of the industry. In the case of ISO14001, once this private governance initiative became the accepted way of doing things, it was then used by governments on the basis that it was developed by industry, utilising the expertise of firms. In this case, it has been shown that there was no need for firms to exercise their instrumental or structural power to determine the form of environmental legislation. At no stage did firms lobby governments to adopt firm-led standards, nor did they leverage their structural power to encourage states to use ISO14001 as the basis for government regulation. Instead, firms leveraged their technical knowledge and discursive power in order to determine the basis of industry environmental regulation.

What Does This Tell Us About Private Governance as a Solution to the Resource Curse?

This book set out to examine the contribution of business to gold mining regulation in three SSA countries; in particular, whether firms shaped the regulatory environment and if so, why they sought to engender rules and regulations. In doing so, firms' contribution to governance has been highlighted, as well as businesses' motivations for participating in this governance. It has also been shown that despite increases in government revenue from gold mining, all three countries examined in this book remain resource-cursed. While firms continue to provide services to mining communities and contribute to state budgets, this has had mixed results in alleviating the negative outcomes associated with the resource curse.

The first question posed in the book was *what role do firms play in the governance of SSA's gold mining industries*? From the analysis presented in the previous chapters, it is evident that firms contribute to the governance of SSA's gold mining industries. Firms are able to engender their own rules and regulations that, when seen as legitimate, form the basis of industry regulation. It was shown through the analysis of firms' reporting and the interviews that business prefers rules, and in states with weak governance, they perceive an opportunity to fill the governance-deficit with firm-led regulation. By leveraging their discursive power, firms are able to depict themselves as indus-

try experts, capable of governing their sector. They use this private authority to promote the rules and regulations that they develop as superior forms of governance. The clearest example of private governance that emerged from this analysis was that of ISO14001. This case highlighted a standard developed by business, voluntarily adopted by gold mining firms in the absence of state regulation, which ultimately became the basis for government legislation. This particular example demonstrates how firms can utilise their private authority to engender rules and regulations that govern their sector.

It was shown that firms govern where states are unwilling or unable to do so; in the three countries examined in this book, institutional capacity remains weak and governments have created 'space' for firm-led regulation. While the emergence of firm-led governance in these cases suggests complicity on behalf of the state, it also suggests the ceding of sovereignty on behalf of the state. After all, once rules and regulations are set by mining MNCs, the ability of governments to override these in favour of their own legislation remains minimal—and is again hampered by institutional weaknesses. Overall, it is shown that while governments have encouraged the formation and implementation of private governance initiatives, it remains that their sovereignty is impeded by their effectiveness.

Secondly, the research sought to understand *why firms undertake self-regulation and private governance?* The motivations for gold mining firms' participation in private governance regimes were elucidated in Chaps. 5 and 6. Here, it was demonstrated that a typology of firms exists; those with significant legitimacy and authority seek to, and are able to, govern their sector. These firms cite more strategic or material reasons for engendering private governance and see themselves as leaders for the remainder of the industry. The interviews with company executives support these findings.

The reasons presented by these first-mover firms and in the interviews were presented in Chap. 5, where it was sought to determine which factors specifically motivated gold mining firms to develop private governance regimes. While the private governance literature speculates on what motivations are applicable to business, this section sought to provide insights specific to the gold mining sector in SSA. What emerged from this analysis was a focus on industry reputation. Both the public reporting and interviews confirmed the view that gold mining firms saw reputational risk as an industry-level problem and something that could be improved through the promotion of private governance regimes, such as standards. Further, the presence of double coding between meeting stakeholder expectations and profitability suggests that firms see a link between the two, and that appeasing governments, citizens and shareholders is a profitable act. This was supported by the inter-

views, where one respondent highlighted that shareholders wanted to know that business was managing its risks and that private governance was one way of doing this (and also protecting the industry reputation).

Respondents suggested that business sets rules and regulations in the face of impending state regulation, because it is more cost-effective. Also, that it engenders private governance regimes where governments are unwilling or unable to control regulation of the sector. The last of these motivations and the implications arising from this are of particular interest. By continually referring to the inability of SSA states to govern the gold mining sector, firms are utilising discursive power. In doing so, they are painting themselves as superior regulators and the holders of knowledge, as well as power that allows them to govern their sector. It is this discursive power that allows firms to share sovereignty with host states.

It is too early to say whether private governance initiatives developed by firms assist in improving the economic and social development of gold-rich countries. However, based on the evidence presented above, an argument can be made that firm-led governance has provided stronger institutional capacity and greater monitoring of business behaviour. The shift in norms in the industry during the 1990s has meant that social awareness and sustainable business practices are now the accepted way of doing things. Concurrently, the countries analysed in this book have been increasingly drawn into the global economy and have needed to provide investment conditions conducive to attracting international capital. Together, the expectation that gold mining firms will provide some mitigation for the negative outcomes associated with mining and the turn to market-led solutions has fostered the ideal environment for the emergence of private governance as a solution to the resource curse.

The effectiveness of private governance, however, is varied. During this period, all three countries experienced increases in revenues from mining. This even occurred in South Africa, where private governance has been less favourably viewed. Yet beyond income growth, there has been little improvement in the social or economic development of the countries. All three countries remain beset by poverty, inequality and poor development measures. This suggests that areas in which firms are interested in governing (in order to enhance their discursive power and create a stable investment environment) do not necessarily overlap with the development requirements of populations or the needs of local populations. This implies that the state remains central to any conversion of mining wealth to improved welfare of its citizens. However, the emergence of private gover-

nance regimes has provided regulation over areas previously un-governed. For example, the implementation of the EITI by Ghana and Tanzania has meant that transparency of mineral revenues has vastly improved in both these countries. The development and adoption of ISO14001 by gold mining firms has arguably simplified the implementation of similar legislation in Ghana and has provided a framework for the standardisation of EMS that are readily accepted by business. In the case of mine site conflict, the increasing number of private governance initiatives purporting to eliminate the use of force may have reduced the number of conflicts. Yet serious issues remain. The EITI does not provide any mechanisms for understanding how mineral rents are spent, something that the literature highlights as central to the resource curse. Furthermore, while the ISO14001 standard has been widely adopted, it remains that environmental groups would prefer a more stringent set of standards. Lastly, signatories to mine site security and human rights agreements continue to practice violence against local communities, despite the emergence of private governance in this area.

Overall, while it is impossible to draw generalisations from either the countries or the initiatives studied in this book, it appears that gold mining countries in Africa are materially better off than they were prior to the implementation of private governance. While the alternative outcome can never be known, previous experience with mineral extraction suggests that governance was unlikely to improve without some wholesale change. While firms continue to act in their own self-interest, increasingly this aligns with the states' interest in extracting more minerals from the ground in a cost-effective manner. Whether increases in revenue are derived from production, commodity prices or more effective taxation remains to be seen. Further, and more importantly, the challenge remains for SSA governments to harness the concept of a socially responsible firm, in order to insist companies operate in a sustainable way. Lastly, as shown in this book, it remains the role of governments, not firms, to convert increasing mineral wealth into tangible development outcomes for the people to whom the minerals belong—the citizens of their countries.

Future Research Questions

As with any project of this size, this research into the private governance of SSA's gold mining sector has raised many more research questions. Foremost among these is how do countries like Ghana, South Africa and

Tanzania harness market-led governance to alleviate the issues that gold mining raises in their countries? Is there a potential role for hybrid forms of governance (such as PPPs) in harnessing mineral wealth to improve development? Is there scope for assessing private governance initiatives and their effectiveness through the development of a 'varieties of private governance' framework, similar to the existing varieties of capitalism literature? While on one level private governance raises the level of regulation in a country's gold mining sector, there remain local issues that must be addressed. Issues such as specific environmental concerns or development criteria are not captured by large private governance initiatives. While governance may generally be improved across the jurisdictions that multinational firms operate in, companies are not careful or precise in dealing with country-specific problems such as polluted waterways, education or healthcare goals, as well as the needs of mining communities. This is where there remains a role for governments to ensure that the regional agreements and private governance initiatives that they have input into are well designed for them. This also provides insight as to why firms are not alleviating the resource curse. While firms are improving the overall level of governance, quite often they are regulating issues business has deemed as appropriate and of priority, and not those that directly impact economic growth and development in mining communities. This also raises the possibility of a study of resource-cursed states that more specifically focuses on environmental degradation and efforts by firms at enhancing the environmental sustainability of their operations.

Secondly, what scope exists for governments to respond to the failure of neoliberal reforms, particularly the ceding of power to the private sector? Several SSA countries, including Tanzania, have begun to wind back some of the provisions given to firms as part of structural adjustment programmes promulgated under the Washington Consensus. The existing literature on the political economy of mining currently classifies mining codes on a continuum, where each era cedes more power to firms through the liberalisation of the industry. However, the outcomes highlighted in Chap. 3 of this book, particularly in relation to Tanzania, suggest a new generation of mining codes may have emerged during the 1990s. This new generation of mining codes is evidence of power and sovereignty being clawed back by the state, as the dynamics of firm–state relations continue to be transformed. An in-depth study of the discursive power of firms during this reregulation period would constitute a relevant contribution to the literature.

Thirdly, recent labour strikes in South Africa have signalled the end of the tripartite agreement between labour, firms and the government in this country. Firms' role in the resolution of these disputes remains unstudied; however, their discursive power, as expressed through the media and company announcements, could potentially shed light on how these violent disputes were solved largely in favour of business. As noted in Chaps. 5 and 6, mining executives expressed serious concern about these labour strikes and the ongoing reluctance of mining unions (particularly the Assocation of Mineworkers and Construction Union) to bargain with firms in order to mechanise South African mines, reduce labour and increase wages accordingly. Yet the mine shut-downs that occurred during the labour unrest arguably hurt labour and the South African government more than firms, which were already complaining of oversupply of labour and rigid labour practices that prevented them from reducing their workforces. Furthermore, the wage increases that were won by the unions were a pittance compared to the original demands. Any future study of the political economy of South African mining would benefit from a greater understanding of how this conflict was resolved and, in particular, how firms wielded their private authority in order to secure favourable outcomes. Also worthy of future consideration is the changing nature of the South African economy. Mining's central place in South African society is increasingly being complemented by manufacturing and service industry growth. Future research considering the impact of mineral wealth on development should be cognisant of any changes to the dynamics of the South African economy, particularly the growth of rival industries such as manufacturing and their effects on the country's reliance on the mining sector.

Lastly, much of the importance of the gold mining sector stems from the unprecedented increase in the price of gold since the turn of the century. As outlined in Chap. 3, while the gold price has tempered somewhat, it remains at historically unprecedented levels. China's role in driving demand for gold will be of interest to future researchers. Despite China's economic slowdown, the country's demand for gold grew 3.7 per cent in 2015 (Bloomberg News, 2016). This is because as consumer demand for gold falls, it is offset by growing investor demand for gold as a safe-haven asset. The future performance of the Chinese economy will certainly contribute to the value of gold, and its ability to remain above the $1000 an ounce barrier. This raises future research questions about the importance of Chinese (and in some sense Indian) demand for gold and the implications for gold mining firms and communities in SSA.

Conclusion

Overall this book has demonstrated that the power of multinational mining firms operating in SSA has increased over time. This represents the reconstitution of power highlighted by transformationalist scholars of globalisation. The role of the state has changed over time, and increasingly so in the era of globalisation. However, it has also challenged prevailing liberal economic thought, which suggests that MNCs continue to operate to the lowest possible standards, moving to where regulation is weakest and focussing solely on profit-maximisation. Instead, it was demonstrated that gold mining firms prefer rules, so much so that they will develop these in the absence of state regulation.

All firms in this study, regardless of their size, noted that they implement private governance and standards of behaviour where government is unwilling or unable to do so. This is particularly the case in countries with weak governance and where governments have historically failed to provide development opportunities. Overall, it was concluded that firms do self-regulate beyond what is required by the state. Business implements rules and regulations in order to maintain a social license to operate, to provide for communities where governments have not and to enhance the reputation of their industry, all the time while minimising their risks. Moreover, firms seek to control the regulation of their sector and in doing so, share sovereignty with SSA states.

However, while the answer to the two research questions is clear—that firms play a central role in regulating the gold mining sector, and that they do so in order to enhance reputation and control the direction of industry regulation—the implications of these for the resource curse literature are more complex. It was argued that firms do enhance the overall level of governance; all three countries showed stronger economic growth and a greater contribution to government revenue from mining in the era since private governance initiatives emerged in the sector. Yet severe developmental challenges remain for these states. All three continue to suffer from underdevelopment and gross inequalities that make harnessing gold mining revenue exceedingly important. What remains to be seen is how a state such as Tanzania, where the government is attempting to repeal some of the generous concessions made to firms, faces down the strong structural and discursive power of firms. Furthermore, how do all resource-cursed countries harness the undeniable efforts by firms at regulating their own sectors to ensure fairer outcomes for all?

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Appendix A: Millennium Development Goals

In September 2000, world leaders and development practitioners decided on the eight MDGs. These goals were derived from more than a decade of development conferences, coordinated by the United Nations, and were designed to harness the power of globalisation to improve the livelihoods of the world's poorest citizens. It was intended that the MDGs would be achieved by 2015 although as at 2014 this has not occurred and the program has been extended beyond 2015. The eight over-arching MDGs, and the sub-level goals, are as follows:

1. Eradicate extreme poverty and hunger

    (a) Halve, between 1990 and 2015, the proportion of people whose income is less than $1.25 a day;
    (b) Achieve full and productive employment and decent work for all, including women and young people;
    (c) Halve, between 1990 and 2015, the proportion of people who suffer from hunger;

2. Achieve universal primary education

    (a) Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling;

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3. Promote gender equality and empower women

   (a) Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015;

4. Reduce child mortality

   (a) Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate;

5. Improve maternal health

   (a) Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio;
   (b) Achieve, by 2015, universal access to reproductive health;

6. Combat HIV/AIDS, malaria and other diseases

   (a) Have halted by 2015 and begun to reverse the spread of HIV/AIDS;
   (b) Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it;
   (c) Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases;

7. Ensure environmental stability

   (a) Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources;
   (b) Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss;
   (c) Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation;
   (d) Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers;

8. Develop a global partnership for development

   (a) Develop further an open, rule-based, predictable, non-discriminatory trading and financial system;
   (b) Address the special needs of least developed countries;
   (c) Address the special needs of landlocked developing countries and small island developing states;
   (d) Deal comprehensively with the debt problems of developing countries;
   (e) Provide access to affordable essential drugs in developing countries in cooperation with pharmaceutical companies and
   (f) Make available benefits of new technologies, especially information and communications, in cooperation with the private sector.

Appendix B: Coding Rules

The annual sustainability reporting of AngloGold, Gold Fields, Sibanye, Harmony and ABG were coded using NVivo version 10.0.2. For all companies except AngloGold and Acacia the firms' Integrated Annual Report was examined. In the case of AngloGold and Acacia, the separate Sustainability Reports published by the company were used. The minimum unit of coding was one sentence, while the maximum was one paragraph. Double-coding was allowed where applicable; for example, if a statement referred to the need to ensure mine communities are satisfied in order to protect shareholder interests, this would be coded for 'obligation to mining community' as well as 'profitability'. Statements were coded where they reflected the firm's rationales for action rather than statements that merely outlined what private governance initiatives the company had joined.

This coding builds on that undertaken during 2013–2014 and based on 2012 company reporting. It utilises the same sub-categories of codes (strategic and normative); however, the coding scheme was altered as a result of the process of reading and re-reading firms' reports. In the newest version of this coding (that included in this book), the code 'moral imperative' was replaced by 'commitment to enhanced transparency', which reflected the shift in firms' focus over the two intervening years.

As per the earlier coding, no *a priori* assumptions were made, and the codes emerged through the process of examining the reporting. The author undertook the coding with several cross-checks made throughout the process.

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Coding was applied to statements that reflected the following motivations for pursuing socially responsible business practices or participating in a private governance regime. Private governance regimes included self-regulation, cross-industry bodies and multi-stakeholder initiatives.

The following section outlines the types of statements coded for each factor:

Strategic Codes

1. Minimise Risk

   (a) References to actions that would lower the firm's risk or reduce external scrutiny.

2. Profitability

   (a) References to actions that would lead to greater profits and increased market share or that inaction would reduce potential profits or attract financial penalties.

3. Response to Tougher Regulatory Environment

   (a) References to action that would preclude firms from needing to comply with regulation or that excess scrutiny and attention was placing pressure on the firm, to which they responded with greater self-regulation.

4. Obtaining/Maintaining a Social Licence to Operate

   (a) References to action that would help the firm obtain permission from mining communities and the broader public to operate or that inaction would have this licence revoked.

Normative Codes

1. Obligation to Mining Community

   (a) References to the need to develop, protect or satisfy community living around the mine or areas where mine workers had moved from (referred to as labour-sending areas).

2. Commitment to Enhanced Transparency

    (a) References to the firms undertaking to enhance transparency in the industry through initiatives such as the EITI. These references either referred to transparency as a moral goal or as part of an effort to reduce wasteful spending and graft in the industry.

3. Commitment to Best Practice

    (a) References to actions that were taken in line with best practice or fulfilled the firm's role as a responsible firm.

4. Meeting Stakeholder Expectations

    (a) References to actions taken to meet the demands or expectations of stakeholders other than mining communities, included host governments and citizens of the country in which mines are located.

Appendix C: Interview Questions

All interviews were conducted between June and December 2013 and were recorded and transcribed by the author. As noted in Chap. 4, the interviews were granted on the condition of anonymity for three of the five respondents. Furthermore, the University of Sydney Human Ethics Committee approval process in this case included a condition that transcripts were to be kept confidential.

Two versions of the interview questions were prepared although both follow a similar line of questioning. The first set of interview questions was used when interviewing company executives, the second when interviewing those from outside corporations. These questions were as follows:

Version 1

1. The role of private actors in regulating the mining industry is not new; however, it is increasingly the focus of scholarly attention. What specific actions does your firm take to ensure that its actions in countries with weak governance are acceptable to the Board and shareholders?
2. Do these actions vary across the different countries in which you operate?
3. Have you seen any of these actions replicated by other firms in your industry?
4. Have you seen governments of the countries in which you operate adopt any of these rules or regulations?

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5. Do you think the actions of your firm improve development measures, economic growth or equality in the countries you operate in? Can you provide any specific examples?
6. Are you a member of the International Council on Mining or Minerals or any other regional or country level mining associations? If so, what motivated your firm to join these?
7. Is your company a supporter of any private governance regimes such as the EITI? If yes, how does this membership affect your business's operations?
8. Do you operate in any EITI member countries? Do you think that compliance with the disclosure and transparency requirements helps the state achieve economic growth or improved development measures?
9. Lastly, are there any other actions your firm takes that are above and beyond the requirements of the host government, which you feel assist the state in improving economic and/or development outcomes?

Question 1 is an open-ended question, inviting the respondents to provide information regarding the actions their firm takes in regards to governing their industry. It is designed to encourage interviewees to provide specific examples of the governance arraignments they participate in whilst also allowing them to compare these to the existing government-led regulations.

Question 2 seeks to establish if firms are participating in a 'race to the bottom', although in asking this question it was expected that respondents would point out their firm's self-regulatory efforts. It was then expected that interviewees would expand on their firm's rationale for self-regulation or the implementation of company-wide operating standards.

Questions 3 and 4 seek to explore inter-firm and multi-stakeholder cooperation. Respondents were given an opportunity to discuss where they had worked with other firms or where competitors had emulated their efforts. Question 3 encourages respondents to highlight instances where firms had worked together in order to prioritise and/or respond to issues facing the industry. Question 4 is also included in order to test if host governments had adopted any firm-driven governance initiatives.

Question 5 is an open-ended question that allows respondents to detail any tangible effects they perceive from their firm's private governance initiatives. It also elucidates their opinions on the effectiveness of these initiatives and whether they see them as a genuine alternative to state-led regulation.

Questions 6 and 7 seek to establish the company's membership of industry-level bodies as well as multi-stakeholder initiative. Although this information is publicly available, these questions were asked in order to highlight which regimes the respondents felt deserving of mention.

Question 8 focuses on the EITI as compliance with this initiative is driven at the country level, rather than the firm level. A firm's commitment to the EITI counts for very little unless the country they are operating in is also a member (unless the firm chooses to implement in the case of AGA). Similarly, a firm's non-commitment to the EITI does not preclude them from abiding by this regulation in EITI-compliant countries.

Question 9 is an open-ended question that allows respondents to highlight any actions their firms take that were not mentioned previously. It also asks only for actions that exceed state regulation, thereby seeking to understand the respondents' rationale for their firm's actions in regard to private governance.

Version 2

1. How was your organisation founded? Who participated in its formation: business, governments, NGOs, regional and/or international organisations?
2. What do you see as your organisation's role in ensuring that mining revenues benefit the citizens of mineral-rich countries?
3. What input did firms have into the structure of your organisation and its goals? What role do they play currently in determining your goals and scope or operations?
4. How do firms' interactions with your organisation enable or restrict you from achieving your goals and aims?
5. What specific actions do you see firms taking in relation to setting rules for their industry?
6. Do these actions vary across the different countries in which they operate?
7. Have you seen any of these rules become industry standards or be adopted by governments as regulations or formal standards?
8. To what extent do you believe that these rules have made a difference? Are they more effective than government regulation?
9. Lastly, do you see any tangible benefits from these firm-led rules in terms of development specifically, as opposed to governance more generally?

Question 1 is an open-ended question that allows the respondents to provide historical information on their organisation but also seeks to establish at which level the private governance initiative should be categorised (i.e. as cross-industry or multi-stakeholder). Although the current memberships of the organisations are publicly available, this may be different from their original form. This question seeks to clarify the historical make-up of the organisation.

Question 2 seeks to elucidate the respondents' view on their organisation's remit. This is of interest as the official goals and aims can be found on the organisation's public documents; however, this question seeks to establish the interviewee's view of their organisation's contribution to development.

Questions 3 and 4 seek to understand the role of firms in the structure, rules and goals of the organisation. These questions go to the centre of this research in that they ask what role firms play in the development and ongoing form of private governance initiatives.

Question 5 is an open-ended question that allows respondents to refer to efforts beyond their own private governance initiative. Here, both respondents referred to self-regulation at the firm level, suggesting this is something that business actively promotes. Question 6 replicates question 2 in the firm-specific questionnaire and is included in order to test if the representatives from private governance initiatives perceived a race to the bottom.

Question 7 seeks to understand if any rules developed by business, either at the firm level or within private governance initiatives, have been replicated by governments. This question, along with question 8, seeks to elucidate the views of these respondents on private regulation versus government regulation.

Question 9 provides the interviewee with an opportunity to outline any specific development improvements they have seen due to the implementation of firm-led governance. This question is more forward looking than the remainder of the question and allows the respondent to highlight initiatives that perceive as having the potential for improving development outcomes into the future.

All questions seek to uncover the interviewees' views on the reasons firms engage in private governance initiatives. Questions specifically address the motivations of firms and whether their actions are driven by either existing weak governance and/or tangible development improvements seen in countries where private governance has been enacted.

The semi-structured nature of the interviews allows respondents to provide their own commentary on what motivates their firms as well as on the effectiveness of these initiatives. The responses both reaffirmed and expanded on the information that was publicly available and provided further insights into the motivations of firms to self-regulate, in particular their drive to supplant government regulation with rules and regulations designed by business.

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