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THE POLITICAL ECONOMY OF LAND AND NATURAL RESOURCE INVESTMENTS IN AFRICA: AN ANALYTICAL FRAMEWORK

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ABSTRACT

Large-scale investments in natural resources (extractives as well as agriculture) can help transform African economies by accelerating economic growth, creating jobs and strengthening the links between local economies and the global economy more broadly. However, they often end up violating rights, which in turn may lead to social protests and political instability. This Working Paper develops an analytical framework for analysing the implementation of large-scale investments in natural resources. It focuses on the triangular relations between investors, local populations and ruling elites. The framework treats the outcomes of these triangular relationships as involving 'reciprocal exchange deals' between investors and local populations, 'compatible interests' between ruling elites and investors, and 'productive social relations' between local populations and ruling elites. We show that, in order to understand why some investments are implemented more successfully than others, it is necessary to grasp the politics behind an investment. The paper also explores the conditions under which investments can be implemented without violating the rights of local populations. The paper is based on a review of the relevant bodies of literature and is linked to ongoing empirical studies of large-scale natural resource investments in Mozambique, Tanzania and Uganda related to gas/oil, mining and agriculture.

INTRODUCTION

The aim of this Working Paper is to develop an analytical framework for analysing how large-scale investments in natural resources are implemented. After the turn of the century, Africa witnessed a surge in investments in natural resources, starting with the petroleum sector in 2001 and followed by the mining and agribusiness sectors thereafter (Bryceson and MacKinnon 2014; Le Billon and Sommerville 2016; Pedersen and Buur 2016). Although there has been a slowdown in the wake of the financial crisis, investments projects are still taking off. These investments can potentially help transform the continent's economies, which are otherwise characterised by primary sector production – assets based on primary products exploited by unskilled labour – with limited added value. Supported by the right policies, large-scale investments may help increase the competitiveness of African economies' by building technological capacity and using skilled labour.

However, natural resource investments also affect rights to land, as the distribution of assets, values and resources changes in their wake and over time. Much depends on *how* projects are implemented. Different groups of people will be affected differently: some people may benefit, while others may experience their rights being infringed and violated. Dispossession and inequality experienced at different societal levels may lead to political unrest and outright violence. Thus, based on a review of existing literature, the paper not only aims to develop an analytical framework for analysing the implementation of investments in the extractive and agricultural sectors, it will also identify the conditions under which large-scale investments in natural resources can be implemented without violating the land rights of local populations.[1]

The paper argues that, in order to acquire a better understanding of the relationship between land rights and natural resource investment, we need to understand investments as involving three-way relations between investors, local populations and ruling elites. A dominant discourse in the existing literature has focused on the appropriation – or grabbing – of land and natural resources in Africa. Initially, it concentrated on foreign investors and displaced smallholders, but this has been broadened in recent studies to include a more diverse set of actors, such as domestic investors and state actors (Cotula 2012, Hall et al. 2015, Kandel 2015, Peluso and Lund 2011; Le Billon 2014). In particular, these studies have emphasised the importance of unbundling the state and looking at the various state actors involved, rather than seeing the state as a unitary actor (Peluso and Lund 2011; Wolford et al. 2013).

Related to this, the resource curse literature, originating in studies of extractive sector investments, has placed a great deal of emphasis on the unequal power relations between governments and international companies when negotiating contracts (Ross 1999; Collier 2010; Hogan and Sturzenegger 2010). Generally, the preoccupation with foreign actors in the literature of both land-grabbing and the resource curse has tended to obscure the nuances of variations among actors, the importance of domestic actors having been downplayed. The different interests of domestic actors – the state and political and economic elites, as well as local populations – are only gradually being uncovered. Analytically, these bodies of literature are still struggling to convert these insights into a coherent analytical framework that systematically takes into account national political economies (Edelman et al. 2013; Hall et al. 2015; White et al. 2012; Pedersen and Buur 2016). Drawing on the political settlement framework developed by Whitfield et al. (2015) for the analysis of industrial policies in Africa, this paper aims to do just that. However, due to its focus on land and natural resources, it places more emphasis on the role of local populations,[2] not only as subjects to elite decisions, but also as an important ideal-type actor that may influence outcomes in various ways.

The paper focuses on relations between the local populations, investors and ruling elites,[3] the three main groups of actors involved in the implementation of large-scale natural resource investments.[4] The paper (i) outlines the divergent interests of each actor; (ii) analyses the potential exchanges of material and non-material benefits between them; and (iii) discusses the potential for convergences in actors' positions, which, we argue, is required for the implementation of investment projects. It does so by analysing three exchange relations, namely *reciprocal exchange deals* between local populations and investors, *compatible interests* between investors and ruling elites, and *productive social relations* between local populations and ruling elites. Not only is each of these relationships important for the implementation of large-scale natural resource investment projects, it is the *combination* of all three that is likely to decide an investment project's outcomes over time.

Within the literature on 'good resource governance', more institutionalised exchanges are generally recommended over *ad hoc* ones. Thus, rule-based exchanges between investors and local populations are recommended over CSR gifts and charity (IPIECA 2008; Le Billon and Sommerville 2016), formalised rule-of-law transactions between investors and governments over less formal arrangements (de Soto 2000; see also Lawson-Remer 2012), and voluntary cooperation between local populations and ruling elites over coercive relations (Tyler 2003; Nugent 2010). However, the systematic unpacking of relations along the lines of our analytical framework may lead to surprising findings. Overall, project-specific relations are embedded in long-term historical relations and, in turn, contribute to the reshaping of the latter, thus complicating the analysis. An investor may thus apply international best practice when seeking to accommodate the rights of local populations and still be met with resistance if relations between the affected population and the government entering the deal on their behalf are contentious. Similarly, local populations' may prefer ad hoc CSR and gifts with a resourceful foreign investor operating under international law to rule-based exchanges mediated by dysfunctional formal authorities that keep the spoils for themselves (Szablowski 2007). The paper may contribute to a better understanding of such trade-offs between 'the good' and 'the achievable'.

Our concern with the rights of local populations is thus both pragmatic and value-based. Many land-based investment projects are not fully implemented or fail because of violent conflicts with the local population. Pragmatically we argue that, if more conflicts could be settled peacefully, it would be beneficial for all actors. The value-based part of the argument is that an economic transformation that is inclusive, i.e. that benefits larger parts of the population, including those with limited power and few resources, is seen as preferable to situation in which socio-economic inequalities increase, rights are undermined and the level of conflicts becomes untenable.[5] As Carlos Oya (2013: 516) argues: 'Does the "destruction of existing livelihoods" necessarily imply retrogression? Is there no room for progressive capitalist accumulation, including the creation of new spaces for new and perhaps more manageable struggles (around labour)?'

Though investment projects inevitably produce winners and losers, we argue that this is not a zero-sum game. Though economic and social change tends to be inherently conflictual and lead to unequal outcomes, rights may be upheld while investments are being implemented and economies transformed. The paper thus suggests that a more inclusive type of economic transformation is possible, under which a delicate balance can be struck between implementing investments and protecting local populations, land rights and livelihoods. Exploring the conditions under which such a 'fit' between complex relations can be achieved is indeed worthwhile.

Framework: three exchange relations

Our analytical starting point is the examination of three exchange relations that structure the implementation of large-scale investment into land and natural resources: between investors and local populations, between ruling elites and local populations, and between ruling elites and investors. This triangular model is an ideal model. In practice, the compositions of ruling elites, investors and local populations and the relations between them are more complex and can only be analysed by means of empirical studies.[6] The analytical framework is informed by a number of studies, which often shed light on one of the relations mentioned above. The main point made by this paper is that, whereas each relationship is important for the implementation of investment projects, it is their *combination* that is decisive for outcomes in the long run. The exchange relations are depicted in Figure 1 below. In this endeavour, we engage primarily with the following bodies of literature:

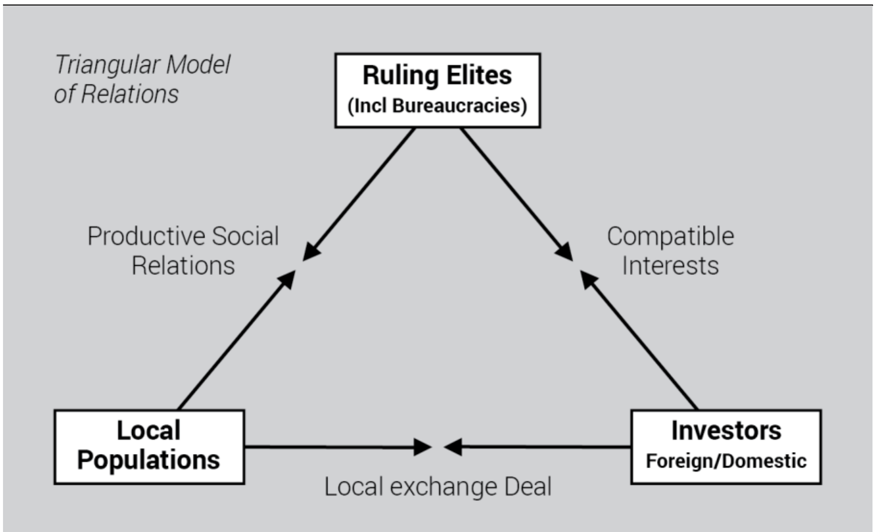
- To consider how a *Reciprocal Exchange Deal* outcome could emerge from a relationship between investors and local populations, we draw on the literature on access and land-grabbing, deriving key insights from the 'business models' of land deals as well as the literature on corporate social responsibility (CSR) and social licenses to operate (SLO), but we integrate these approaches by moving towards a perspective on concrete exchange relations.

- To discuss concrete exchange relations based on *Compatible Interests* between ruling elites and investors, we bring to bear several different strands of political economy perspectives related to extractive resource investments, political survival, rent-seeking, business-state relations, and heterodox economics that engage with questions related to relationships between ruling elites and investors, rent-seeking and rentier state developments.

- Finally, we explore how *Productive Social Exchange* relations might materialize between ruling elites and local populations through an engagement with the literature on land, extractive resource governance and rights, democratization, ruling elites and the classic and more recent takes on social contract theory that have emerged from critical social theory and political science.

The framework's analytical point of departure is the *concrete types of exchange* between the different groups rather than the more abstract features of relating.[7] As Schmidt noted, 'relations to relations' always exist already (Schmidt 1992: 82-86), but we analyse them as concrete exchanges of benefits that may, however, evolve over time. An example is the relationship between investors and local populations, which is often mediated by the state at different levels, but it could also be a matter of NGOs taking care of the concrete relationship using certain international or sector-specific standards as a blueprint for it. The concrete relations we focus on are therefore not confined to one level or scale alone.

Figure 1 Model of Triangular Relations



Source: Created by the authors, inspired by Korten (1980) and Whitfield and Buur (2014); Whitfield et al. (2015); and Buur (2015).

While focusing on concrete relations and exchanges between investors, local populations and ruling elites, we have to place these exchange relations within the context of long-term relations that are informed by developments that cannot be confined to one level or scale. In Africa, the displacement of local populations because of large-scale investments are both concrete and influenced by past experiences of displacement, whether during the colonial or post-colonial periods. For example, historical memory of violence, homelessness or the provision of new housing have long-lasting effects and affect present investment processes. Today, such investments will also be informed by the newly developed international standards and soft-law approaches to issues of investment, consultation and compensation, which increasingly emphasise the responsibility of the investor and no longer see the state as the sole regulator. Specific relations between local populations, investors and ruling elites are thus inscribed in the development of global capitalism. Keeping this in mind permits a much richer understanding of the processes that we explore in the Hierarchies research programme than the methodological nationalism that has characterised much research within the field.

Though the model allows for the potential convergence of interests in each of the three relations, our position is not a naïve one. Exchange relations are fraught with tensions. Large-scale investment processes, we argue, rarely take place without conflict, being inherently conflictual and unequal. This does not mean, however, that they are all unfair, as much will depend on how projects are implemented. Some will happen through voluntary transactions between willing sellers and buyers, while others will involve the compulsory acquisition of land. In the latter case in particular, adherence to the procedural rights of local populations, that is, their right to information, participation and compensation (Veit and Larsen 2013; Hoops 2015a, 2015b; Lindsay, Deininger and Hilhorst 2016), is important. For this to happen, the involvement of all three actors is likely to be required.

We argue analytically[8] that one needs to take all three relations into consideration when analysing large-scale natural resource investments. This does not mean that they are all equally important or that we should expect all three always to play the same role. For instance, in the absence of functioning state authorities, multinational companies may try to accommodate local rights through land acquisition standards, CSR, etc. The model thus also identifies the conditions under which large-scale investments may take place without infringing on local rights to land. Whereas a project may be implemented with only one or two of the converging interests depicted in the model in place, it is a hypothesis derived from this framework that, in order to implement long-term sustainable investment projects without infringing on local rights to land, all three relations have to be in place. Only then may a 'good fit' emerge.

A specific investment project without a good fit can be implemented within a short time-horizon, but it is difficult to establish stable relations in the long run without involvement by the state. In the absence of legitimate state authorities, direct relations between investors and local populations, often mediated through CSR programmes, become important. Scholars have also often pointed out the importance of 'civil society', 'NGOs', the 'international donor community', 'transnational society' etc. NGOs often see themselves as representing local populations, but this cannot be taken for granted: investors increasingly outsource community liaison to recognised INGOs, and states also use NGOs as service providers, for example, as extension officers. Furthermore, international donors may simultaneously support states, actively promoting and supporting specific investors while providing support to INGO and NGOs that assist local populations. NGOs are therefore not given an independent position in our model because we see them more as intermediaries.

By sustainable investments, we mean investments that are implemented while protecting rights. While NGOs may step in to facilitate exchanges between groups of actors in the short run, sustainability requires long-term, institutionalised relations.[9] Since relations among the three groups of actors are inherently conflictual, NGOs, or indeed any outside actor, will find it hard to maintain stability in the long run. Perceptions of what is right or not right also evolve over time. This is also why the implementation of land deals entered into by ruling elites and investors are so often disrupted when local populations resist. We deliberately explore investments that have been successfully implemented, as well as projects that fail during implementation, keeping in mind that what at one point in time can easily succeed can just as easily be reversed at another point, with withdrawal of support leading to investments being delayed or even abandoned.

We suggest that outcomes of investment processes in terms of rights point to a contingent relationship between the legal and institutional frameworks. In African countries, the enforcement of rights provided by legal frameworks often becomes an issue of struggle involving other elite actors and investors as well as local populations. On the other hand, the institutionalisation of rights over time can promote exchange relations that are not predatory or abusive. When these three desired outcomes of complex relationships come together and 'fit', they reduce investment risks, make institutional learning possible and promote controlled rent-seeking and forms of resource allocation that are more inclusive, all of which are essential for natural resource investments more broadly to become beneficial for developing countries.

RELATION ONE: RECIPROCAL EXCHANGE DEAL

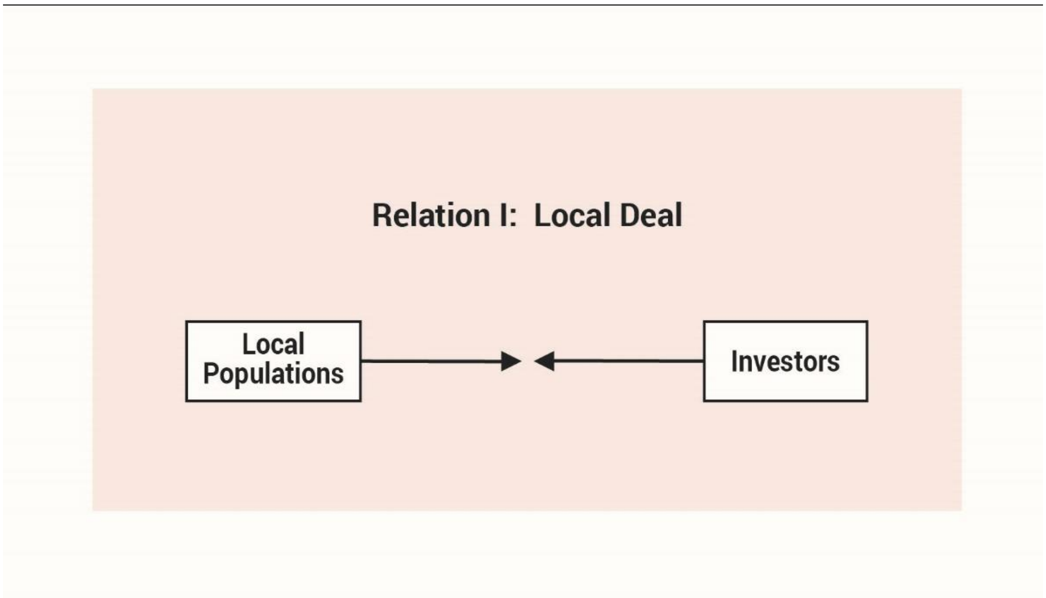
In this section we focus on local deals between investors and local populations related to large-scale natural resource investments (see Figure 2 below). The section is based on a review of the literature on relations between investors and local populations in agribusiness and extractive investment projects. The land-grab and resource curse literature often depicts investments as foreign investors grabbing resources without benefitting the local population. Consequently, relations are often portrayed in terms of struggles. However, although relations between investors and local populations may well be conflictual and unequal, they are not necessarily characterised by intense struggles and conflict, and there may be exchanges of material and immaterial benefits between the parties that are accepted. The design of a local deal matters.

Various approaches have been promoted in recent years to improve investor–population relations: Corporate Social Responsibility (CSR), Social License to Operate (SLO), and Free, Prior and Informed Consent, to mention but a few. These approaches make it clear that a local deal involves a number of material and non-material exchanges. This does not mean that the parties negotiate on an equal footing, as they do not have the same 'holding power'.[10] Due to their different economic resources and interests and different abilities to activate external actors for support and for links to states and governments, power differences play a role. The exchange may be informal, ad hoc and based on clientelist relations, but it may also become more stable, touching on broader processes of the institutionalisation of contracts and private property over time.

Relations between investors and local populations are complex, as the two parties have different expectations of the benefits they may derive from a deal. For the exchange to matter for the protection of rights, it has to be acceptable to both parties. This is highly context dependent, which is why we call it a 'reciprocal exchange deal'. In African settings, this is further complicated by state institutions that may not always enforce contracts like they do in more developed societies. This leaves more room for negotiation among the stakeholders. In short, a reciprocal exchange deal does not just imply a one-off legal and financial transaction, it is also influenced by the terms under which it has been negotiated and includes the other benefits that each party might derive from it over time.

The discussion on reciprocal exchange deals below first adopts the investor perspective, where CSR and related attempts to gain legitimacy and avoid conflict come into focus. It is followed by a section on how the local population may seek to maximise the benefits of a deal. Lastly, based on these approaches we discuss the implications of these potentially contentious relations for the reciprocal exchange deal.

Figure 2 Relation I: reciprocal exchange deal



Engaging with socio-political risks: the investor

An investor is concerned with access to land and natural resources in themselves, their surrounding infrastructure, the availability of skilled workforce in the area, country or region, and the policy environment. From an investor's point of view, the local population is, at best, just another business-external factor that needs to be factored in, and, at worst, an annoying obstacle to the smooth implementation of a project. However, the experiences of all sectors have demonstrated that dissatisfied local populations may derail investment projects if they are not properly involved and/or compensated. In agribusiness, some multiple projects have never materialised due to arson or other types of local resistance (Pedersen and Buur 2016; Buur and Jacobsen forthcoming), in the mining industry, invasions of large-scale mining sites by artisanal miners have occurred (Bourgouin, F. 2014; Szablowski 2006), and in the petroleum sector, dissatisfied ethnic groups in the Niger Delta have sabotaged installations and pipelines (Ejobowah 2000, Radon 2007). Not involving local populations may turn out to be more costly than involving them (Davis and Franks 2014; Nelson and Valikai 2014).

Several approaches have been promoted to help address the demands of local populations in various ways, from the Corporate Social Responsibility (CSR) agenda, which became influential in the extractive sectors in the 1990s, via the later concept of a Social License to Operate (SLO), which originated in the mining sector, to the more recent 'Free Prior and Informed Consent' (FPIC), which comes out of work with protecting indigenous people's rights (Cotula 2016a; Prno 2012). The sequence of these approaches signifies a movement from what the investor is willing to give (CSR) via a greater emphasis on investor relations with communities (SLO) to recognizing communities' rights to object (FPIC). In practice, they may overlap.

By the mid-1990s, CSR had become mainstream in the sense that most of the major companies and trade and industry associations began to adopt codes of conduct (Segerlund 2010). This largely coincided with the launch of the UN's Global Compact initiative – drawing on the Rio Declaration on Environment and Development – that encouraged businesses to implement sustainability goals wherever they operated (Watts 2005). In the early years, the emphasis was often more on the environmental than the social aspects of companies' responsibilities. Their motivations ranged from the avoidance of reputational risks (Van Tulder et al. 2009: 143) via the pursuit of profits (O'Brien and Williams 2016: 302) via maximizing shareholder value (Dicken 2015: 357) to 'philanthropism' (Rendtorff 2009) and even altruism. Here self-regulation, through codes of conduct, voluntary standard setting and the promotion of codes of ethics, is considered preferable to externally driven state regulation or global governance. This also involves TNCs and MNCs in developing countries (Mujih 2012).

Often, CSR has been accused of being characterised more by companies' need for self-representation than communities' needs (Frynas 2005). Viewing CSR as primarily 'window-dressing' has become mainstream in critical debates, and even within business studies there is a growing debate on the 'decoupling' of CSR principles from actual practices (Bartley and Egels-Zandén 2016, Jamali 2010).

The Social License to Operate (SLO) has become a more ambitious way of framing relations, emphasising a dialogue with and the involvement of local populations to ensure their *ongoing* approval of company activities (Prno 2013, Prno and Scott Slocombe 2012, Nelson and Valikai 2014). Still, the perspective is biased towards the company's needs and its aim to become – or seem to be – a 'good corporate citizen'. This is not that different from CSR. As Prno and Slocombe (2012: 351ff) argue, CSR (of which SLO is a special type) is still seen from the perspective of the corporate sector and is concerned with what companies 'want to give' rather than what local populations 'want to receive' from the interaction. It is therefore related to 'market governance', where 'CSR initiatives are arguably the most utilized market-oriented tools for obtaining a SLO in the mining sector' (ibid.). The main difference between CSR and SLO is that the SLO perspective implies a shift in focus from the company alone to a company perspective that explores specific exchanges between companies and local populations. This can range from the informal to highly formalized 'contracts' (Thomson and Boutilier 2011: 1784).

Most recently, Free, Prior and Informed Consent (FPIC) has been promoted, based on the norm that a 'community' has the right to give or withhold its consent to proposed investment projects that may affect the lands its members 'own', occupy or use for their livelihood. FPIC has become a key principle in international law and jurisprudence related to indigenous peoples,[11] emphasising the state's responsibility to secure consent before the implementation of project, but recently NGOs and activist scholars have sought to transform it into a principle and a standard related to community rights to land threatened by land-related investments more generally (Wilson et al. 2016; Oxfam 2015; Owen and Kemp 2014; Buxton and Wilson 2013). Inherent in the FPIC principle is a normative assumption that 'communities' have a moral right (which becomes a legal principle and a new standard) to resources based on what is in some ways quite a romantic understanding of their peaceful and symbiotic relationship with one another and with nature.

The origin of the investor might also be significant. Much critical attention has been paid to corporate investments originating in the Global North (see, for instance, Frynas et al. 2000; North, Clark and Patroni 2006; Cotula et al. 2009). Whereas there may be reasons to be critical, these actors often worry about reputational risks or wish to adhere to international soft-law standards to access loans to such an extent that they may also be more open to pressure from populations from below than are other actors (Frynas 2004; Szablowsky 2007; McAdam 2010). Investors in emerging markets have traditionally been less focused on voluntary social and environmental standards, though this may change as they become more exposed through their international operations (Patey 2014; Pegg 2012). Finally, domestic investors are more closely embedded in both the political and social environments of the investment, which in some cases can facilitate relations with local populations and in other cases complicate these relations (Wolford et al. 2013; Pedersen and Buur 2016).

Expectations and opportunities: the local population

A local population at an investment location consists of many groups and individuals with different interests and abilities to influence events, and who may be affected by a proposed investment in various ways and to varying degrees. As the literature on investment approaches analysed above suggest, this involves both procedural and material elements. The 'land grab' literature has often portrayed investments as the forced displacement of local populations, typically violating their procedural rights to information, participation and compensation (Cotula, 2013). However, there is a large diversity of investment models, mirrored by a similarly large diversity of reactions to investment deals by local populations. Much attention has been paid to different forms of 'resistance'. The repertoire in this regard includes struggles against expulsion, struggles for incorporation, struggles against land appropriation and concentration, and struggles for redistribution and recognition (Borras & Franco, 2013).

With the literature opening up to take a more diverse set of processes into account (Pedersen and Buur 2016), it has become clear that not all large-scale land-based investments lead to the dispossession of the local population (Edelman, Oya, & Borras 2013; Hall et al. 2015a), nor more than all deals lead to resistance. The peaceful coexistence of investments and local populations has been theorised less. However, the diversity within the local population and their diverse reactions to natural resource- and land-related investments is fundamental when unbundling the deals. As Hall et al. (2015a) point out, struggles around land deals are not just for or against the deals, but may also take place within land deals when various actors in affected communities struggle to (re)negotiate the terms of their incorporation in emerging investment projects. The overall design of an investment project matters. If an investment project involves the 'resettlement' of whole populations, its implications for livelihood practices and cultural relations are much more severe than, for instance, large-scale agricultural investment with outgrower schemes, which allow people to stay on their land.

Apart from the direct rights to land, therefore, large-scale investment also touches upon another set of issues that matter to local populations. Labour requirements differ substantially both between and within sectors. Whereas plantation or other large-scale farming projects often employ the local population as wage labourers or provide outgrowers, who retain land ownership and market access (Cotula 2011; Smalley 2013; White et al. 2012), large-scale extractive investments tend to require skilled labourers who can only be found among the local population to a very limited extent. This may reduce livelihood opportunities and cause frustration once the compensation money has been spent.

The promotion of linkages and local content in investment projects has been another way of addressing local expectations (Hansen et al .2016; Ovadia 2015; Buur et al. 2013). However, this too has turned out to be no panacea. Often the sophistication of the products demanded by investors is far higher than what locals can produce. 'Local content', therefore, is often reinterpreted to mean 'national content', thereby bypassing local populations. Finally, partnerships between local authorities and investors that contribute to capacity-building have been seen as a way to address the instability in investor–local population relations (Alstine 2014; IPIECA 2008). This might also involve the transfer of resource revenues as an example of material benefits.

Reciprocal exchange deals

Local deals between investors and local populations have to bridge the investors' need for stability around an investment and local populations' wishes to be heard and involved in decision-making, as well as extract material benefits from the transaction. In sub-Saharan African countries this is further complicated by the fact that market transactions are a novelty compared with customary land-tenure systems, in which land ownership is not fully individualised or formally regulated. This implies that a reciprocal exchange deal at the same time ideally involves the transfer of use rights to a piece of land *and* a learning process in which local populations have to accept the finality of market transactions and written contracts.

When unpacking reciprocal exchange deals, it is important to look at the terms under which local populations are included. A basic distinction can be made between voluntary and willing sellers and buyers and compulsory acquisition. Much of the literature on large-scale investments has focused on *compulsory acquisition of land*, which extinguishes existing rights to land. In these cases the main questions for the local population and existing rights-holders concern resettlement, compensation and the development of alternative livelihoods. However, other types of business models exist, in particular in agricultural investments. Lorenzo Cotula and other researchers at the International Institute for Environment and Development (IIED) have analysed such 'business models', that is, the ways in which a company structures its resources, partnerships and customer relationships in order to create and capture value (Vermeulen and Cotula, 2010a: 3).[12]

In contrast to compulsory land acquisitions, collaborative business models like contract farming and various types of lease and joint venture do not necessarily involve the transfer of the ownership of land. Similarly in the extractive sectors, business models may vary considerably. In the mining sector, for instance, artisanal miners may retain exploration rights alongside large-scale investment projects (Bryceson et al. 2014). Though sub-surface mineral resources most often belong to the state or the nation, the rights of surface landholders vary significantly, from their automatic alienation via the right to negotiate compensation or a claim to revenue transfers to the right to refuse exploration (Veit and Larsen 2013).

When, as so often, investments are derailed on the African continent, it is often because local populations believe that a transaction is temporary and can be reversed or renegotiated in accordance with custom if the transfer of benefits dries up or the land is required for other purposes (Berry 1993). In such contexts, the transfer of land for investment purposes in ways that provide stability for the investor requires not only a written contract facilitated by state law and enforced by state authorities, but also corresponding changes in local value patterns (Parson 1956; Pedersen 2013) – in short, the institutionalisation of private property.

In the absence of institutionalised forms of exchange enforced by state actors, an investor may engage in a steady transfer of benefits in return for acceptance by local populations, sometimes framed as 'patronage'. Rajak (2011) makes this argument in respect of relations between a South African mining company and the local population of a mining town. Her argument is that by gift-giving (philanthropic CSR) the company creates and reasserts dependence and reinforces social hierarchies between the company and the community members, or, in other words, relies on some degree of patronage and clientelism.

There is plenty of room for misunderstandings in these reciprocal exchange deals. On the one hand, the investor will usually expect something in return for gifts, though it may not always be clear what this is. In other words, though CSR often takes the form of gift-giving activities, there is no such thing as a 'free gift'.[13] On the other hand, community members will often expect much more than the investor is willing to give (Frynas 2009). Banks et al. (2016) conceptually distinguish between 'intentional' and 'immanent' development,[14] where the latter in the present case characterises the kind of unplanned changes that may happen over time when investments are implemented. The authors also argue that the local population might read corporate intent into both the intentional and immanent aspects of changes, while investors might insist on only being judged on their intentional effects. This does not mean that exchange deals that are not fully institutionalised are always unstable. Relations that were initially based on patronage and *ad hoc* may become stabilised and institutionalised over time.

This also implies that, whereas natural resource investments are often framed as either accommodating or infringing local rights to land, from the local point of view it may make more sense to see exchange deals as 'balanced reciprocity' (Sahlins 1972, quoted in Graeber 2001: 219), where both parties 'feel obliged to deal with each other on a moral basis'. This does not imply, however, that local populations and investors are entering relations on an equal footing, because, as already pointed out, their 'holding power' can be quite different. An investor can rely more often on state intervention if less formal relations fail than can local populations. It is of key importance to grasp the difference in capacity if we are to understand the complexity of the deal and the power differences between the investor and the local population.

In short, how this conundrum plays itself out when large-scale investments in natural resources are made and the effects on the land rights of local populations – the potential for investments to be implemented without violating any rights – seem to hinge on the nature of the reciprocal exchange deal between the investor and the local population. To invoke reciprocal relations therefore does not necessarily imply that the exchange is based on equality, but rather refers to a situation or relationship in which two groups move on, even though they get something different out of it. This 'difference' can be contested, but not to such an extent that the relationship between the parties breaks down.

RELATION TWO: COMPATIBLE INTERESTS

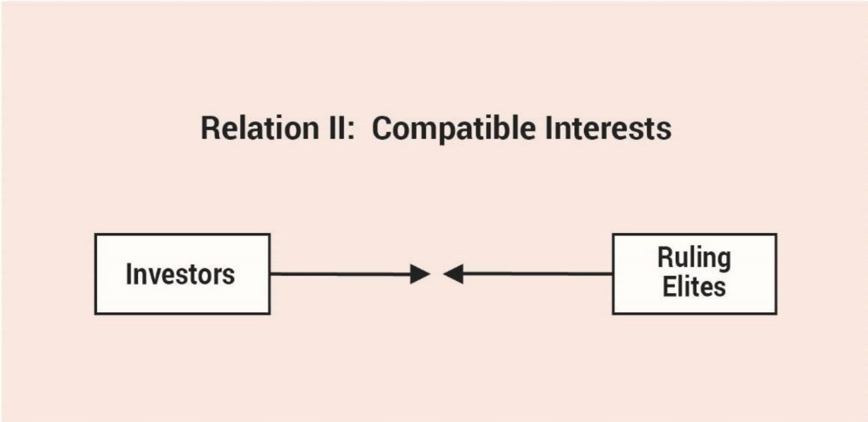
In this section, we explore the relationship between investors on the one hand and ruling elites on the other hand.[15] Much attention has been paid to the influx of foreign investments in natural resources in Africa over the last couple of decades. In the extractive sectors, the so-called resource curse has provided a powerful discourse, depicting FDI and corrupt domestic elites' relations as mutually exploitative, on the one hand providing elites with rents they can use to stay in power and reap personal benefits, while on the other hand giving foreign investors unrestricted access to resource extraction. The outcome, so the story goes, is lower than expected economic growth, dysfunctional institutions and clientelist relations. In the debates over land, the land-grabbing discourse has depicted FDI as an intrusive force, a tsunami that takes land unhindered from local populations.

It has increasingly been realized that these transactions are facilitated by ruling elites. Even the land-grab literature gradually realized the significance of state actors in facilitating investor access to land and natural resources through large-scale natural resource investment deals. These studies still struggle with the analysis of these more complex relations. Whereas formal property rights and the rule of law are often recommended by the good governance literature as a remedy for unstable business environments, other scholars argue that secure property rights for some, though not necessarily for everybody, may be sufficient to enhance economic growth. Relations between ruling elites and investors, in other words, may be impersonal or they may be more intimate. The main point here is that they should be systematically unpacked and studied.

Relations between investors and ruling elites are therefore often seen as trumping the other relationships, as they involve the most powerful interests. Without this relationship, investments on a larger scale are less likely to occur. This does not mean that it is always the most important relationship. However, though an agreement between the parties is required, this does not necessarily imply that they share interests. There are significant differences, both among and within investor and ruling elite groups. If relations between investors and local populations are often conflictual and tense, this also counts for the relationship between the investors and the ruling elites. But for investment projects to be implemented, interests must overlap to some degree. This is what we call compatible interests.

Based on a review of the literature, this section aims to contribute to the analytical framework for doing this. Furthermore, it seeks to disentangle the investor category as new types of investors emerge, including domestic ones, who do not fit into the stereotypical north-south dichotomy. As the toxicity of the debates about FDI and resource-grabbing suggests, the character of ownership still matters.

Figure 3 Relation II: compatible interests



Investments in uncertain environments: the investor perspective

For an investor, investing in frontier markets can be lucrative. Huge rents can be generated from being a first mover. In the natural resource sectors, favourable deals can be struck with host governments, who are eager to attract the investments that may help develop the country or keep the ruling elite in power. However, this also implies that investments are more risky because of the ruling elites' lack of experience and the often volatile political culture (Hurst 1988; Davison et al. 1988; Radon 2007). Large-scale land-based natural-resource investments are particularly sensitive, as they reduce access to land for the local population (Pedersen and Buur 2016). From the investor's perspective, the risk of local resistance to projects or outright nationalization is an inherent threat in these contexts (Emeka 2008; Hogan, Sturzenegger & Tai 2010; Stroebel & Van Benthem 2012).

Numerous factors influence an investor's ability to mitigate uncertainty. First, an investor's own capacity matters. In the extractive sectors, access to technology and capital is important, not only in the capital-intensive phase of establishment before revenues start being earned, but throughout the life-cycle of the investment. Again, the origin of the investor matters for the relationship between ruling elites and investors. Until recently, the most conspicuous difference between domestic and foreign investors was that of scale. In most African countries, domestic capitalists have been few and resource-strapped, in other words, lacking the capacity to make the big investments that characterize the extractive sectors. Therefore, national investors often need the direct support of domestic industrial policy in order to address their limitations and build up the necessary capabilities. However, the actual ability of investors to implement investments varies quite significantly (Golooba-Mutebi & Hickey 2013; Tumusiime-Mutebile 2010; Wiegratz 2009; Hansen et al. 2016; Buur and Monjane 2017).

Many investors, whether domestic or international, hold back on investments if they have no 'holding power' (Khan 2010: 1). Big investments have stronger 'holding power' if they are carried out by foreign investors who have capacity themselves or can access capacity through international networks. These investors often seek to protect their operations through contract stability clauses with reference to international arbitration (Cotula, 2015, 2016b; Radon, 2007). Still, they remain vulnerable to the renegotiation of contracts in what has been termed an 'obsolescing bargain', that is, a shift in favour of the government that becomes clearer once the investment has been made and cannot be moved (Pedersen, 2014; Vernon, 1973).

Secondly, therefore, the investor's relationship with the ruling elite is crucial. Again, investors' origins influence the kind of relations they enter. Foreign investors are often important taxpayers, and ruling elites may wish to maximize the benefits of their operations. By contrast, domestic investors seek protection in other ways, for instance, by building alliances with ruling elites by offering to finance election campaigns. With liberalization and democratisation under the Washington Agenda after the end of the Cold War, this has become increasingly important for politicians, who can no longer rely solely on state coffers for re-election (Kjær et al. forthcoming; Kjær and Therkildsen 2013). This also implies that incumbent politicians will be aware that investor loyalty may be transferred to other politicians and parties. Overall, this section argues that, rather than a cosy exchange relationship, relations between ruling elites and investors are ridden with tensions and conflicts, with many variations depending on the type of investor.

In the resource curse literature, the relationship between investors and ruling elites is often seen as one of collusion (Karl 1999; Beblawi 1987 and 1990; Beblawi and Luciani 1987b). Whereas this may not always be wrong, the analytical framework outlined in this paper suggests that relations between them are more contingent. A basic analytical distinction can be made between investors' relations with bureaucracies and with ruling political elites (see Whitfield et al. 2015). Even though investment agreements may be signed or agreed by the ruling elite that is in charge of government, state bureaucracies play an important role during both negotiations and implementation, with the capacity either to enable or to undermine investment projects.

From an investor's perspective, bureaucrats who understand their sector and have the ability to engage with and solve problems are priceless (Evans 1995; Amsden 2001; Whitfield et al. 2015). Access to such bureaucrats is required in order to address problems with red tape, work permits, labour regulation, repatriation of capital, etc., which accompany major investments in these environments. In other words, investors do not necessarily need strong bureaucracies in general, but they need the creation and maintenance of 'islands of effectiveness' (Crook 2010; Leonard 2010), 'pockets of efficiency' (Whitfield and Buur 2014) or 'pockets of effectiveness' (Roll 2013) in their sectors in order to implement their projects. In turn, bureaucrats need the support of key political elites in order to fend off other elite groups with different interests.

In sum, investors look for what Maxfield and Schneider (1997) have referred to as 'credible commitment', that is, that a ruling elite in charge of government will do what it says it will do, creating the kind of predictability that can occur even when the overall business environment is poor. This implies protection from direct as well as 'creeping expropriation', that is, incremental changes in taxation or the like, which do not challenge the ownership of a project, but reduce its value (Leon 2009; Stroebel and Van Benthem 2012). However, political risks are not only decided by the formal legal and institutional framework guiding a sector, but also by political-economy issues. Competing investor projects may be given preferential status either through decision-making or during implementation and undermine the profitability of an investment. For instance, the importation of sugar may undermine the profitability of a sugar investment (see Buur et al. 2012), or artisanal miners may be given access to resources in the vicinity of a large-scale mining operation, thus affecting its long-term profitability (Bryceson et al. 2014). Investors therefore engage with the ruling elites they make investment agreements with.

In emerging markets with limited state capacity, development donors have often stepped in with compensatory measures in the form of capital, staff or facilitating technology exchanges. This may involve bilateral donors, international financial institutions like the World Bank and the IMF, and increasingly regional development banks (Pedersen and Bofin 2015). From the investor's perspective, the involvement of donors can be a way to reduce risks related to large-scale investments. Thus, a host government is typically more hesitant to renegotiate contracts, raise taxes or nationalise enterprises when foreign governments are involved. This is also the reason why contracts for the larger extractive investment projects are often only signed after bilateral trade treaties between the investor's home government and the host government have been signed (Cotula, 2015 and 2016b). Non-adherence to the contract terms of investment projects that involve international financial institutions may have repercussions for a host government's future ability to access finance, making it hesitate to break contracts under such multi-stakeholder arrangements.

Attracting investments: the ruling elite perspective

Why do ruling elites want to attract investments in natural resources? To mobilise revenues that can help develop the nation would be the most straightforward answer. Other frequent answers provided in the literature are to generate rents for personal enrichment or political coalitions. However, the answer will vary from one country to another and from one sector to another. Again, it is important to distinguish between incentives for the ruling elite (politicians) and those for the bureaucrats. Often, there will be differences in interests, as the politicians' short-term focus on winning elections may conflict with the bureaucrats' longer term concerns with bureaucratic procedures and maintenance of state functions.

For ruling elites, the ability to mobilize investments may be based on many different factors. As Lavers and Hickey point out (2015), a mixture of interests can be identified, from personal enrichment to a wish to serve and develop the nation (ideology and ideas), the desire to expand infrastructure and deliver on promised services, and so on. This intersects with the quest to survive in power. Whitfield et al. (2015) refer to this as the 'political survival of ruling elites' approach and argue that 'the motivations, calculations, and coalitional strategies of ruling elites have significant influences on policy choices and changes, and thus policy choice and implementation cannot be separated from ruling elites' strategies to ensure political survival' (Whitfield et al. 2015: 11). The basic premise is that ruling elites simply want to stay in power, which requires the construction and maintenance of a ruling coalition.

Political survival requires different kinds of resources, including economic resources, for coalition funding, the distribution of goods and services to constituencies, controlling potential competing centres of power, etc. It is here that investments become important. Securing resources from investments can therefore be based on multiple motivations ranging from ideas and ideologies to rational calculations for political survival, as well as economic imperatives aimed at shoring up political support through non-coercive means acting as a kind of 'war by other means'. An important implication of this is that rent-seeking is not deviant, but something to be expected. In contexts characterised by scarcity, it is necessary in order to secure resources for political projects, political stability and the survival of a given political order.[16]

Whereas the ruling politicians strike deals with investors, these deals are enforced and implemented by bureaucrats. Bureaucrats' relations with investors have their own dynamics, something that has largely been overlooked by the literature on natural resources and land. The ruling politicians' push for a particular industrial policy or a specific investment project will often be met by demands for more resources from the bureaucrats (Whitfield et al. 2015). This implies that bureaucracies are also partisan in the distributional struggles. At the project and sector level, bureaucrats may block a deal during implementation (see Therkildsen 2011 for the case of Tanzania). This may be played out along different lines: politicians vs. bureaucrats at the national level is one, local vs. national level factions another.

The importance of the state bureaucracy cannot be underestimated, as the ability to plan services in and around investments hinges on it. Therefore, in order to overcome resistance to policy changes that could undermine the specific objectives of investment projects, they are usually followed by an influx of resources for capacity development, infrastructural development that can help build up the physical presence of the state with new offices and modes of communication. This may also involve the provision of services and the potential to enlarge the *local* tax base.

This accounts for some of the challenges investors face when investing in developing countries: they may strike a deal with a politician, only for it to be undercut later by bureaucratic procedures and vice versa. The bureaucratic ability to 'mediate' (Buur forthcoming) between ruling elites and their coalitions and investors in our case is therefore not something that 'exists', but something that is mobilized under certain circumstances and can indeed vanish again. If investments are to be successful, compatible interests must be forged between investors and ruling elites, but this is done within a context in which the ruling elites themselves are often divided.

Compatible interests

The interests of investors and ruling elites may not always overlap. Whereas the investor seeks ways to mitigate risks in unstable environments, ruling elites seek rents, whether for personal enrichment, coalition-building or the expansion of the state's reach and the provision of services. Whereas a good resource governance agenda suggests that the predictability that promotes economic growth can only come when the overall business climate is good – which in our field is achieved through formal property rights and the rule of law (Acemoglu & Robinson, 2012; de Soto, 2000; North, Wallis, & Weingast, 2009, Lawson-Remer 2012, 2014) – secure property rights for some, but not necessarily for everybody, may in fact be sufficient to enhance economic growth. In line with Lawson-Remer, the work of Whitfield et al. (2015) on industrial policy suggests that ruling elites have to create a sense of predictability and of confidence that what is promised will actually be done. If relations between ruling elites and an investor are good, they argue, predictability for the specific investment can be high, even when the general business climate is poor.

Much of business–state relations theory and the resource curse literature sees such rent-seeking behaviour as negative (see the summary of business–state relations by Sen and te Velde 2012; te Velde 2010), but whether it is 'good' or 'bad' for economic development cannot be established in advance analytically. In the language of the literature on business–state relations, the line between 'collusive' and 'collaborative' relations between ruling elites and investors needs to be undetermined analytically from the outset (see Macuane et al. forthcoming, who summarise the debate on the resource curse, and for neo-patrimonialism see Gray and Whitfield 2014).

As should also be clear from the above, however, in practice interests are seldom, if ever, the same, and good governance will often be undermined by other interests. Good enough resource governance that provides security for specific investments may be the best an investor can hope for. For this to happen, interests between investors and ruling elites need to overlap. This will become clearer if we briefly consider why ruling elites and governments might be interested in supporting investment projects. For our purposes of developing an analytical framework for the analysis of large-scale natural resource investments, it is fruitful to focus on specific exchange relations between investors and ruling elites. This implies that, while interests may diverge, they may still converge around implementing specific projects.

The term *compatible interests* originates in another, related term: 'mutual interest' from the political survival literature. It suggests that, for industrial policy to succeed, ruling elites need the relevant capitalists, and vice versa: 'they must need each other' (Whitfield et al. 2015: 18, also 289). The problem with the word 'mutual' is that it connotes a consensus or is interpreted as consensus. We therefore suggest that most often the interests involved are better described as 'compatible', as the interests of ruling elites on the one hand and of investors on the other can reflect considerable differences. Where 'mutual' suggests a kind of mutuality or common purpose, 'compatible' suggests a conflictual congregation around similar types of investments by actors with potentially very different kinds of incentives for engagement.

It is clear from Moore and Schmitz's work (2008) on ruling elites in oil-rich countries in the Middle East and Vietnam, as well as Kang's (1995) on Southeast Asia, that foreign firms do not necessarily pose a threat to the political survival of ruling elites. Instead relations between ruling elites and investors are based on each using the other and somehow gaining from collaborating and implementing an investment project. For projects to be implemented, the greater the overlap between the interests of investors and ruling elites the more predictable the environment that can be created (see Whitfield et al. 2015).[17]

This does not imply that relations are equal. Even though relations may be close and based on mutual dependence, they can sometimes be highly unequal. The ruling elite might gain the upper hand over the investor and vice versa. How these relation are structured cannot be decided analytically, as they may change over time. Similarly, compatible interests based on concrete exchange relations that support the protection of human rights at one point in time, or underpin inclusive growth by distributing economic benefits more broadly, can turn into something else at a later point in time. This uncertainty is a condition. One caveat, therefore, in considering compatible interests based on concrete exchange relations is that this will often be heavily contested – not only at a particular point in time, but also over time – among investors and within ruling elites, and even by those who are excluded from the ruling elite.

In the short to medium term, achieving compatible interests between investors and ruling elites is probably the most important exchange relationship if investment projects are to be implemented. However, a deal may be undermined by fractious relations between ruling elites and local populations in the long run. Careful examination of the emergence of compatible interests is therefore necessary for understanding the conditions under which large-scale investments in extractives can be implemented without necessarily 'violating' the land rights of local communities or populations. This is not least the case for foreign investors in the natural resource sectors in Africa, as will become clear in the next section. In the longer run, if ruling elites and local populations do not agree on how the relationship between the former and investors should be structured the relationship can be undermined, suggesting that relations between ruling elites and local populations may ultimately be more important.

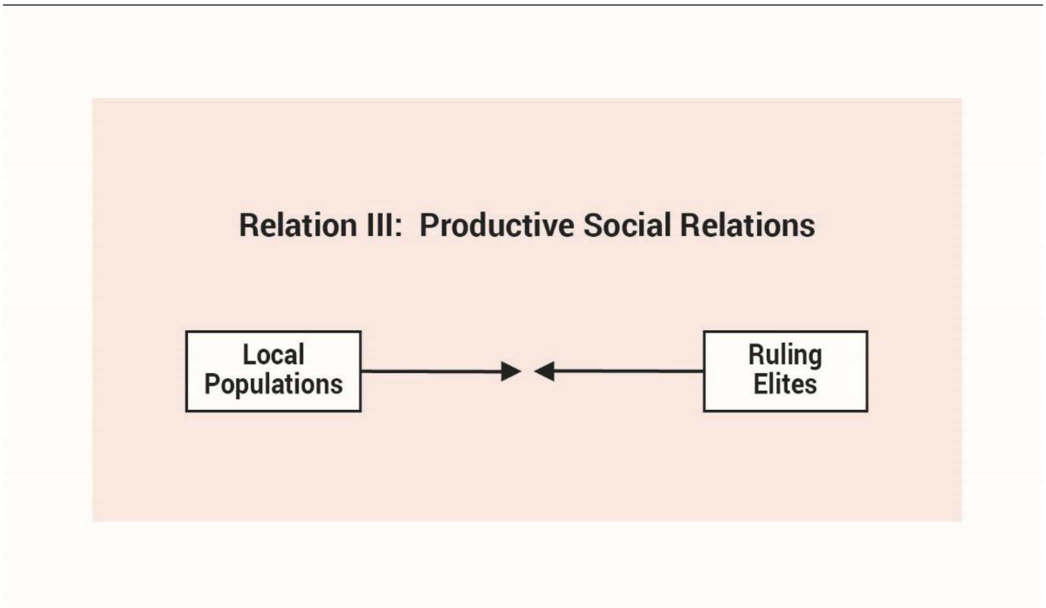
RELATION THREE: PRODUCTIVE SOCIAL RELATIONS

In this section, we explore the relationship between ruling elites and local populations when large-scale natural resource investments are being implemented. By focusing specifically on the relationship between ruling elites and local populations (see Figure 4 below), we explore the concrete exchange relations that the literature on good resource governance has often depicted as a matter of states providing individuals and communities with more secure property rights. However, resistance to investment projects and the patchy implementation of land reforms at the local level suggest that relations are less straightforward. Many deals never materialize because of this. Investment projects are thus not only embedded in sector-specific relations, but also in the broader relationships between ruling elites and local populations.

These relationships hinge on a combination of the composition of the ruling elites and the type of regime governing a country. In democratic systems it is common to argue that ruling elites are more likely to seek to accommodate the rights and interests of local populations when they depend on the latter's votes during elections. This is not least the case when it comes to land in developing countries, where most people's livelihoods depend on it. However, in African settings, democratic systems and how they are organised come in many shapes, ranging from Potential Development Coalitions, Authoritarian Coalitions and Dominant Coalitions to Competitive Clientelism.[18] The organized influence of local populations and smallholders is often limited, and they may therefore challenge projects in other ways than democratic competition. In sum, this points to the importance of identifying the outcomes that can make it possible to implement investments in natural resources without violating the land rights of local populations in different contexts.

Drawing on a broader range of literature emerging from studies of land and extractive resources, rights and governance reforms, ruling elite and social contract theory, this section contributes to a better understanding of the dialectic between how specific projects are implemented and the medium- and long-term acceptance of ruling elites by local populations. Whereas project implementation can be analysed as involving tangible exchanges of participation and benefits, the issue of legitimacy can be analysed as social contracts. A simple distinction that covers both project-specific exchanges and medium- to long-term relations can be made between authorities compelling local populations to 'obedience' through the threat of force, and 'cooperation' if people perceive their behaviour to be fair. If we are to talk of 'productive social relations', there should be some reciprocity.

Figure 4 Relation III: productive social relations



Investment deals in local contexts: the ruling elite perspective

From the ruling elites' perspective, large-scale investments in natural resources offer opportunities to mobilise rents on a scale that is otherwise uncommon in developing countries. But rents can be used in many different ways. Apart from personal enrichment, which is a well-rehearsed theme in the resource curse literature, a number of other development purposes can be listed that all in one way or another touch upon the relationship between a ruling elite and the general population. The priorities will differ from one country to another depending on the composition of the ruling elite and the character of the political regime. Within a ruling elite there will be divergent interests in the natural resource sectors and therefore divergent interests in striking large-scale natural resource investment deals and implementing them. Again, a basic distinction can be made between ruling politicians and bureaucrats, but even within these groups there will be different factions.

For the ruling politicians, mobilising rents can be used to deliver on election promises. This is particularly the case in countries undergoing democratization, where voters are becoming more influential (Kjær and Therkildsen 2013). Improved infrastructure (Pedersen and Buur 2016) and the expansion of social security (Lavers and Hickey 2015) are recurrent themes in campaigns when ruling politicians seek to be elected. These may not always be provided by the state. Often, indeed, the implementation of infrastructure projects and the provision of social services become the responsibility of the investor as part of the specific deal. Increasingly, CSR and local content provisions are also being endorsed by law, especially in the extractive sectors (Hansen et al. 2016; Jacob and Pedersen 2016).

However, there is an intricate relationship between investments and the character of a country's political regime that has been little researched. Some of the largest land deals have been struck in countries that are not very democratic (Cotula 2013). However, large-scale investments in natural resources by foreign actors are often contested in African settings, even in authoritarian regimes. In post-colonial states like the ones we are dealing with, foreign ownership of natural resources is particularly contentious because it is often linked politically to the exploitative colonial experiences of the past (Aminzade 2013; Carmody 2011). The most conspicuous example is the regime change in Madagascar in 2009, which happened after mass protests in the wake of a 1.3 million hectare land deal with a South Korean investor, which was labelled 'neo-colonial' (Cotula 2013). In countries undergoing democratization, the willingness of politicians to push through unpopular investment projects at the local level is likely to be reduced.

Again, it is important to unpack the different interests of different elite groups. Ruling elites rely on bureaucrats to manage natural resource revenues and run state institutions (Kjær et al. forthcoming; Hickey and Izama 2016; Macuane et al. forthcoming). For bureaucrats, on the other hand, large-scale natural resource investments can be used to strengthen state institutions with limited reach in rural areas (Buur forthcoming). It has been estimated that less than 10% of land in Africa is held under formal, state-provided land tenure. The wave of reforms aimed at formalising land tenure that have been initiated over the last two decades (Wily 2013) can be seen as attempts to increase state control (Herbst 2000; Pedersen 2013). The same can be said of natural resource investments (Hall 2013; Borras et al. 2015), which often are associated with measures to survey land, register ownership and enforce deals through expanded security (Hönke 2013). In other words, the investments can be used to transform the state itself and its relations with the local population.

The distinction between ruling elites at the national and local levels is also important. Often, the local population in an investment locality will bear the costs in terms of lost access to land or environmental degradation, while the benefits are reaped at the national level, in particular with regard to the extractive sectors. A country's political and institutional arrangements are decisive for how this relationship between local and national interests is structured. Large-scale natural resource investments are often pushed through in regions inhabited by politically marginalized population groups (Laver 2012a, 2012b). Furthermore, the impact of investments depends on existing patterns of state institutions, as demonstrated by Lavers and Boamah (2016) in a comparative case study of Ethiopia and Ghana. In highly centralized Ethiopia, the state uses agricultural investment to build its own capacity. In Ghana it is instead the traditional chiefs who take advantage of investment opportunities to strengthen their positions at the local level. This, in turn, limits the state's ability to regulate investments.

The distinction between national and local also affects the type of resistance that investment projects may encounter. Through comparative research, Catherine Boone (2014) has demonstrated how a state's land tenure regime affects the structure of political conflicts over land. If local elites feel marginalized or feel that implementation may threaten their positions, they find ways to circumvent deals through a lack of enforcement. In other words, the allocation of resources for enforcement will often be seen as a sign of political will. If this is lacking, the bureaucrats will often abstain from engaging in conflicts with local populations (Bierschenk & de Sardan, 2014). Analytically, it is important to unpack these trade-offs between increased institutional capacity that can be built by using natural resource revenues and the instability the investments might create.

Accepting or resisting investment projects: the view from below

Local populations are not necessarily against large-scale investments in natural resources. Much hinges on the extent to which they are involved and to which they benefit from the deal. This is, of course, influenced by the investor, as outlined in the discussion on business models and terms of inclusion in the section on investor–population relations above. However, national laws and regulations formulated and implemented by the ruling elite are no less important in structuring investment deals. When land is leased, local populations may have a direct say, but when it is acquired compulsorily through expropriation, their influence is often limited. This is not least the case when states own subsoil mineral resources whose extraction requires the displacement of surface rights-holders (Emel et al. 2011).

At the general level, local populations may seek to influence the formulation of policies and laws structuring investments. It is hardly a coincidence that the passing of a new wave of land reforms that are sensitive to existing customary rights in the 1990s and 2000s was correlated with the reintroduction of multiparty elections and liberal market reforms in sub-Saharan Africa (Pedersen 2013).[19] However, the political influence of smallholders is often limited in sub-Saharan Africa. Historically, local populations, communities and smallholders have been badly organized in African countries, their institutions often having been destroyed or co-opted by post-independence regimes. Apart from a few, usually urban-based professional groups, organized political action from below has rarely influenced politics directly at the national level in any systematic way (Rakner, 2011; Waal & Ibreck, 2013). This may be changing with recurrent elections, which forces ruling politicians to vie for smallholders' votes, but only gradually (Kjær and Therkildsen 2013).

In the absence of limited or poorly understood procedural rights to land, local populations may seek to affect deals in other ways. Local populations possess a repertoire of instruments that they can, and do, bring to bear, for instance, by resisting implementation. The access literature, which originates in a critique of individualizing land reforms in the 1980s and 1990s, has long pointed out the importance of local actors in facilitating – or obstructing – access to land at the local level (Berry 1993; Bruce & Knox 2008; for newer versions, see Juul & Lund 2002; Scott 1998; Sikor & Müller 2009; Pedersen 2016). Some of the more recent land-grab literature also demonstrates that resistance from below may be successful in derailing projects in some contexts (Edelman et al. 2013). The many land deals that have failed due to local resistance and the mineral projects that have required enormous investments in security to prevent disgruntled local populations from intruding and sabotaging operations point to potentially contentious relations between ruling elites that are trying to facilitate investments and smallholders

(Hönke 2013; Schultze-Kraft 2013; Bryceson et al. 2014).

The nature of the instruments the local populations use will differ depending on the nature of the legal and institutional regimes they are faced with. In countries characterized by some degree of democracy and the rule of law, interventions aiming to protect rights – whether through protests, court cases or petitions to politicians in what have been characterized as acts of 'legalism from below' – may have effect (Eckert 2006; Polack et al. 2013; Hall et al. 2015). In less permeable national institutional contexts, however, instruments from outside the realm of democratic institutions are often more effective.

A complicating factor with protests is that they are often local and rooted in specific localities. Often, local populations support projects in other parts of the country that may help mobilise resources to develop the nation, but resist those in their own backyard that may affect their own livelihood strategies. The NIMBY (Not In My Back Yard) attitude that can often be related to large-scale natural resource investments may undermine influence at the national level. However, if political influence nationally is blocked for other reasons, more violent forms of resistance might erupt. One radical strategy triggered by local dissatisfaction over the use of natural resource rents is separatism, most often triggered in areas where ethnic communities feel marginalized, lack representation at the national level or are only peripherally in touch with state institutions (Casertano 2011; Ross 2012; Hunziker 2014).

If the local population does not manage to influence projects and policies nationally it may alternatively seek to engage or be engaged by international organizations by invoking new international soft-law standards to pressurize states and investors. In particular where international funding is involved, this strategy has been pursued with some success (Frynas 2004; Szablowsky 2007; Wagner and Armstrong 2010). However, even though international soft-law initiatives have become standards for stock exchange-based companies and usually include 'consultation' with local populations involving some measurement of 'approval' or 'consent', as well as 'compensation', they are weak as methods of regulating the relationship. If hard law is based on national laws, it is the state that should act as a 'third-party' intermediary. Soft-law initiatives also rely on some kind of third-party monitoring and facilitation, though they typically have limited ability to enforce or discipline.[20]

The regulation of land rights is very complex in many parts of Africa (Boone 2014). One problem is that, where most of the land is regulated through customary law, which is mostly defined in 'collective' terms, representation becomes an important aspect of the land deal from the community perspective. Furthermore, the local population's lack of knowledge of legal rights and processes and lack of access to expertise in this area are important factors in sustaining an often weak bargaining position in relation to both investors and state actors, as well as being a frequent cause of misunderstandings, confusion and opposition to land deals (Hall et al. 2015).

Indeed, though still wanting, formal national procedures for land acquisition have increasingly come to include procedural rights that enjoin interaction and 'consultation' with local populations, including those affected by investments (Vermeulen and Cotula 2010b; Tagliarino 2016). Several countries now require an environmental impact assessment (EIA) or an environmental and social assessment (ESIA) to be carried out before a land deal can be formally approved. Vermeulen and Cotula (2010b) have analysed the content of such EIAs and ESIAs in six African countries,21 focusing on if and how they specify consultation with communities as part of the framework. Their study shows that, whereas 'local consultation' is required in several of the countries they studied, 'local consent' is only required in a few, and even then implementation and compensation is far from satisfactory.

Productive social relations

The exchange relations between ruling elites and local populations related to specific projects are embedded in and overlap with relations that are of a more general character. Local populations will judge a natural resource investment in their area based on their previous experiences with comparable projects. Similarly, ruling elites will evaluate proposed projects as trade-offs between on the one hand their potential in terms of generating rents and increasing state capacity, and on the other hand the risks they may pose for social stability. Therefore, in order to understand and analyse the implementation of investment projects, we need to take both the design of the specific project and more general relations into consideration. Whereas the former can be analysed as tangible exchanges of participation and benefits, the latter can be analysed as social contracts.[22]

The social contract approach (Nugent 2010) is aimed at understanding the reciprocal set of obligations and duties between the rulers and the ruled that have been established over time. Often, the social contract elements that touch upon natural resources in post-colonial African countries date back to the struggle for independence, when independence movements used land conflicts as a tool for mobilizing resistance to the colonial power. This makes investments, especially foreign ones, a potentially contentious issue. This is further complicated by the fact that post-independence ruling elites often imposed modernizing projects – and new social contracts – on populations in a violent manner. The socialist *Ujamaa* and New Society reforms in Tanzania and Mozambique respectively, which not only sought to transform economic development models, but also property relations through state-led settlement schemes, are among the more radical examples. In the case of northern Uganda, it was the LRA insurgency and the forced resettlement of the population to IDP camps that made land a highly contentious issue in the post-conflict period.

The response to the imposition of projects and contracts by local populations has often been withdrawal. If confronted with repressive regimes, they will avoid open confrontation with the authorities over specific investment projects and resist their implementation in more subtle ways. The peasant 'uncaptured' by the state is a recurrent figure in the literature on African agriculture (Hyden 1980). However, though a state may not always be able to impose its policies and projects on local populations, it is nonetheless often involved in structuring and restructuring institutions governing property rights (Pedersen and Buur 2016). Catherine Boone (Boone 2014) distinguishes between 'neo-customary' property rights regimes, where the state has delegated the authority to administer rights to various types of 'customary' institution, and more 'statist' regimes, where the state is more directly involved in allocating and administering resources.

Whereas this reciprocal relationship between land, rights and authority structures is well established in the study of land access and land reforms (Boone, 2014; Lund, 2011; Lund & Boone, 2013), it is less well developed when it comes to large-scale investments. We do know that these investment projects are often used as vehicles to increase authorities' capacity and control at the local level (Berry 2013; Lavers and Boamah 2016). In contrast to the access study tradition's tendency to see African states as weak, recent research acknowledges the ability of modern African states to push through investment projects. However, ruling elites walk a fine line between promoting projects that may help them increase revenue generation and bureaucratic capacity, while not provoking so much resistance that projects – and the social contract at large – are undermined.

Discussing recent social contract studies related to Africa, Nugent (2010) has suggested that contracts fall on a continuum between the coercive and the productive. The coercive extreme signifies a situation in which the legitimacy of the rulers rests on force and fear, as 'the right to govern is predicated on the capacity of the rulers to render intolerable the lives of their subjects' (ibid.: 43). The question of reciprocity is therefore quite one-dimensional, and resources are generally extracted from the ruled by their rulers in personalized rather than impersonalized, routinized ways. Softer versions can be found in countries where ruling elites can use force in this manner but often refrain from doing so, just as smallholders refrain from active resistance, signifying a relation of *de facto* compliance (ibid.: 44).

At the other end of the continuum, a productive contract is one characterized by a high degree of exchange between the ruling elites and smallholders so that the regime can serve the 'well-being of the latter' (ibid.: 43). This implies some notion of 'collective good' that, for example, can be related to access to resources and extraction policies, just as it implies a notion of 'spaces for deliberation' involving 'negotiation over the payment of taxes as well as rights of access to scarce resources, including land' (ibid.). As a 'half-way house' between the two extreme types of contract, Nugent identifies 'permissive' contracts characterized by the governing authority claiming 'its sovereign rights', though 'it chooses not to exercise them (or all of them), in return for securing a measure of de facto compliance' (ibid.: 44).

Nugent (2010) is specifically concerned with this overall relationship between the state and its citizens in African settings that are characterized by antagonistic relationships between rulers and ruled. These contracts, however, may be so generalized that they are difficult to apply when we analyse relations between ruling elites and local populations. Therefore, and for the sake of simplicity, we draw on a similar distinction made by Tyler (2003) between authorities compelling local populations to 'obedience' through the threat of force and relations of ‘cooperation’, which will occur if they perceive the behaviour of state institutions to be ‘fair’ (ibid. 286). This distinction can more easily be applied to investment projects. It is nonetheless important to keep in mind that de facto ‘legitimacy’ is often more complex and that obedience is not a simple act. Tilly (1985: 171) defined ‘legitimacy’ as ‘the probability that other authorities will act to confirm the decisions of a given authority’, a definition suggesting that regimes should be treated as legitimate if their authority has been contested, not if the population has proved obedient. Thus, the task of ascertaining whether the relative holding power of ruling elites is legitimate because it has been threatened or contested depends on whether there has been challenges to the distribution of power.

When specific investments involve the acquisition of land, the issues of compensation and resettlement become important, this usually being where questions related to legitimacy and social contracts become visible. However, compensation is merely the material side of the equation: equally important for the legitimacy of a project are immaterial procedural aspects like information and consultation (Veit and Larsen 2013). If people do not feel they have been informed or given the chance to influence decisions, they are more likely to obstruct specific projects. In other words, the perception that the authorities are ‘fair’, which is shaped over longer time spans, is key for shaping local behaviour (Tyler 2003). In sum, there is a dialectical relationship between how specific projects are implemented and the medium- and long-term compliance of local populations with ruling elites.

CONCLUSION: A GOOD FIT?

The aim of this paper has been to develop an analytical and conceptual framework that can assist us in researching the implementation of large-scale investments in natural resources. It is based on a review of the relevant literature on land and investments. Generally, it points out the importance of a careful unpacking of the interests of different groups, namely local populations, investors and ruling elites. These are ideal types – or heuristic tools – that need further unpacking when confronted with empirical realities. Overall, the triangular model suggests moving towards systematically focusing on the relations between the groups instead of the actions of each one of them. The major contribution of this paper, we suggest, is the systematic incorporation of all three relations into one model. Combined, these relations decide the implementation outcomes of large-scale natural resource investment projects.

In the literature on land-grabbing and CSR, much of the focus has been on relations between foreign investors and local populations. In much of the extractive literature, on the other hand, the ruling elite–investor relationship has often been considered the most important, as large-scale investments in land and natural resources usually involve ruling elite approval. The ruling elite–local population relationship has in many instances passed under the radar, even though at a deep structural level it may be the most important, as it sets the tone for how the investor–local population relationship unfolds. Drawing on each of these bodies of literature, the model suggests analysing investment projects through the analysis of specific exchanges of benefits, resources and rights. These exchanges are complex, as they are at the same time project-specific and embedded in longer term relations between the three groups of actors.

Where does this leave the rights of local populations, which is a main concern not only for much of the scholarly literature over the last decade, but also for us? Can large-scale investments that potentially can help transform the economies in Africa by accelerating economic growth, creating jobs and strengthening links to the global economy be implemented without violating the rights of local populations? Our triangular model (see Figure 1) identifies three important conditions: reciprocal exchange deals between local populations and investors, compatible interests between ruling elites and investors, and productive social relations between ruling elites and local populations. When all these three relations are present, the question of a 'good fit' becomes relevant.[23] Analytically, this 'good fit' mirrors and condenses much of the policy advice provided by different studies of good resource governance by emphasizing local consent, the rule of law and a functioning democracy.

However, in most African countries this is very hard to achieve for structural reasons. Relations between the three groups that could enable such inclusive deals are still at an embryonic stage. Thus, capitalist relationships allowing smooth deals between investors and local populations are only gradually emerging, the capacity of state institutions to structure and enforce deals is limited, and relations between ruling elites and local populations are still fraught and characterized by distrust. As a consequence, it is often the political economy of a given locality that is decisive for how investment projects are implemented. More empirically grounded theory on this will be developed in future publications arising out of our four-year 'Hierarchies of Rights: Land and Investments in Africa' research programme.[24]

The complexity involved also helps explain the diversity of implementation outcomes and why so many projects never materialize. Rather than assuming that all three relations are in place, we suggest that they are much less stable in African contexts. Not only can one of the three relations (typically that between ruling elites and investors) be dominant when deals are struck, it may be undermined by one of the other relations (typically that between ruling elites and local populations) during implementation. This clearly has a bearing on the extent to which the rights of local populations are protected. In the absence of well-functioning state authorities, the investor–local population relationship becomes more important. Then exchanges of material benefits through CSR programmes and/or collaborative business models, combined with various degrees of international soft law, often play an important role. In contrast, if the ruling elite–investor relationship dominates, then values like political survival, rents and company imperatives are likely to weigh heavier in the balance than the rights of local populations. In a third scenario, if the ruling elite–local population's relationship is dominant, one might expect the rights of local populations to take precedence over those of investors, in particular with regard to foreign investors.

Because, furthermore, the different types of natural resources have different characteristics, they also affect relations between the different groups of actors in different ways. A main distinction can be drawn between agricultural and extractive investments in this regard: because agricultural investments tend to cover large areas and thus compete with local populations for the same land, they tend to be more contentious politically than are minerals investments, especially if they involve compulsory acquisition and displacement.

Combined with the political economy of relations depicted in our model, resource characteristics play a crucial role in deciding the hierarchies of rights that emerge from investment processes. For instance, the implications of large agribusiness investments differ greatly from those of offshore petroleum investments in that they potentially affect local populations more directly by requiring more land. Non-land factors also play a role in this regard. In the case of agriculture, the local population might be important in implementing the investment, since their labour might be needed, either as employees in plantations or as smallholders in contract farming schemes. In the case of extraction (except possibly for mining), by contrast, fewer low-skill employment opportunities are created, and the relocation of the local population is the main interest from the investor's point of view. Obviously these differences affect all three relations.

Can one expect a fit between the three relationships if there is no hierarchy and no dominant or subordinate relationship? Logically, yes, as it is possible to think of a truly balanced outcome with protection of rights not only for local populations but also for ruling elites and investors as well, maybe as a utopia. But let us emphasize once again: only a concrete analysis of the different types of sector relations will determine what the outcomes will be. Here we can only point towards certain possible (and logical) outcomes based on our review of the literature and the first round of scoping fieldwork conducted as part of the Hierarchies of Rights research programme. So far not much suggests that a utopian future society of balanced rights might emerge, but we hope that we have pointed out what could underpin such a possibility.

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END NOTES

[1] Whereas this paper provides an analytical framework for analysing the implementation of large-scale investments in natural resources in Africa, more empirically grounded theory will be developed in future publications. The paper is an early product of the 'Hierarchies of Rights: Land and Investments in Africa' research programme, which over four years is studying how investments in oil/gas, mining and agriculture in sub-Saharan Africa affect local populations' rights to land in sub-Saharan Africa. The paper is based on a review of the relevant literature on land and investment.

[2] We cautiously use the term 'local population' in this paper but at times also refer to 'smallholders', 'family-based production units', 'kin-based organizations', 'villages' or 'communities'. One of the profound problems with all of these terms is that they come with the heavy baggage of intervention categories. For instance, the much used term 'community', with its focus on 'bottom-up' processes, 'self-help', 'empowerment' etc., has become part of neoliberal forms of governance (Rose 1991; Delanty 2003). We use the broader and more general term 'local population' for analytical purposes, but when it makes emic sense we may use some of the other context-specific terms.

[3] The term 'ruling elites', following Whitfield et al. (2015: 24), refers to 'the group of people who wield power as a result of their position in government, where they occupy offices in which authoritative decisions are made'. This definition is suitable for the sorts of investments we are focusing on. A basic analytical distinction can be made between bureaucracies and ruling political elites. Ruling elites rely on bureaucrats to implement policy decisions. The two may sometimes be hard to distinguish in practice, but as Therkildsen has shown for Tanzania, the relevant bureaucracies can also pursue agendas of their own that can undermine government decisions (see Therkildsen 2011).

[4] These groups serve as heuristic tools to help us structure the literature. They will be further refined into analytical categories in a future publication.

[5] This argument is in itself both pragmatic and value-based, as general economic development tend to be negatively affected if wealth is too concentrated in a small part of the population (Piketty 2014).

[6] As the tripartite division is a model, it can create a false sense of separation between the three supposedly distinct analytical groups. Often, there are overlaps in individuals across groups: an investor who began to run for political office could later become part of a ruling elite, and ruling elites could become investors upon leaving their political or bureaucratic offices or while still in office, while an investor or a ruling elite can also be part of, or originate from, the local population in an investment setting. Whitfield et al. (2015; Therkildsen 2011) have shown that it is important to distinguish between ruling elites and investors and between ruling elites and other societal groups forming part of the ruling elite coalition, as they begin to pursue distinct interests.

[7] The concept of a 'relation' in the English and Euro-American language is intimately related to both concrete and the abstract ideas embodying connectivity, kinship and alliance, and with them ideas concerning 'structural resemblance or causal connections' (Strathern 1995: 9). We bracket this double feature of the concept, where it is at once an 'abstract construct' (the relation) as well as a 'concrete' (particular or personal) relation (ibid. 10) because we want to focus on the concrete relations and exchanges between different positions in our triangular model.

[8] This merely means that these are the three main relations influencing outcomes, which we have identified from the literature.

[9] The hypothesis will be further tested in future work in light of the Hierarchies of Rights programme's empirical findings.

[10] Khan (2010) defines 'holding power' as 'the capability of an individual or group to engage and survive in conflicts' (2010: 6). More specifically, he suggest sthat it is made up of two sets of factors, namely the ability to impose costs on others, and the ability to absorb costs inflicted by others. Holding power is thus intimately related to the more general question of the distribution of power in society, which relates to 'the relative holding power of different groups and organizations contesting the distribution of resources. Holding power is partly based on income and wealth but also on historically rooted capacities of different groups to organize' (2010: 1).

[11] FPIC is institutionalized in the 2007 UN Declaration on the Rights of Indigenous Peoples and in the ILO's Convention 169 on Indigenous and Tribal Peoples.

[12] When analysing the details of local deals, we find that the content varies enormously with regard to the distribution of benefits, costs and risks, as well as in respect of promises made in relation to prices, employment opportunities etc. (Cotula 2011). The extent to which it is possible to combine these interests

depends partly on the *type of investment* and partly on the relations between the parties.

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

14 This distinction is not new as such: what is new is how the distinction between immanent and intentional development is now applied to the context of community development.

15 For ruling elites, see endnote 2.

16 For rent and rent-seeking as a process to foster development, see Khan and Jomo (2000). In economics, rents are conventionally defined as an 'excess return' above 'normal levels' of profit made in a free market or in enterprise competition, and it usually associated with a lack of competition in markets dominated by monopoly creation and maintenance. Rent-seeking refers here to actively creating the conditions or pursuing policies to create or produce 'rents'. There are, beyond the simple economic perspective, many types of rent – natural resource rents, transfer rents, regulatory pricing structures that create rents for some and not others, targeted support that gives an advance for some etc. – and they can be absolutely necessary for economic growth and industrial development to take off (Khan 2000a, 2000b). This is especially true in developing countries, as 'institutional change almost always involves the creation or destruction of rents' (Khan and Jomo 2000: 3). Rents can therefore be both necessary and problematic – something that cannot be asserted a priori. The line between productive and unproductive rent-seeking is often blurred (Khan 2000b). It is not so easy to make a clear distinction between non-productive rent-seeking relations between business and the state on the one hand, which result in distributional policies with little positive impact on economic performance, and business–state relations and rent-seeking which has a positive impact on economic performance on the other hand.

17 As Whitfield et al. argue (2015: 110), 'in situations where ruling elites are not dependent on (a group of) domestic capitalists for their political survival or for financing the state, ruling elites may encourage foreign direct investment and engage in joint ventures with foreign capital'. But for exactly the same reasons they can also need foreign capital to survive.

18 These four ideal types are taken from Khan (2010: 48) and his work on patron-client factions and the structures of ruling coalitions.

19 In some countries, the two processes were not concurrent. In Kenya, for example, the land issue became political at the same time as the reintroduction of electoral and economic reforms in the late 1990s. But an ambitious land-reform programme only came into being as part of adopting a new constitution in 2010, which aimed at calming tensions that had led to post-election ethnic cleansing in parts of the country a few years earlier. In part, the tension was linked to issues of access to land.

20 The issue of standards is an evolving field comprising what can be called a new assemblage (Sassen 2008) of local, private and global-scale actors engaged in setting global standards for sustainable extractive and agricultural investments. For the field of 'social' standards a certification organization, the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance, has been established. ISEAL sets norms for standard-setting that were codified in 2004, and as an organization it provides norms for setting sustainability standards (ISEAL 2006; Loconto and Fouilleux 2013).

21 Ethiopia, Ghana, Mali, Madagascar, Mozambique and Tanzania.

22 We therefore briefly explore a few themes from the social contract literature that allow us to position the concrete exchange relations between ruling elites and local populations better. Whereas an early theorist like Locke (1956) was mainly concerned with social contracts as the general relationship between the state and its citizens, later social contract theorists deploy the term with reference to the specific societal practices that structure relations (Gauthier 1986; Scanlon 1998; Rawls 1999; Nugent 2010). Gaus (2011: 36-47) suggests that social contracts are multiple and 'heterogenic', as there is no agreement over the ordering of competing contracts.

23 We turn to Booth (2012) here for his useful conceptual tool of the 'good fit' as opposed to the present focus on 'best practice' thinking. He suggests that the latter has inspired many recent policy recommendations on linkages and generally dominates the donor-oriented literature on aid, investments and development (see also the sophisticated critique of Andrews 2013). The central assumption in 'best practice'-based policy recommendations is that these can and ought to be implemented as blueprints for action across countries, regardless of individual political, economic and social contexts. In contrast, a 'good fit' approach points towards local contexts, institutions and politics. For example, as Buur et al. (2013: 11) have shown, 'there is a tendency to discuss linkage formation purely in terms of economic efficiency terms, thus neglecting especially the political context in which such polices are implemented'. However, without a 'good fit' with the local context, even desirable policies are not likely to be implemented. For us the successful pursuit of investments that can both drive economic transformation and protect local populations' rights depends on the simultaneous emergence of three interconnected relations (see Figure 2). But exactly how is the issue.

24 For more information, see https://typo3.ruc.dk/en/departments/department-of-social-sciences-and-business/research/large-projects/hierarchies-of-rights/