CHAPTER 1

Introduction
1.1 BACKGROUND TO THE TOPIC AND THE RESEARCH QUESTIONS

‘The dam will definitely be built this time,’ said the director of Transelectrica LTD, Paata Tsereteli, to the villagers on a chilly afternoon of November, 2012 in a mountainous region of Svaneti, Georgia. The works on the project had started about 35 years ago, but were halted when the Soviet Union started to crumble in the late 1980’s and the Communist Party leaders faced more pressing issues to address, such as wars and secessionist movements. The Khudoni Hydroelectric Power Plant (HPP) project was revisited by the government of Georgia only in 2007, when the country managed to bounce back from its decade-long decline and stagnation and started to look at long-term development paths. If built, the Khudoni HPP would become one of the largest infrastructural projects since Georgia became independent in 1991. The government of Georgia maintained that the project was important not only because of its almost unprecedented scale and economic benefits for the country, but also for its relevance in terms of energy security and geopolitical significance for small country like Georgia. The 700 megawatt HPP would become the second largest HPP in Georgia and would entail building 200 meter-high dam, flooding 14 villages, and resettling around 200 households. As of 2018, none of this has happened, however. The local community demonstrated very clearly that, despite all the government backing and legal licences, the project lacked a Social Licence from the locals. The project was stopped for indefinite time.

The concept of Social Licence to Operate (SLO) has been evolving in the industry sector and in academia since it was invented in 1997 (Moore, 1997; Jijelava and Vanclay, 2014a; Cooney, 2017). Put simply, the SLO approach looks at local communities to see whether and to what level they accept a project that directly affects them (Joyce and Thomson, 2000; Gunningham et al., 2004; Thomson and Joyce, 2008; Thomson and Boutilier, 2011; Prno and Slocombe, 2012; Prno, 2013; Moffat and Zhang, 2014, Jijelava and Vanclay, 2017). The SLO concept is important as it puts local communities at the centre. No matter how big or important a project might be, it is important that local communities have a say. There is also growing evidence suggesting that disregarding the interests of local communities, on balance, will cost the companies more in the long run (Franks et al., 2014).

While the concept of SLO is vital for large infrastructural projects where social impacts are tangible (such as physical resettlement), is it also applicable to non-profit, non-governmental projects where there is little physical impact, but social structures and patterns of local communities might be affected? If yes, then how can the SLO framework can be applied in these different settings? These are the main questions I attempt to answer in the PhD dissertation. It is often taken for granted that the work of NGOs will only bring positive results, as prescribed in log-frames and other project documents. But the social impacts beyond project activities, both negative and positive, are too often overlooked.

The overarching questions also have subordinate questions that are important to consider and are addressed in the papers that comprise this PhD:

- How should SLO be defined? What are its attributes, and how can it be obtained?
- Can a single community have one or several SLOs?
• Why SLO is a useful concept, what benefits would it bring to both project advocates and project affected people?
• What lessons can be learned from cases where SLO approach was successfully applied?
• What happens if SLO fails? What lessons can be drawn from such cases?

1.2 THEORETICAL FRAMEWORK AND KEY CONCEPTS

There is no single definition of SLO. Nevertheless, the term is being increasingly used, and different approaches and understandings of the concept have developed. This is both a strength and a weakness of this concept. It is strength because the flexible nature of the concept is exactly what makes it appealing for various contexts. With the vast number of infrastructural and development projects in the world, it is important to go beyond box-ticking and rigid standards. It is much more important to have the right idea, approach and mind-set to make sure that concerns of local communities are duly considered. The weakness of the SLO framework is that, because of its flexible nature, project advocates might use it as means to mislead the public (Harvey and Bice, 2014; Owen and Kemp, 2013; Bice and Moffat, 2014; Dare et al., 2014).

Nevertheless, the elaboration of the SLO framework, scrutinizing its core concepts, and applying it to analyse cases will eventually lead to a better operationalized and applicable framework. This is exactly what this dissertation attempts to achieve. I took the model developed by Boutilier and Thomson (2011), and elaborated its three key concepts – legitimacy, credibility and trust.

Legitimacy is a minimal standard for a project to obtain acceptance from a local community (Jijelava and Vanclay, 2017; Thomson and Boutilier, 2011). In the SLO context, legitimacy goes beyond legal licences and also includes economic and social legitimacy (Thomson and Boutilier, 2011; Lacey et al., 2016). Economic legitimacy is a demonstration from project advocates that there is a strong and specific economic benefit for a local community. If a project will lead to a great economic prosperity of a country, but there are no specific, tangible positive economic outcomes for the affected community, then, naturally, the community members will not be happy about the project and will not accept it. In some cases, even if adequate compensations are provided and there is enough economic argument, local community still might not accept a project because of social legitimacy reasons. In one of our cases, for example, the local population of the Khaishi community seemed to be concerned not so much because of the compensation amount, but the fact that the construction of Khudoni HPP, with its vast dam, could lead to ‘losing’ the beautiful mountainous region of Svaneti. They fear that the whole region, far beyond the affected 14 communities, would become unliveable and Svaneti would lose its history and a strong touristic appeal, which is based on the natural qualities of the region. While legal legitimacy is based on licences and is usually the same across the country, in the SLO context the legitimacy requires taking into account the nuanced context for each local community (Jijelava and Vanclay, 2018).
Credibility refers to believability of a project and its implementers. Words and actions of a company should be consistent and reliable, and engagement with local communities should be honest (Jijelava and Vanclay, 2017; Zhang et al., 2018). Project advocates need to demonstrate that:

1) they are committed to social performance of a project;
2) there is enough knowledge and technical expertise to fully implement the social commitments;
3) they possess adequate understanding of the local context (Jijelava and Vanclay, 2018)

More specifically, credibility aspects of SLO requires that ‘project proponents must be clear from the beginning about what is going to happen, how it will affect the local community, and what mitigation measures, including development opportunities, will be implemented to understand and address the issues. The local population must be involved at all project stages. Understanding and respect towards local culture must be clearly demonstrated by the proponent, laying the foundation for trust, which is a long-term, harder-to-achieve layer of SLO’ (Jijelava and Vanclay, 2018).

Trust, in essence, is a strong form of credibility. It takes time and continuous, quality interaction between the project advocates and the local communities to build up trust. Trust builds up on legitimacy and credibility. If trust is achieved then the local community has a sense of co-ownership or psychological identification with the project (Thomson and Boutilier, 2011). There is interactional trust, which is a temporary phase and focuses on the quality of communication with the local communities, and institutionalized trust, which implies that the local community and the project advocates perceive themselves as partners (Jijelava and Vanclay, 2017).

1.3 SLO IN THE CONTEXT OF A BROADER LITERATURE

The concept of SLO is necessarily an inter-disciplinary one. SLO is important part of the Social Impact Assessment (SIA) discourse and its adjacent areas, such as the Development Induced Displacement and Resettlement (DIDR). But it also often looked from the prism of Corporate Social Responsibility (CSR), stakeholder engagement, development assistance, and monitoring and evaluation discourse.

The concept of SLO in this dissertation is primarily linked to the SIA discourse. According to the definition provided in the International Principles for Social Impact Assessment, SIA includes

‘the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment’ (Vanclay, 2013: 6).

Since planned interventions will lead to social impacts, either negative or positive, it is important that views of local communities are duly considered from earliest stages and adequate community
engagement mechanism are in place to build trust and respect (Vanclay, 2002; Hanna and Vanclay, 2013; Vanclay et al., 2015; Smyth and Vanclay, 2017; Esteves et al., 2017). Therefore, the SIA literature increasingly puts emphasis on the importance of SLO approach as opposed to top-down approaches often seen in infrastructural projects (Vanclay et al., 2015: 20).

The DIDR literature is also often referencing the importance of SLO in engaging with local communities (de Wet, 2001; Oliver-Smith, 2002; Cernea, 2003; Turnton, 2006; Perera, 2014; van der Ploeg and Vanclay, 2018). Resettlement is one of the major social impacts and achieving SLO has principal importance. No resettlement process can be considered successful if there is not enough social support and acceptance of the project by the local communities and the project affected people.

SLO and CSR are sometimes viewed as competitive concepts (Morrison, 2014). Morrison argues, for example that although traditional approaches to CSR have been around for many decades, they fail to address the basic legitimacy and trust issues with local communities. According to Morrison, SLO is much more useful concept than CSR because it ‘requires any business to ensure its activities respect the rights of all of those in any community’ (Morrison, 2014: online article). Another link between the CSR and SLO concepts is that they are complementary to each other. When a project strives to achieve high standards of CSR, having a SLO is important (Mineral Council of Australia 2005; Warner and Sullivan 2004). SLO has also been viewed as ‘reputation capital’. Gunningham et al. (2004) suggest that maintaining SLO will lead to better relationships with government and regulators, and attract less hostility from community and NGO stakeholders.

Organizations often seek to increase their reputational capital, or legitimacy, without being really concerned about accountability. Spence (2007) argues that the focus on legitimacy encourages organizations to appear as if they conduct sustainable practices in order to legitimize their operations. Accountability, however, implies that community expectations and demands are met through disclosure. Deegan et al. (2004: 334) point out that ‘the need to be perceived as legitimate’ is different from ‘disclosure prompted by a belief that the community has the right to know about certain things’. This also applies to non-profit organizations, but with certain caveats. When funding organizations provide grants, often many applicants are rejected. In such cases, the accountability principle would imply the need to disclose the criteria against which applicants were judged and explain what could be improved in future applications. Organizations should be very clear about where their funding comes from and the purpose of their project. However, certain information should obviously remain undisclosed, such as the personal information of applicants and the names of reviewers if used.

When discussing SLO, it is important that stakeholders be defined and that it is considered how they are related to the SLO because some actors might have more significance for gaining a SLO than others. Hence, the concept of SLO cannot be fully understood and applied without first defining the stakeholders. The definition of ‘stakeholder’ has evolved and broadened over time. Earlier definitions of the concept restricted it to entities who were ‘voluntary or involuntary bearers of risk of company operations’ (Clarkson 1995, 84). Freeman (2010: 46), on the other hand,
Introduction

provided a relatively broad definition: ‘any group or individual who can affect or is affected by the achievement of the organization’s objectives’. Regardless of who is considered as stakeholders, it is clear that stakeholders do not have equal levels of power, legitimacy, or urgency. It is a dilemma for organizations to decide which stakeholders they should focus on, as different stakeholder groups may have opposing concerns. Using three fundamental characteristics, Mitchell et al. (1997) developed a model which suggests what type of stakeholders matter most. In this model, ‘definitive stakeholders’ are the most important because they have the power to influence an organization, have a legitimate cause, and are in urgent need of resolving an issue.

Development assistance and the related Monitoring and Evaluation discourse are also important for this dissertation. Although SLO is usually used in the context of private projects, I argue that it should apply to the non-governmental sectors as well, particularly the large international funds that have significant impact on local communities. Traditional top-down approach of evaluation these development assistance projects are gradually giving way to more community-centred monitoring and evaluation approaches (Conlin & Stirrat 2008; Benjamin, 2012). Yet, there is much room for further elaboration of the mechanisms, particularly by employing the SLO framework.

1.4 THE CONTRIBUTION OF THIS RESEARCH

As was already highlighted, the SLO literature is growing rapidly, although it is still mainly applied to the industry sector and not so much to non-profit or government projects. Initially, the SLO was often used in the context of mining and then academics and researchers gradually started to apply the concept to other sectors as well, such as forestry, for example (Nelson 2006; Esteves and Vanclay 2009; Browne, Stehlik, and Buckley 2011; Lacey et al. 2012; Prno and Slocombe 2012; Dare et al.). In this dissertation, I make argument for applying the concept not only beyond the mining sector, but to all projects that might have significant impact on local communities, including non-profit or government-funded projects as well.

I show in the dissertation that the SLO approach is equally important in industry as well as non-profit projects. Moreover, I argue that that there needs to be nuanced approach to SLO and incorporate such aspects as gender. Scrutinising the concept in such way also helps to minimize the risk of using SLO by companies to shift the discussions and justify their actions (Harvey and Bice, 2014; Owen and Kemp, 2013).

1.5 METHODOLOGY

The research for this PhD includes four case studies. The data for each of the case studies were collected separately. All case studies were from country of Georgia because of several reasons. First, being from Georgia and having worked for a research organization since 2009, I have
background information on many private and non-profit projects in the country; Second, the one of the conditions of the Netherlands Fellowship Programme of NUFFIC was that the PhD should be focused on Georgia; Finally, choosing the case studies from the same country also makes it possible to make comparisons and draw conclusions about SLO.

The data was mainly collected in 2012-2017 years. However, for the paper on BP some of the data from previous research was reused. During the research, I spent most of the time in the country which allowed paying close attention on developments. Below, I describe the methodology for each of the papers in this thesis.

**Methodology for the Mercy Corps case study**

The first paper was developed in the beginning of 2013 and focused on applying the SLO concept to the case of Mercy Corps, a large international NGO working in Samtskhe-Javakheti and Kvemo Kartli regions of Georgia. The specific methods included an analytical literature review, focus groups, and key informant interviews.

The analytical literature review helped us to define the concept of the SLO and theorized on what should constitute SLO for non-profit organizations. The SLO literature in 2012-2013 was relatively small. In addition to the limited SLO literature, I used the literature on Corporate Social Responsibility and Stakeholder Theory to elaborate the concept.

The three focus groups with local communities of Arali, Ude and Naokhrebi of Akhaltsikhe municipality (the region of Samtskhe-Javakheti) took place in January, 2013. The Arali and Ude focus groups were conducted in the Georgian language with ethnic Georgians, while in Naokhrebi the focus group was with ethnic Armenians and thus Russian was used. The selection of the participants happened through Mercy Corps and its local partner organizations. Each focus group comprised five or six participants.

In addition, 12 in-depth interviews were conducted with Mercy Corps senior management, project staff, monitoring and evaluation specialists, and a data collection specialist, Mercy Corps grant recipients, such as milk collection centre owners, machinery rental owner, manager of a small micro-finance organization, a livestock breeder, and local media and civil society representatives. He also interviewed Mercy Corps senior management, project staff, monitoring and evaluation specialists, and a data collection specialist.

The focus-groups and interviews were audio-recorded. In addition, detailed notes were taken to ensure effective processing of the data. The principle of informed consent was observed (Vanclay et al. 2013).
Methodology for the CARE case study

This chapter focused on another large NGO, CARE International, in the same geographical area of Samtske-Javakheti. The chapter is based on the previous work of David Jijelava as a research consultant working in the same geographical area. David had worked on baseline studies, monitoring and evaluation projects and rural development projects implemented by the development assistance projects and had nuanced understanding of the works of the implementing NGOs and their impact on the ground. The chapter draws on this knowledge and experience and applies the SLO framework. The primary idea of the paper was to analyse the ‘dimension’ of the SLO concept.

Methodology for the BP paper case study

The chapter was intended to explore an example of a large private infrastructural project in Georgia. The project is often referred to the best practice in terms of community relations and especially in establishing an independent monitoring body, but it also has drawn multiple criticism. Given that the project took place in the same geographical area as the NGO projects discussed in earlier projects, it was an ideal case to test the SLO framework. The chapter is largely based on the previous research that David Jijelava has conducted as a research consultant for Oxfam America in 2010-2011 to explore how a high-profile supervisory body, the Caspian Development Advisory Panel, managed to supervise and influence the social aspects of the Baku-Tbilisi-Ceyhan pipeline project, and how the local communities were involved in general.

The original research for Oxfam America included interviews with the representatives from the environmental watchdog organisations, local government, central government, businesses, donors, and the general public. In addition, 12 organisations were interviewed. All of these 12 organisations were part of the local independent monitoring body, the Pipeline Monitoring and Dialogue Initiative (PMDI).

The original Oxfam research also included field visits to the two local communities in the Samtskhe-Javakheti region and one local community in the Kvemo Kartli region. The field visit included interviews with local authorities as well as group interviews with local population.

We reconsidered the data collected for the Oxfam project and conducted two additional interviews with BP in Tbilisi to have a more nuanced discussed specifically on SLO-related issues. I also reviewed BP’s annual Sustainability Reports for 2005-2015 years as well as other appropriate reports that were publicly available on their website or elsewhere.

Methodology for the Failed SLO case study, the Khudoni Dam

In this chapter, I examined a case where project advocates failed to obtain SLO from the local community. I looked at the actions of the project advocates and analysed the gaps in terms of
addressing the SLO issues. The chapter applies the SLO model that I had already developed. The field work took place in 2016-2017 years and included 15 interviews will all relevant stakeholders. In Tbilisi, the interviews were conducted with the authors of the Environmental and Social Impact Assessment and the Resettlement Action Plan, representatives of the project developer, the Ministry of Energy, the Ministry of Environment and Natural Resources, watchdog NGOs – Green Alternative and Caucasus Environmental NGO Network (CENN). David Jijelava also travelled to the place where the Khudoni HPP was supposed to be built, to talk to the local community representatives, as well as in the village of New Khaishi, in Southern Georgia, to see the settlement which was put in place by the Soviet authorities in 80’s.

In addition, I had a thorough review of all the project documents, such as the feasibility studies, scoping document and the ESIA. I also reviewed the documents prepared by other organizations that reviewed the project, such as the review of the ESIA by the Netherlands Commission for Environmental Assessment (NCEA), assessment of local and international watchdog organizations. Finally, I revisited the TV programs, online articles and from 2012 and 2013 years TV programs, YouTube videos and journal articles on Khudoni HPP were also analysed in details.

1.6 THESIS OUTLINE

In addition to an introduction and conclusion, the thesis comprises four chapters which logically build on each other. The first two chapters focus on private projects as SLO generally is more common in such context, allowing us to draw conclusions and apply the finding in other areas, such as work of non-profit organizations. While the second chapter deals with a relatively successful case of SLO, the third chapter focuses on a case of a failed SLO. The conclusions from both chapters have important implications for the usefulness and applicability of the SLO concept. The fourth and fifth chapters focus application of the concept in non-profit context. While chapter four is introducing the SLO to the non-profit context and, to pour knowledge, is the first paper to do so, the fifth chapter takes more nuanced approach and looks at what gendered approach to SLO might mean. In all papers, it was concluded that applying the concepts of legitimacy, credibility and trust can be essential for local communities, regardless of the nature of the project. Moreover, using the SLO framework, in the long run, is also beneficial for project advocates as well. Below I provide a synopsis for each of the four chapters.

In the second chapter, I introduce the concept of SLO and elaborate the theoretical framework based on the Thomson and Boutilier’s model. I particularly highlight the concepts of legitimacy, credibility and trust. I then apply the concept to the case of BP’s activities in Georgia (Baku-Tbilisi-Ceyhan and Southern Caucasus Pipeline projects). I also evaluate and analyse the level of SLO that BP has achieved in its projects. The chapter shows that usefulness of application of the SLO framework and conclude that BP has achieved at least ‘acceptance’ level of SLO from the local community (Jijelava and Vanclay, 2017).
Introduction

The third chapter explores the case of failed SLO. I analyse the case of Khudoni Hydroelectric Power Plant (HPP) in Georgia and answer key questions: why the project lacked a SLO and what lessons can be learnt from this experience. The application of the SLO framework retrospectively helped us draw useful conclusions (Jijelava and Vanclay, 2018).

While the two previous chapters showed that the SLO framework is useful tool in a corporate context, chapter four focuses on non-profit context. I sought to understand what would constitute a SLO for the local community in the context of a development intervention. Themes that emerged included: transparency and accountability; access to information; the potential benefits and dangers of innovations; changing the traditional patterns of behaviour; risks associated with loans and grants; and the reliability of intermediaries (Jijelava and Vanclay, 2014a).

The final case I analysed also focuses on a non-governmental organization, CARE International and analysed the SLO concept not only in a non-profit context, but also the gender perspective of SLO. Women face different set of challenges than a community in general, especially in traditional rural settings. In the context of development assistance work, six challenges were identified in the chapter: cultural protocols and gender roles reinforce and exacerbate women’s traditional disadvantage; the existing relationships between women and local authorities limits their opportunities; the limited mobility of women creates additional barriers; there is a gender disparity in access to information and resources; women are exploited as a means to access financial resources; and the out-migration of men means that many women are at risk of increasing vulnerability and may not benefit from development assistance projects (Jijelava and Vanclay, 2014b).
REFERENCES


