Application of the concept of ‘Social Licence to Operate’ beyond infrastructure projects
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Document Version
Publisher’s PDF, also known as Version of record

Publication date:
2019

Link to publication in University of Groningen/UMCG research database

Citation for published version (APA):

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CHAPTER 4

Assessing the social licence to operate of development cooperation organizations: A case study of Mercy Corps in Samtskhe-Javakheti, Georgia
4.1 INTRODUCTION

International development organizations want to have a large, long-lasting and sustainable positive impact. But even if pre-planned activities are well thought-out and conducted successfully, this may not lead to the overall success of the project (Vanclay 2013). One crucial reason for this is that many development interventions often fail to understand local cultural and social contexts, and are slow to react to the needs of local stakeholders (Chambers 1983, 1993, 1997; Vanclay 2002). When a multi-year project carries out its activities and ‘ticks the boxes’ on completion, many important issues, positive as well as negative, might not be taken into account (Vanclay 2004, 2013). Despite the positive aims and available resources of development projects, various stakeholders and beneficiaries might still experience negative impacts which need to be anticipated and addressed.

We examine a project undertaken by a large international NGO, Mercy Corps, specifically its ‘Market Alliances against Poverty’ project in the Samtskhe-Javakheti region in the south of Georgia. This project has a track record of important positive changes for the local community. But can Mercy Corps claim that they have a Social Licence to Operate (SLO) in Samtskhe-Javakheti? Can one say that Mercy Corps activities have been carried out in accordance with the best interests of the local community there?

The bigger question for the whole field of development assistance is how to ensure that the interests of local communities are not only respected, but well understood and internalized by different actors who desire to intervene (Vanclay 2012; Esteves et al. 2012). We consider whether it would it be useful to apply the concept of ‘Social Licence to Operate’ to the work of development assistance organizations to examine if an intervention enjoys popular support and acceptability in a community. More generally, we consider whether the SLO concept should be applied with respect to any organization having significant impact, instead of restricting it to private corporations, as has tended to be the case till now.

Rather than addressing the situation of organizations dubiously claiming a SLO (like some form of greenwashing), our approach is that SLO applies equally to non-commercial organizations as well as to corporations, irrespective of whether they seek to claim it – it is something that is assigned (or not) by local stakeholders, and something that organizations need in order to do their work effectively whether they know this or not (Dare et al. in submission). While our paper is primarily interested in this theoretical issue, drawing on our research in Georgia, we also provide recommendations to development organizations about how they can improve their engagement with local communities.

Unlike private companies, especially those in the extractive industries where the SLO concept emerged (IIE 2002, Prno and Slocombe 2012; Owen and Kemp 2013), in the not-for-profit sector it is typically not considered that socially-oriented organizations could create negative impacts for a community (Benjamin 2012; Conlin and Stirrat 2008) and consequently the SLO concept tends not to be used. We argue that SLO should apply to non-profit organizations as well as to private corporations, especially when they bring substantial change to local communities.
4.2 MERCY CORPS IN SAMTSKHE-JAVAKHETI

Mercy Corps is one of the largest and most important American NGOs, currently operating in over 40 countries. Founded in 1979, to date it has provided some USD 2.2 billion in assistance to people in 114 countries (Mercy Corps website, 2013). The *Global Journal*, an organization which ranks humanitarian and development organizations, puts Mercy Corps in the top ten humanitarian organizations for ‘using social innovation as an engine for sustainable development’ (Global Journal website, 2013). In its mission statement, Mercy Corps puts emphasis on the importance of ‘accountability, inclusive participation and mechanisms for peaceful change’ (Mercy Corps website, 2013). It stresses the importance of its stakeholders, and defines them as ‘people or organizations affected by Mercy Corps’ decisions and actions’. Regarding ‘people and communities’ as its primary stakeholders – donors, partner governments, local staff and board members come only after the people and communities Mercy Corps seeks to serve (Mercy Corps website, 2013).

We focused on the project, *Market Alliances against Poverty*. Funded by the Swiss Agency for Development and Cooperation, this project started in the Samtskhe-Javakheti region of Georgia in 2008, and was extended for another three years in 2011. The two phases together have received about USD 5 million. The project’s goals are to contribute to poverty alleviation and the transition to a durable market economy by creating sustainable changes in key value agricultural value chains. The project uses the ‘making markets work for the poor’ (M4P) approach, which seeks to provide opportunities for low-income, small farmers.

Mercy Corps interventions span a range of sub-sectors important to the local population. They provide assistance to and establish partnerships with service providers, input suppliers, processors and intermediaries such as milk-collection centres, slaughterhouses, bull breeders, agricultural machinery rentals, artificial insemination providers and many other actors along different levels of the various agricultural value chains. The individual farmers who use the services provided through these various partnerships are considered to be the beneficiaries of Mercy Corps. Although everybody in Samtskhe-Javakheti may potentially benefit, the primary beneficiaries are intended to be small farmers, i.e. people with 5 cows or less. However, the way Mercy Corps achieves its aim is largely by improvements at various places up and down the value chain, including input suppliers and processors (Mercy Corps project documents).

Mercy Corps conducted a baseline and scoping study in 2008 with over 2,500 local respondents in order to design a range of interventions. Maintaining close consultation with the local population, it introduced new interventions and amended earlier ones. As described by their staff, Mercy Corps regards itself as being flexible and responsive to the needs of the local community. Interventions are continuously (re)designed and amended. This allows for better-tailored projects and adaptability, which can serve the interests of the local community more effectively.

There are approximately 280 villages in Samtskhe-Javakheti. Mercy Corps has activities in about 180 villages. According to their Monitoring and Evaluation Unit, through the 156 partners in the
region, over 14,000 farmers were users of services supported by Mercy Corps. The beneficiaries are concentrated in the livestock and dairy sectors. Given that the total population of the municipalities where Mercy Corps operates is about 180,000, the organization covers a significant share of this population. Overall added value for the entire region is about USD 400 million (Geostat, 2011 data). Mercy Corps has estimated that farmers in the four municipalities in aggregate generated about USD 1.2 million additional income as a result of their interventions (Mercy Corps project documents). This is a significant contribution to overall development of the region.

4.3 METHODOLOGY

Our research comprised three components: an analytical literature review, focus groups, and key informant interviews. We reviewed the literature relevant to SLO looking particularly for literature on Corporate Social Responsibility and Stakeholder Theory. We then theorized what should constitute a SLO for non-profit organizations. We conducted fieldwork in the Samtskhe-Javakheti region of Georgia (see Figure 4.1), and based on the criteria we developed, we considered the relevance of SLO to non-profit organizations.
The majority of fieldwork was undertaken in January, 2013. The lead author conducted three focus groups with local populations in the villages of Arali, Ude and Naokhrebi, in the Akhaltsikhe municipality. 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. As a native Georgian, the lead author is fluent in Georgian, Russian and English. Mercy Corps assisted by asking its partner organizations to distribute to all their contacts invitations to participate in the focus groups. Each focus group comprised five or six participants. There is no reason to believe that the focus group participants had particularly strong views, one way or the other, about Mercy Corps that would have influenced the results of this study – in fact, some of them had not even heard of Mercy Corps. The comments were also cross-referenced with the interviews and with the lead author’s own observations and experience in the area.

The lead author also undertook key informant interviews with over a dozen Mercy Corps beneficiaries, including: owners of milk collection centres, an owner of a machinery rental service, the 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. In the Georgian context, the use of signed consent forms would be inappropriate, but the principle of informed consent was observed (Vanclay et al. 2013). In our analysis, we identified prevalent patterns/themes from our discussions, which are discussed in this paper.

4.4 WHAT IS SOCIAL LICENCE TO OPERATE?

‘Social Licence to Operate’ (SLO) is a relatively new concept that has been defined in various ways, including by Gunningham, Kagan, and Thornton (2004: 308) as ‘demands on and expectations for a business enterprise that emerge from neighbourhoods, environmental groups, community members, and other elements of the surrounding civil society’. Thomson and Boutilier (2011) view SLO mainly in terms of the ‘acceptability’ of a company and its activities by a local community. Yet another variation of SLO is a focus on stakeholder engagement (Lynch-Wood and Williamson 2007). The literature on SLO so far has tended to focus on the importance of using SLO where the goal is to achieve sustainable development or to ensure fruitful cooperation between a company and its community stakeholders. Attention has only recently been given to what constitutes a SLO in specific situations (e.g. Franks and Cohen 2012; Langbroek and Vanclay 2012; Prno and Slocombe 2012).

The discourse on SLO to date has concentrated on private organizations, particularly mining companies (Nelson 2006; Esteves and Vanclay 2009; Browne, Stehlik, and Buckley 2011; Lacey et
al. 2012; Prno and Slocombe 2012). It is worthwhile to consider whether the concept might apply to a broader set of organizations, including humanitarian and development organizations. While the aims of these organizations are typically stated in terms of capacity building and positive benefit, their activities can have unintended negative consequences, or may not be the most important priority for local people, especially for particular groups within a targeted community. Thus, the question of whether development cooperation organizations have a SLO or not is very pertinent.

One of the most commonly-used definitions is provided by the Australian Centre for Corporate Social Responsibility:

The social license is the level of acceptance or approval continually granted to an organisation’s operations or project by the local community and other stakeholders. It varies between stakeholders and across time through four levels from lowest to highest: withdrawal, acceptance, approval and psychological identification (Australian Centre for Corporate Social Responsibility, website, 2013).

Thomson and Boutlier (2011) conceive of several levels of SLO. Withheld (or withdrawn) is the lowest level. An organization which does not consider the needs of a local community will not gain their trust. Community members will not approve, and may even oppose or sabotage the activities of such an organization. The next level of SLO is acceptance. Here, it might be the case that the work of a particular organization doesn’t satisfy all community members, but there is a general acceptance of its activities and people don’t actively oppose it. The third level of SLO, which many organizations aspire to, is approval. Here, people feel content about the organization’s work because they see its value. Such value can be in the form of employment, economic and social development, or access to opportunities. Psychological identification is the highest level of SLO and is very hard for organizations to obtain. Since this level represents the personal identification of stakeholders with the organization, it is unlikely to genuinely occur in development assistance situations. Psychological identification might happen in situations where an organization produces certain types of products which make the local community feel proud. For example, a local car manufacturer or a wine producer might not only be accepted but be positively endorsed by a local community, and be proudly associated with the locality by its inhabitants. As Georgia claims to be the birthplace of wine (Mühlfried 2005), people feel strongly about the high quality wine produced in their locality. A development assistance organization that might be doing an important job but be barely known in the wider population is unlikely to achieve psychological identification.

4.5 SLO IN THE CONTEXT OF A BROADER LITERATURE

One way to consider SLO is through the prism of Corporate Social Responsibility (CSR) (Jenkins and Yakovleva 2012; Warhurst 2001). An organization achieves a high level of CSR through
having a ‘valid’ SLO (Mineral Council of Australia 2005). When a company strives to achieve high standards of CSR, having a SLO is important (Mineral Council of Australia 2005; Warner and Sullivan 2004). Gunningsham et al. (2004) suggested that SLO is related to ‘reputation capital’. They argue that maintaining a company’s social licence will lead to better relationships with government and regulators, and attract less hostility from community and NGO stakeholders. For non-profit organizations like Mercy Corps, such reputation is vital to attract funds from new donors and/or for new projects, and for gaining extensions to existing projects from existing donors.

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 we define who the stakeholders are and how they are related to the SLO because some actors might have more significance for gaining a SLO than others. 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, 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 (see Figure 4.2) 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.
**4.6 SLO CRITERIA FOR DEVELOPMENT ASSISTANCE ORGANIZATIONS**

As there is no common understanding of what exactly a SLO entails, there will be varying expectations in different sectors. The International Institute for Environment and Development (IIED, 2002 modified) listed potential areas which are usually expected by stakeholders from mining companies:

- To become ‘engines of sustained growth’
- To provide employment and develop infrastructure in local communities
- To provide safe and healthy working environment for employees
- To respect and support basic human rights
- To avoid ecologically and culturally sensitive areas
- To produce safe products and meet established environmental and social standards

IIED’s list was designed with corporations in mind, and some things may not apply to an NGO. For example, development assistance organizations don’t usually create health and safety problems,
are not known for disrespecting basic human rights, and do not usually produce saleable products, but exceptions occur. Nevertheless, the logic of SLO arguably still applies to development assistance organizations. However, the list of issues which should be monitored is perhaps different. To get a sense of this, we can examine the core indicators developed by the Global Reporting Initiative (GRI), an increasingly popular tool for self-reporting on sustainability (van der Ploeg and Vanclay 2013). The GRI has been used in many fields by many types of organizations, including NGOs.

In the GRI, organizations publish detailed information about their mission, aims, activities, contact information and other fields under an ‘Organizational Profile’ section. What is interesting for us are the topics under the section ‘Program Effectiveness’:

- **Affected stakeholder engagement.** How they involve affected stakeholders in design, implementation, monitoring and evaluation of policies and programs;

- **Feedback, complaints and action.** What mechanisms are in place to detect and address potential problems;

- **Monitoring, evaluating and learning.** How program effectiveness and impact are measured, relevant changes made and communicated;

- **Gender and diversity.** How are gender and diversity issues promoted in a local community;

- **Public awareness and advocacy.** How certain issues are identified and advocated;

- **Coordination.** How to ensure coordination with other organizations so that duplication of work is avoided and, more importantly, the work of different organizations is consistent in addressing a particular problem (GRI, NGO Sector Supplement – Reference Sheet, modified).

The listed areas are appropriate indicators to assess the activities of a development assistance organization. An organization might be bringing great value to a local community, but be seen as inherently unacceptable by local people. In such a case, the organization has failed to obtain a SLO. It has to be stressed that in the initial stages of project implementation, it is normal that an organization doesn’t enjoy a SLO. This shouldn’t stop the organization from continuing its activities and benefiting the targeted community. However, the aim should be to gain trust from the local population by demonstrating the value of its programs and, eventually, to earn a high level of social licence. Nevertheless, there is a need to ensure that sufficient approval exists, and in certain circumstances there will be a legal requirement to ensure that free, prior and informed consent is obtained (Hanna and Vanclay 2013).

It is our belief that development assistance organizations should always reflect on what the local population perceives to be the appropriate intervention and to align their projects with local needs. Development assistance organizations are often characterized as having a rigid approach – they start projects with pre-established indicators and measure the same indicators at the end of the project.
Assessing the SLO of development cooperation organizations: A case study of Mercy Corps in Samtskhe-Javakheti, Georgia

(Benjamin 2012; Conlin and Stirrat 2008). Before starting a project, development organizations typically develop a log-frame (i.e. logical framework) – a project management document against which they judge progress. A log-frame usually considers four stages: inputs, outputs, outcomes and impacts. Development organizations develop indicators for each of these levels through their monitoring and evaluation units and report the progress they achieved at the end of the project. Log-frames are useful, but being overly-dependent on such tools risks missing out on identifying the changing dynamics in the local community. Development assistance organizations would achieve a higher level of SLO if they were flexible and responsive to the local context, designing their activities in close collaboration with local people.

A final characteristic of an organization with a high level of SLO is having high standards of accountability and, among other things, being an employer that respects and promotes good work practices. Some localities have had limited opportunities to develop and might have a culture and/or institutional constraints that hamper development. This should not tempt external organizations to lower their standards. If, for example, the local population trusts the judgment of a development assistance organization in what is good for the environment and for overall development, then such a case would be a good indication of the high level of SLO. However, this shouldn’t be a reason for a development assistance organization to relax its standards and conduct activities without intensive consultations with the local community.

4.7 TESTING THE APPLICATION OF SLO IN THE CASE STUDY

Analysis of our interviews and focus group discussions identified that there were six themes relevant to understanding SLO covering topics such as: (1) transparency and trust; (2) access to information; (3) the potential and danger of innovation; (4) the inspirational effect of the presence of an external organization; (5) risks associated with loans and grants; and (6) the reliability of intermediaries. Below we discuss these themes in the context of Samtskhe-Javakheti community and how they relate to SLO.

1. Transparency and trust

Our fieldwork showed that transparency is not only an issue of trust towards an international organization, but also a matter of trust and fairness amongst people within the local community. In a poorly-developed region, people want to make sure that everybody is playing with the same rules of the game, and often perceive new opportunities as a sort of competition between each other. A Mercy Corps beneficiary who runs a milk collection centre said that:

Transparency should be observed from both sides – we should know who they are [i.e. donors] and what they do ... There was an organization, a long time ago, and it turned out that it was giving out assistance only to its friends. On the other hand, when I see that beneficiaries are held accountable, I get a feeling of fairness.
The interviewee felt that Mercy Corps would be in a good position to make fair decisions about how to hold beneficiaries accountable. He referred to the strong reputation and good history of the organization. However, as a direct beneficiary, perhaps this type of statement would be expected. It was more interesting to hear comments about transparency from people who weren’t direct beneficiaries. For example, the focus group participants in Ude were small farmers selling small amounts of milk, usually about 10-15 litres a day during the high season. They didn’t know of Mercy Corps. All they knew was that the local milk collection centre was getting some kind of help from a foreign organization. In their mind, it was none of their business what arrangements existed between the donor and the local milk collection centre. They believed that an international organization would have the necessary mechanisms in place to hold the beneficiaries accountable and therefore they did not need to be concerned.

This shows that a local community expects that an international organization will bring high standards of accountability and transparency. However, several participants at the Ude focus group raised concerns about the lack of information about Mercy Corps’ activities. One person seemed to be more informed than others and provided an explanation:

As far as I know, Mercy Corps works with cooperatives and businesses, not with individual farmers directly. This enables them to achieve greater impact. But I know that they have an office in Akhaltsikhe [a nearby town] and can provide information if we ask (focus group participant in Ude).

If SLO is viewed with the prism of reputation capital (Gunningham et al. 2004; Warner and Sullivan 2004), then trust and transparency are fundamental to gaining a SLO. If an organization seeks to achieve approval, acceptance or psychological identification in a local community, then it has to start by building up trust and exercising transparency.

There are some SLO criteria relevant for this theme. First, it is about the engagement of stakeholders. Engagement can take the form of studying local needs, organizing workshops for the local population, and meeting interested persons in the office or in the field (Dare et al. 2011, 2012; Gordon et al. 2013). Another criterion which is related to trust and transparency is bringing ‘high standards’ to a community. It is not surprising that in a region known for its economic and social difficulties, patterns of corporate and civic behaviour will not always match international expectations. Any organization which has a wide reach and plays an important role in the lives of local community members should nevertheless promote best practices of accountability and transparency.

2. Access to information

Access to relevant information in a community is the key to gaining social acceptability for an international organization. To make Mercy Corps activities more visible and accessible, focus group participants suggested posting announcements in villages and distributing simple brochures.
In other focus groups, however, it seemed that participants were not concerned with access to information. A focus group participant from the Arali village said:

In this region, word spreads quickly. If anybody is doing anything important, then people will disseminate this information quickly ... for example, I was up in the mountain grazing area looking after my cows and even there I heard that some organization had come to our village to fix irrigation issues.

It is worth noting that community members don’t always know the exact names of organizations. For them, it’s hard to differentiate between the different organizations and they often refer to them simply as ‘non-governmental organizations’.

Access to information about particular products is considered to be a problem by many people. In several focus groups, most notably Naokhrebi, which is populated by ethnic Armenians, participants were concerned about the lack of information about new products brought by different organizations.

They distributed several products for planting a few years ago ... the onions worked well because they [the organization] helped us with planting and harvesting ... but they also gave us potatoes which required a different kind of care from what we are used to. We weren’t sure whether it required irrigation or what kind of fertilizers were needed, so the harvest was not as good as expected (focus group participant from Naokhrebi village).

This particular comment did not strictly refer to Mercy Corps as it had not implemented activities in Naokhrebi yet. Nevertheless, it is an important general comment suggesting that despite the good intentions of developmental organizations, lack of information or support can lead to bad results. A classic example of this, often mentioned by various focus group participants, was a government program distributing corn seeds. The government wanted to upgrade the varieties of corn produced with imported American hybrid corn, which was supposed to bring better yields. While the new varieties worked for some farmers, many people lost money because they were not fully aware about how to look after this new type of corn. These are good examples suggesting that development organizations should pay attention to information support when introducing new products and technologies.

People were also worried about the health aspects of the new seeds and fertilizers which are brought by international organizations. A focus group participant from Arali stressed the importance of the quality of these ‘free’ or ‘cheap’ products, highlighting that some of the new products might not be healthy or might have side-effects. The case of the government’s hybrid corn seeds program raised concerns that the varieties of corn were genetically modified and might have long-term negative effects. Such concerns can be alleviated somewhat by information support provided by the development organizations. Similar concerns were raised in other focus groups. A participant from Naokhrebi said that ‘we are common people ... we can’t check the quality of the products that such organizations might bring’.
A SLO criterion is the adequate provision of information to the public. It is important that the local community be aware of available tools and opportunities for development. It is more important, however, that beneficiaries have access to easily understandable information about the different kinds of and ways to use agricultural inputs.

While it is important to be transparent about funding, the excessive branding of project activities is not desirable. Name recognition for an international development organization might actually lead to unintended outcomes and mistrust, as people might see the projects as opportunity for ‘free money’. As a result, the grantees and partners of Mercy Corps might become labelled as ‘grant-eaters’, a term often used in Georgia in reference to local organizations that receive large grants from abroad, are heavily dependent on them, but don’t deliver tangible outcomes. On the other hand, if activities are carried out in a ‘business as usual’ way (i.e. without excessive branding), the local population will have more incentive to put more energy into achieving sustainable growth.

3. The flip side of innovation

New technologies and practices are often connected to ecologically and culturally sensitive domains in local communities. Thus, if an organization seeks to achieve a SLO in a community, innovative ideas should be carefully examined before being applied in the field. If not accompanied with proper training, innovations can lead to unintended results. For example, one interviewee who ran a machinery rental service told a story about how a new Japanese tractor that was given to a village as part of a presidential aid program was inappropriately operated and damaged by the local tractor mechanic. The issue was that most tractor mechanics in Georgia gained their knowledge and skills during the soviet times, however modern machinery requires different modes of operation and care compared to the soviet machinery with which they are familiar.

In more general terms, an owner of a milk collection centre was explicit about the need for keeping up with innovation:

We have great traditions in the dairy sector in our region, but it is apparent that our knowledge is lagging behind current developments. ... For example, one foreign expert told us that when you give cold water to cows, productivity goes down by about 30%. And almost nobody here knows such basic but important details (milk collection centre owner in Samtskhe-Javakheti).

The idea of being introduced to modern practices of agriculture was enthusiastically raised and accepted by virtually all focus group participants. However, in one group it was also said that there was no soil testing (soil chemical analysis) currently taking place and therefore it was hard for farmers to make good decisions about what to plant, where, when and in what sequence:

In earlier times [during the Soviet Union] there were specially designated labs where we would take our seeds and they would estimate how much harvest we should expect ...
they also used to give recommendations on what particular agricultural products should be planted on our land plots ... now the farmer is like a blind person, relying only on intuition and past experience. (participant from the Ude focus-group)

In terms of bringing value and good practices to the community, development organizations can do much to address these issues. One Mercy Corps employee said there were relatively cheap gadgets for soil testing available on amazon.com, and that their distribution to local farmers would be another step towards earning social approval.

In many focus groups, people expressed concern that often they felt that experiments were being conducted on them. People referred to the government’s corn program, saying that no studies preceded the introduction of the new seeds. A participant from Naokhrebi said:

There should be some sort of insurance for trying out new things ... Organizations which bring innovations should have their own farm for testing, and only then be selling new products to the population ... and if the first harvest is bad, the population should be compensated somehow.

The right to have detailed information about a new project is a legitimate and fair claim. From the focus groups, it appeared that the lack of information at initial phases had been a serious issue. But as such projects expanded, this was addressed. For example, the importers of new potato varieties bought land where they could test the new potatoes under local conditions and train farmers how to look after them. Nevertheless, the importation of new potatoes remains highly volatile – sometimes 300-500 tonnes of potatoes can be imported into the region, while in other years almost none is imported (interview with Akhalkalaki Agro Centre).

When discussing what should constitute a SLO for a development organization, we cited the IIED (2002) list where one of the components was avoiding ‘ecologically and culturally sensitive areas’. As seen from our results, some interventions, such as new seeds, might harm the productivity of the local community. New ideas and practices need to be tested under local circumstances, and only then promoted among the local population. Otherwise, there is a risk to the local ecology and culture.

4. The inspirational effect of the presence of an external organization

In addition to businesses which may or may not receive support from Mercy Corps, there are other stakeholders which monitor development in Samtskhe-Javakheti region. The most notable of these are the media and local non-governmental organizations. It is a job of such organizations to have a good understanding of the dynamics in the region. The News Editor-Director of a local TV station said that apart from the direct effects of Mercy Corps projects, there was also an indirect value which is also important for the development of the region. First, such organizations bring with them some sort of different culture to the local community. They promote cooperation in the local community. Because the land structure is very fragmented and subsistence farming is the main
mode of agriculture in Georgia, cooperating can bring significant benefits to a community. An owner of a small milk collection centre explained that when small farmers decide to sell their milk and guarantee a minimum volume of milk to the collection centre, then it is easier for him to establish business relationships with his customers. This would benefit him, but it also benefits the farmers through efficiencies of scale and through a commitment to purchase a set quantity. This would apply to other agricultural commodities as well.

As observed by the News Editor-Director, Mercy Corps can also have an effect on the demographic structure of the region. There is a tendency in Georgian regions for young people to leave the rural area and move to towns and cities in search of employment opportunities and personal comfort. In her words:

> these young people [who move to the bigger towns and cities] are heavily dependent on support from their families in the villages. Parents use the income from the farm to support their children in the towns, instead of investing in their own farming operations. As unemployment is very high in the larger centres, children depend financially on their parents for long periods of time, without contributing to the work needed on the farm. This drainage of the labour force from the rural areas leads to further degeneration of agricultural activities in the rural areas. It is particularly disappointing because these young people are wasting their time and energy in the towns, not having jobs. For some reason, they seek a life of comfort in the towns, rather than focusing on their own villages where they would have a better chance of achieving a better life.

New assistance projects may create opportunities for young people to be actively involved in making an income in their own village. As the village gets stronger, there becomes less incentive for young people to leave for the urban areas, where finding a job is becoming increasingly difficult.

In the words of an owner of a small machinery rental business, bringing new equipment to villages is good not only for its direct effect, but also because of the popularization of new ways of working in agriculture: ‘people see that somebody acquired a new unit of machinery and how useful it is, and then organize themselves to collect money to buy a similar unit for themselves’.

In the context of SLO, it is important that organizations bring high standards to a community. Replication of effective practice will ultimately benefit not only the target group, but the broader public as well. As suggested by our fieldwork, such indirect, unforeseen effects of development projects help development organizations achieve a higher level of SLO.

One aspect to be highlighted is a gender and diversity dimension. As noted in the GRI list, gender and diversity issues have to be promoted in local communities. Samtskhe-Javakheti is a strongly traditional society (Duban 2010; Sabedashvili 2007), and opening up space for the participation of females in economic activities is an important step in achieving development and democratization (Vanclay 2003).
5. Grants versus loans

There is an extensive literature about the relative merits of loans and grants for supporting small local businesses. In communities where there is a strong need for urgent humanitarian assistance, loans are not of much value to the local population. After the war with Russia in 2008, the various settlements for internally-displaced persons proved this once again. Samtskhe-Javakheti region, however, was not strongly affected by the war and the local businesses are trying to emerge and grow. Providing cheap or interest-free loans in Samtskhe-Javakheti can be considered acceptable. Such ideas were raised and welcomed by most of the interviewed businesses and farmers. Even in the relatively worse-off communities, like Naokhrebi, the idea of getting loans for a business venture seemed popular. However, loans and co-financing practices are not always successful. In one of the interviews, an owner of a small enterprise explained why his business had stalled during the last year:

When they offered to pay almost 50% for renovation of my building, I couldn’t refuse because it was very tempting and I didn’t know when I would be able to renovate my factory myself ... but to cover the other half, I had to use all my available capital from the bank ... and then there was no money for the operating capital needed for my business, so it stalled (an owner of a small milk collection centre).

Mercy Corps asks for proof and guarantees that businesses would be able to continue operation. Mercy Corps employees look at the cashflow and assets of an applicant’s business. However, even this might not be enough to guarantee that an applicant would have sufficient funds to sustain their business activities.

Policies oriented to sustainable development rather than to humanitarian assistance is also an SLO issue. According to the IIED list, organizations are expected to become ‘engines of sustained growth’. The idea of the M4P approach (‘making markets work for the poor’) used by Mercy Corps can be seen through this prism. Although grants are preferred by local communities, the experience in Samtskhe-Javakheti has shown that co-funded loans often lead to better and more sustainable results, because beneficiaries also risk their own funds and demonstrate ‘buy-in’. The co-funding requirement is a mechanism to prevent the utilisation of available funds by people who either don’t need support or who won’t use it for the intended purpose. Ultimately, this leads to a better chance of sustainable development.

6. Issues with intermediaries

Organizations like Mercy Corps usually identify local partners from an early stage to work with and to develop capacity as the project progresses. Using local partners, however weak they might be initially, is crucial for accessing the local population and achieving sustainability. The head of one of the micro-finance organizations recalled an example from about 10 years ago when an international organization attempted to work directly with the local population without having enough contextual
information. All they wanted to do was to distribute piglets so that local farmers would raise and breed them, but it wasn’t clear to the farmers that this was the purpose of the program.

The end result was that the distributed piglets were slaughtered for home consumption, ... and the people who didn’t receive piglets were very upset at the donor organization ... The foreigners tried to justify their selection of the recipient farmers, but the communication was extremely bad ... this is why it is necessary to have a local partner organization, so that they can speak the ‘same language’ with the community ... Pre-existing networks and knowledge shouldn’t be ignored ... they can bring great value to a project (head of a micro-finance organization).

While it is true that using local partners can be very valuable to an international development organization, the reputation of such partners should be thoroughly investigated. In Mercy Corps’ experience, there have been intermediary partners who took money for providing certain kinds of services, but did not fulfil their obligations. For example, selected local partners were supposed to conduct artificial insemination of cows in some villages, but the monitoring service of Mercy Corps revealed that it wasn’t being done. Such instances can impact on the social acceptability and reputation of the donor organization.

Establishing and supporting local networks for long-term partnerships is important for effective stakeholder engagement. Of course, this should not prevent any regular citizens from having direct access and information about donor activities. Providing opportunities for self-organization has great value, especially because the products which might be designed elsewhere become adapted to the local context before delivery to final beneficiaries. Secondly, the local community does not see the support as ‘free foreign money’, rather they continue cooperating with their usual local organizations. When these partners are able to grow and provide the needed services, it make a more sustainable impact.

4.8 CONCLUSION: GAINING A SOCIAL LICENCE FROM LOCAL COMMUNITIES

This research showed that the SLO concept is applicable in the development assistance field. We questioned the assumption that development projects unequivocally bring only positive results. In fact, there are many issues for local communities which can be easily missed by development project coordinators. For this reason, development organizations should look at their communities from beyond their log-frame. The main success factor is to consider what would constitute a good intervention at any given time from the perspective of the local community.

In essence, our research showed that SLO criteria can be monitored in the work of development assistance organizations. Many themes that come up in local communities are relevant to several
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areas of SLO. These themes are always contextual and a successful organization needs to develop and maintain a good understanding of what the local community thinks about trust and transparency issues; what needs they have in terms of access to information; what are the concerns with the innovation; what unintended impact, negative or positive, might be caused by project activities; how people regard different forms of assistance, such as grants and loans; and how they should cooperate with local actors in order to increase project effectiveness and trust in a local community. These themes came up in Samtskhe-Javakheti when discussing SLO for Mercy Corps, but there may be other themes in other contexts. Understanding these issues and aligning the project activities with local needs would yield more success.

It is logical that various stakeholders in a given local context will have differing interests, and an organization cannot address all requirements simultaneously. Moreover, the interests of various groups might be contradictory. Time has an impact on community needs, as infrastructure and the social landscape can change rapidly. Under such circumstances, the role of a development organization is to closely follow the ‘pulse’ of a local community. The difference in needs and interests within a local community underscores the importance of hearing local voices and developing a good, complex understanding of the local context. Only such efforts can lead to obtaining a SLO.

SLO is not only applicable but also potentially useful for development assistance organizations. The results of our fieldwork suggest that there are quite a few things which international development organizations can do to achieve a greater level of SLO in their target communities:

- First, development organizations should provide information about new products and technologies to the local population. It is also helpful to provide information about where particular technologies or practices are being used so that farmers can see first-hand how they are used.

- Second, promoting greater cooperation among local populations in the form of cooperatives can have long-term impact.

- Third, the experience of even successful organizations is that it is not always possible to avoid connecting with the ‘wrong’ local partners. There is always a risk of failure, i.e. the result being unsatisfactory to the local community. However, this should not deter a development assistance organization in seeking out local organizations to partner with, and insisting on high standards of practice. An obvious but very important lesson is that short-term goals and projects might not always bring good results. The projects should focus on long-term and gradual development.

- Fourth, projects should not only target long-term goals, but they will be more effective if a wide range of sectors is covered. For example, a project focusing only on animal husbandry has fewer chances for success and public support than a project which deals with agriculture and development as a whole. A successful project would address the various value chains in
a farmer’s production system in one overall picture, in other words, should take a sustainable livelihoods approach. Otherwise, there is a risk that focusing on one particular sub-sector will not yield sustainability.

• Fifth, the research showed that conducting baseline research as well as continual research on the needs of the local population, and making policy changes accordingly, are essential. Such an approach fulfils two important functions. First, an organization becomes better positioned to address community needs and, second, this enables it to earn a high reputation among the local population. This reputation, as a central pillar of SLO, should be constantly monitored.

The social licence to operate of an organization depends on its context. Organizations are evaluated on many other criteria besides a SLO, and the criteria are not always complementary. Geography, culture, societal structures, the nature of the project and past experience all have significant effects on a SLO. Further research into other development organizations in other contexts will be beneficial for the scholarship on SLO and the work of development assistance organizations generally. In particular, it would be interesting to study how: SLO changes over time within a given community; how SLO for a development organization differs from that of a private company in a similar context; and how SLO for development assistance organizations differs in various contexts.
REFERENCES


