Application of the concept of 'Social Licence to Operate' beyond infrastructure projects

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**6.1 INTRODUCTION**

The objective of the PhD research was to develop an understanding about the concept of Social Licence to Operate (SLO), and to assess whether it is a useful concept to apply, not only to large infrastructure projects, but also to non-profit, non-governmental projects. To address this research question, I used an expanded version of the Thomson and Boutilier (2011) model of SLO, which I tested on two infrastructure and two non-governmental projects in Georgia.

The findings from my research lead to two broad conclusions. First, when retroactively applied to an existing project, regardless of its form, the SLO framework helps in understanding the extent to which the project is legitimate, credible and trustworthy, and how specific actions of project proponents can be interpreted and analysed in this light. Second, once understood and proactively applied, the SLO approach can help in identifying and avoiding many challenges that projects and project-affected people face.

For this PhD research, it was important to appreciate the difference between large infrastructure projects (such as Hydro-electric Power Plants or oil pipelines) and NGO projects with a much smaller physical footprint. My aim was to establish whether the SLO concept could be applied in both situations and to draw broader conclusions and recommendations about the applicability of the concept.

In large infrastructure projects, significant physical impacts are inevitable (Vanclay, 2002). The potential negative environmental and social impacts of such projects have been identified and acknowledged for many decades. Moreover, large infrastructure projects are often criticised for their lack of adequate engagement with project affected people and for not having a social licence from local communities (Dare et al., 2014). Some projects may require the resettlement of families or even whole communities, which often results in the impoverishment of the displaced people (Vanclay, 2017). To minimise the negative social impacts, it became apparent that adequate safeguard mechanisms had to be established. One important milestone for identifying, avoiding and mitigating severe negative impacts came in 1969 when the National Environmental Policy Act (NEPA) in the United States essentially instituted Social Impact Assessment (SIA) (Esteves et al., 2012). Many countries took the lead and soon SIA became either a stand-alone requirement or part of Environmental Impact Assessment (EIA). From the 1980s, International Financial Institutions (IFI) started developing more specific safeguard standards, such as the World Bank’s Operational Policies on environment, resettlement, and Indigenous Peoples. The Performance Standards of the International Financial Corporation (IFC) are often regarded as the benchmark for environmental and social assessment (Vanclay, 2017). Despite these mechanisms, it became apparent that obtaining legal permits and licences, and ticking boxes for bureaucratic procedures, can still leave the affected communities vulnerable, disadvantaged and worse-off as a result of the project. The concept of SLO became increasingly popular to capture the acceptance of projects from local communities, beyond legal licences and the paperwork (Jijelava & Vanclay, 2014a).
On the other hand, projects with small or no physical impact generally remain overlooked in terms of social impact. Instead of a SIA or SLO lens, NGO projects are often analysed using the Monitoring and Evaluation discourse (Conlin & Stirrat 2008; Benjamin, 2012). Because the general assumption is that such projects are designed to bring benefits to local public, there is no discussion about SLO or the social impacts a project might bring to a community. I make the case in this PhD that such humanitarian projects can still have important impacts on social structures and the lives of people in local communities and therefore, just like large infrastructure projects, need to be carefully considered in order to mitigate negative impacts and enhance the positive benefits of projects.

I modified the SLO framework developed by Thomson and Boutilier (2011) and applied it in four case studies. All case studies were from the same geographic area, Georgia, and had similar economic, social and political contexts. However, the differences between the selected projects help answer important questions about the SLO concept.

### 6.2 SLO IN THE CONTEXT OF A BROADER LITERATURE AND CONTRIBUTION OF THE PHD RESEARCH

The concept of SLO is related to multiple academic discourses. Primarily, the concept is embedded within the SIA discourse. One of the key elements of SIA is the adequate consideration of the views from local communities and developing strong community engagement mechanisms for building trust and respect Vanclay, 2002; Hanna and Vanclay, 2013; Vanclay et al., 2015; Smyth and Vanclay, 2017; Esteves et al., 2017). Moreover, the SIA literature increasingly focuses on the importance and usefulness of the SLO approach, rather than traditionally applied top-down approaches that project proponents often use in large infrastructural projects (Vanclay et al., 2015: 20).

The discussion on SLO is also important for the Development Induced Displacement and Resettlement (DIDR) discourse. Displacement and resettlement are among the major social impacts and achieving SLO with the affected community 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 (de Wet, 2001; Cernea, 2003; van der Ploeg and Vanclay, 2018).

The SLO concept is also sometimes viewed as complementary to the Corporate Social Responsibility (CSR). For achieving high standards of CSR, having a SLO is important (Mineral Council of Australia 2005; Warner and Sullivan 2004). Gunningham et al. (2004) view SLO as ‘reputation capital,’ claiming that maintaining SLO by project proponents will lead to better relationships with government and regulators, and attract less hostility from community and NGO stakeholders. Morrison (2014) goes further in assessing SLO and claims that it is more useful than CSR concept because it ‘requires any business to ensure its activities respect the rights of all of those in any community’ (Morrison, 2014: online article). Traditional approaches to CSR, on the other hand, have failed to address the basic legitimacy and trust issues with local communities (Morrison, 2014).
Conclusion

It is important for SLO to have clearly defined who the stakeholders are. Thus, literature on stakeholder engagement (Clarkson, 1995; Mitchell et al., 1997; Freeman, 2010) is important for understanding and developing the SLO concept.

Because my aim in this PhD research is applying the SLO concept to NGO projects, it is also important to link the concept with Development Assistance and Monitoring and Evaluation literature. Traditional top-down approaches in development assistance projects are gradually yielding to more community-centred monitoring and evaluation approaches (Conlin and Stirrat 2008; Benjamin, 2012). Yet, there is much room for further elaboration of the mechanisms, particularly by employing the SLO framework.

The contribution of this PhD research is further developing the SLO concept and expanding its application to the non-profit projects. Furthermore, the contention of this PhD research is that there needs to be a nuanced approach to SLO to incorporate such aspects as gender.

6.3 RESEARCH QUESTIONS

The main research question of this PhD research was whether the SLO concept is applicable not only to large infrastructure projects, but also to non-profit, non-governmental projects where there is little physical impact. Furthermore, I considered whether and how the SLO framework can be applied in different contexts, and what can be learned from the large infrastructure projects where the concept of SLO had been traditionally applied. I selected four different case studies, but all in a similar geographic, social, political and economic context, which was rural, mostly mountainous regions of Georgia. However, before being able to answer these overarching questions, I needed to address certain specific questions, listed below. A summary of my key findings are provided in the next section.

What is SLO? What are the key components of SLO and how can it be obtained? What should SLO look like in the Georgian context? Are there any effective practices in my Georgian cases that can be used elsewhere? These questions were discussed at length in Chapter 2: Legitimacy, credibility and trust as the key components of a social licence to operate: An analysis of BP’s projects in Georgia.

What does a failed SLO look like in the Georgian context? What lessons about dealing with local communities can be learned from failure and avoided in other projects? These questions were addressed in Chapter 3: How a large project was halted by the lack of a social licence to operate: Testing the applicability of the Thomson and Boutilier model.

Can the SLO concept be applied to NGO projects? What benefits does application of the SLO concept have when applied to NGO projects? These questions were addressed in Chapter 4: Assessing the social licence to operate of development cooperation organizations: A case study of Mercy Corps in Samtskhe-Javakheti, Georgia.
Does a community have a single SLO or are there multiple SLOs in a community? This question was addressed in Chapter 5: Social licence to operate through a gender lens: The challenges of including women’s interests in development assistance projects.

6.4 SUMMARY OF KEY FINDINGS

What is a SLO? What are the key components of SLO and how can it be obtained? What would a SLO look like in the Georgian context? Are there any successful practices in Georgian that can be replicated?

The first case study (Chapter 2: Legitimacy, credibility and trust as the key components of a social licence to operate: An analysis of BP’s projects in Georgia) established that when a company uses a SLO approach, there is a greater chance for good relations with the local communities and successful implementation of the project. I reviewed BP’s Baku-Tbilisi-Ceyhan (BTC) oil pipeline project in Georgia and found that several factors contributed to the granting of a partial SLO by local communities. These factors included the company’s reputation and credibility; good information delivery about why the project was important for the country and to local communities; ongoing interaction with local communities; empowerment of local watch-dog organisations in monitoring; and using international supervision mechanisms to increase transparency. In the Georgian and international contexts, this case provides a sort of a baseline for what SLO can or should look like. While BP’s projects also face many challenges, its experience provides useful lessons for private, governmental and non-governmental projects.

While analysing BP’s SLO activities, I defined what should constitute a SLO and how the concept can be operationalized. The main idea of this chapter was identifying the attributes of a SLO and how it can be obtained. I elaborated the key concepts of legitimacy, credibility and trust. These are the concepts around which the SLO discourse tends to revolve. In addition to assessing BP’s SLO, I also analysed what lessons can be learned and replicated for other projects in a similar geographic, social, economic and political environment.

How does a failed SLO look like in the Georgian context? What are the lessons that can be learned from the failure and avoided in other projects when dealing with local communities?

In the second case study (Chapter 3: How a large project was halted by the lack of a social licence to operate: Testing the applicability of the Thomson and Boutilier model), I found that, if the principles of SLO are not applied by project proponents, there is a higher risk of conflict with local communities and of delays to or stoppage of the project. The case study helped to establish what factors might lead to a failed SLO. In the case of the Khudoni Hydroelectric Dam project, the major factors were: the lack of clear justification of the project in the eyes of the local community; the lack of transparency, particularly in terms of ownership; the lack of effective, quality interaction with the local community; failure to demonstrate technical competence or commitment to social performance. The case was
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important in understanding what challenges projects and project affected persons might face and how the SLO approach helps us understand and overcome these challenges. The case also provided valuable lessons about the application of the SLO concept.

Can the SLO concept be applied to NGO projects? What benefits does such application of the SLO concept have?

In the third case study (Chapter 4: Assessing the social licence to operate of development cooperation organizations: A case study of Mercy Corps in Samtskhe-Javakheti, Georgia), I selected an on-going NGO project with significant impact on a community to see whether the SLO concept would be applicable to such projects. This was one of the first papers to be published to discuss the application of SLO beyond traditional infrastructure projects. The application of the SLO model in this NGO context helped analyse community-donor relations in a broader light. Specifically, the case helped to understand what constitutes a SLO for the local community in the context of the development intervention. Themes that emerged included: transparency and accountability; access to information; the potential benefits and dangers of innovations; the inspirational effect of the presence of an external organization; risks associated with loans and grants; and the reliability of intermediaries. Although Monitoring and Evaluation tools are usually actively used to assess NGO activities, much can be missed by not using the SLO approach. While NGO projects tend to have smaller physical impacts, their activities can still have long-term social and economic impacts. Thus, it is equally important for NGO projects to achieve a SLO from the communities they work with.

Does a community have a single SLO? Or can there be multiple SLOs in a community?

In the fourth case study (Chapter 5: Social licence to operate through a gender lens: The challenges of including women’s interests in development assistance projects), I focused on women in traditional, rural communities and analysed what would constitute a SLO for them. Every community has a large proportion of women, and in traditional societies their voices are often not heard strongly enough. This can lead to false conclusions by project implementers when implementing activities. Sometimes, projects intended to benefit the community as a whole may worsen the situation for women. When designing projects, it should be explicitly stated how the project will affect each of the various groups within a community and efforts should be made to secure a SLO from each group.

In all four case studies I explored the usefulness and applicability of the SLO concept. The challenges with the concept are discussed below. However, two main conclusions from the PhD research are that, whether SLO is explicitly adopted by project proponents or not, researchers can retroactively apply the concept to projects. The SLO framework provides help in understanding whether and how a project was legitimate, credible, and trustworthy in the eyes of the local communities. The framework also helps to identify gaps or errors made during the implementation of projects. The second key finding is that, if project proponents proactively use the SLO approach, the chance of
having a successful project and good relations with local communities is higher. This is because using the SLO approach encourages projects proponents to consider and apply the key elements of SLO, rather than simply ticking the boxes for bureaucratic permits and licences.

6.5 CHALLENGES IN OBTAINING A SLO

While exploring the SLO concept in different contexts, I identified several challenges that remain in the effective application of the concept. Below I present these challenges and analyse the differences between infrastructure and NGO projects.

*Legitimacy issues*

The legitimacy aspect of SLO goes beyond adherence to national laws and legislation and implies that people should be convinced that there will be adequate compensation and that supporting the project is the right thing to do (Jijelava and Vanclay, 2018). This economic and social dimension of legitimacy is a major challenge in all types of projects. Often, projects provide some sort of social development programmes, but they fail to appreciate how project impacts might affect strongly contextualized local social patterns.

One of the specific challenges projects face is that they usually fail to appreciate the unique context of each particular project. Communities differ from each other in many ways. So designing contextualized approaches to grasp adequate understandings of local social, cultural and political context is essential, but often missing. Project advocates need to demonstrate that they understand the local context well, and that any decisions made take account of any specific local dynamics (Prno, 2013).

Projects also fail in providing enough local content (Esteves and Vanclay, 2009; Esteves and Barclay, 2011), even though project documents, such as Environmental and Social Management Plans, Resettlement Action Plans, or Project Proposals produced by NGOs, often have bold statements and promises.

Another challenge is that projects usually have limited definitions of who counts as a project beneficiary (in case of NGOs) or impacted person (in case of infrastructure projects). Thus, projects tend not to seek a SLO from the wider community where they (intend to) operate. In such circumstances, it is likely that the perception of fairness will be low or even absent. Interactions and transactions between the project advocates and the local community members are often not sufficiently transparent (Kemp and Vanclay, 2013; Bice, 2014; Vanclay et al., 2015). As a result, a vicious circle is formed where the lack of due procedure feeds into the lack of legitimacy, which then contributes to the unacceptability of the actions of the project proponents to the local community.
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To identify and avoid these challenges, there needs to be quality communication between the project proponents and the local communities not only on every stage, but continuously, from the very early stages of the projects (Moffat and Zhang, 2014).

**Credibility issues**

In a SLO context, credibility can be defined as belief in a community that project proponents have a ‘high level of technical competence and a high level of skills, and a commitment to social performance’ (Jijelava and Vanclay, 2017: 1078). All these elements need to be present for a community to grant a SLO at the credibility level.

The experience of the four cases showed that one of the main challenges is to make sure that the local communities know or have access to detailed information about who is behind the project, who benefits, and specifically whose interests are being served. For example, BP’s projects had very specific, well-known stakeholders, while in the Khudoni HPP project, the ownership remained obscure. When projects proponents do not have experience, and are basically piloting the project, while fundamentally affecting the lives of hundreds of households, credibility is very important. Community uncertainty about their future was a main reason why the Khudoni HPP project did not have credibility.

NGO projects can also face credibility issues. Both, Mercy Corps and CARE International are well-established international development assistance organisations who have been implementing projects in Georgia for many years. Thus, these particular NGOs didn’t face major credibility issues in their projects. But not all NGO projects have good record with credibility in the country. This also affects operations of well-established and experienced organisations like Mercy Corps and CARE International.

Effective community engagement is pivotal, and underpins all aspects of credibility, especially in relation to the community’s perception of the social and technical competency of the company (Dare et al., 2014). While projects differ in their use of community engagement mechanisms, my review of the four cases showed that, for a SLO to be obtained, it was essential for many community engagement mechanisms to be deployed.

**Trust issues**

In essence, trust is a strong form of credibility, but can only be developed after an extended period of quality interaction (Jijelava and Vanclay, 2017). In the Thomson and Boutilier model, it is the highest and hardest to achieve. It is very rare that a project can claim trust, but it is still a useful benchmark towards which all projects should align their activities.

The challenge in achieving trust is that the project first needs to demonstrate strong presence of legitimacy and credibility. Without a high level of legitimacy in the eyes of the local community,
and without adequate demonstration of credibility from the project proponents, trust cannot be achieved. Where the trust level is achieved, the local communities and project proponents will consider themselves as part of the same team, with common interests and goals. In infrastructure projects and NGO initiatives, community development is largely exercised in a top-down approach. But in order to achieve the trust level, local communities need to be entrusted with their own fate, and be encouraged to work together with the project proponents. In other words, only through putting trust in local communities can project earn trust from local communities.

One major difference between NGO projects and infrastructure projects is that the life-span of NGO projects tends to be much shorter, usually from three to five years, except of very exceptional cases. In such circumstances, building trust becomes more challenging. It is often a case that every new project in a place of an old project basically starts from the beginning, and there is rarely any coordination between various NGOs working on same issues within a same locality.

### 6.6 CONCLUSION

The experience of the four cases I reviewed clearly provides justification for wider application of the SLO framework. The framework helps in seeing interactions with local communities in a different light, leading to more sustainable and mutually beneficial relations between project proponents and local communities. The application of the SLO framework does not necessarily mean introducing new procedures or paperwork. However, it means that three main questions need to be answered:

1. **what can be done to ensure that the project is perceived as legitimate by the local communities not only from legal point of view, but also socially and economically?**

2. **what can be done to convince the local communities the project is credible in technical expertise and commitment to social performance?**; and

3. **how can trust be built over an extended period of time?**

More attention needs to be given to communities as a whole, rather than strictly focusing on project affected persons (in case of infrastructure projects) and project beneficiaries (in case of NGOs). Realisation of collective identity, rights and interests is a cornerstone for application of the SLO concept. Moreover, it is important to identify particular sub-groups in a community who might have a higher risk of vulnerability as a result of a project, but might be less vocal. Women in traditional societies is one such example, but in different contexts there will be different sub-groups and therefore it is important that a SLO for each sub-group be obtained.

Local communities have very important part in strengthening their role by applying the SLO approach, even with projects generally considered to be positive. The awareness of the local communities that
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in addition to the necessary legal licences, project proponents (such as large companies, NGOs and the state) also should seek SLO from the local community, will lead to better, more sustainable outcomes.

Compared to infrastructure projects, NGO projects tend to be perceived more positively, which might be effectively used and enhanced with SLO. However, NGO projects also tend to have shorter life spans, making it difficult to establish long-term trust with a local community. This can be anticipated and mitigated in several ways. First, SLO can be organisation-based, rather than project-based. Each project should build on a SLO that a previous project has achieved. This is not hard in cases when project names change, but the geography and content remains largely the same. Second, there needs to be clear and effective coordination between different organisations so that the work is not duplicated. More importantly, such coordination among donors could lead to long term planning and more successful trust-building between the project implementers and the local communities.
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SAMMENVATTING (SUMMARY IN DUTCH)

Achtergrond
Sinds 1997, toen het concept voor het eerst uiteen gezet was, heeft Social License to Operate (SLO) zich continu ontwikkeld. De SLO-benadering kijkt óf, en op welk niveau, de lokale bevolking een project accepteren dat een directe impact op hun heeft. Het SLO-concept is belangrijk, omdat het de lokale bevolking centraal stelt. Hoe groot, of belangrijk, een project ook is, het is essentieel dat de lokale bevolking inspraak heeft. Er is ook steeds meer bewijs dat suggereert dat het bedrijven op de lange termijn meer kost per saldo als ze de belangen van de lokale bevolking negeren.

Er is geen uniforme definitie van SLO. Desondanks wordt de term steeds vaker gebruikt en zijn er verschillende benaderingen en begrippen van het concept ontwikkeld. Dit is zowel een sterkte als een zwakte van dit concept. Maar het flexibele karakter van het concept is precies zijn kracht en wat het aantrekkelijk maakt voor verschillende contexten. Met het enorme aantal aan infrastructurele en ontwikkelingsprojecten in de wereld, is het belangrijk om dieper te gaan dan box-tikkende en rigide normen. Het is veel belangrijker om het juiste idee, de juiste aanpak en instelling te hebben, om ervoor te zorgen dat de zorgen van de lokale bevolking naar behoren worden overwogen. De zwakte van het SLO-raamwerk is dat project voorstanders, vanwege het flexibele karakter, het kunnen misbruiken als een middel om het publiek te misleiden.

Niettemin zal de uitwerking van het SLO-raamwerk, het onderzoeken van de kernbegrippen en het toepassen ervan op case-studies, uiteindelijk leiden tot een beter geoperationaliseerd en toepasbaar raamwerk. Dit is precies wat dit proefschrift probeert te bereiken. Door het ontwikkelde model van Boutilier en Thomson, analyseer ik SLO middels de drie kernbegrippen: legitimiteit, geloofwaardigheid en vertrouwen.

Het doel van het promotieonderzoek was om inzicht te krijgen in het concept van Social License to Operate (SLO), en om te beoordelen of het een bruikbaar concept is om toe te passen, niet alleen op grote infrastructuurprojecten, maar ook op projecten van non-gouvernementele en niet-overheidsorganisaties. Om deze onderzoeksvraag te beantwoorden, heb ik een uitgebreide versie van het Thomson en Boutilier-model van SLO toegepast, die ik heb getest op twee infrastructuurprojecten en twee niet-gouvernementele projecten in Georgië.

De resultaten van mijn onderzoek leidden tot twee brede conclusies. Ten eerste, wanneer het SLO-raamwerk met terugwerkende kracht wordt toegepast op een bestaand project, ongeacht de vorm, geeft het inzicht in hoeverre het project legitiem, geloofwaardig en betrouwbaar is, en hoe de specifieke acties van de project voorstanders in dit licht kunnen worden geïnterpreteerd en geanalyseerd. Ten tweede kan de SLO-aanpak, eenmaal begrepen en proactief toegepast, helpen bij het identificeren en vermijden van de vele uitdagingen waarmee zowel projecten, en de door het project getroffen bevolking, worden geconfronteerd.