Environmental Impact Assessment Review 73 (2018) 31–40

Contents lists available at ScienceDirect

Environmental Impact Assessment Review

journal homepage: www.elsevier.com/locate/eiar

How a large project was halted by the lack of a social Licence to operate: Testing the applicability of the Thomson and Boutilier model

David Jijelava*, Frank Vanclay

Department of Cultural Geography, Faculty of Spatial Sciences, University of Groningen, Georgia

ARTICLE INFO

Keywords:
Social License to operate
Social impact assessment
Community engagement
Corporate social responsibility
Involuntary resettlement
Development-induced displacement and resettlement

ABSTRACT

We explore why having a Social Licence to Operate (SLO) is essential for large projects. We analyse the Khudoni Hydroelectric Power Plant in the Svaneti region of Georgia, which was halted in 2013 after much social protest. We assess why the project lacked a SLO and what lessons can be learnt from this experience. Using the Thomson and Boutilier model of SLO as our analytical framework, we elaborate its key elements – legitimacy, credibility and trust – in the context of dam and hydropower projects and assess where the Khudoni project failed. We conclude that the project lacked legitimacy, with local communities not seeing any social justification for the project. The credibility of the project and proponent was weak amongst the local population, and trust was absent at all phases of the project. We conclude that the concept of social licence to operate has the potential to encourage project proponents to consider and implement activities which will lead to better outcomes for all parties. We believe there is a strong business case for companies to take the concept seriously. Improving social performance will assist projects in gaining a social licence to operate and grow.

1. Introduction

The planning and construction of large infrastructure typically leads to many social impacts (Vanclay, 2002; Vanclay et al., 2015; Esteves et al., 2017). One significant consequence (and cause of ongoing social impacts) is involuntary resettlement, a 'totalizing experience' that can be characterized as 'one of the most acute expressions of powerlessness because it constitutes a loss of control over one's physical space' (Oliver-Smith, 2002: 6). Much development-induced resettlement is due to the construction of large dams (Scudder, 2005; Moore et al., 2010). Dam-induced resettlement is especially problematic because of the number of dams being constructed around the world, the vast scale of many of these dams, and the large numbers of people affected (Terminski, 2015). There is also much evidence that dam-induced resettlement causes the impoverishment of displaced people (Cernea, 1997). Scudder (2005, 2011), for example, examined 50 large dam projects and, in the vast majority of cases, people were worse off as a result of being resettled. The World Commission on Dams (World Commission on Dams, 2000) concluded that dam projects have imposed an unfair burden on large numbers of people, who typically have no say in decision making. However, the WCD considered that this inequitable distribution of risks and benefits was avoidable. Nevertheless, international guidelines together with the national regulations in many countries around the world are currently not adequate to ensure that the needs and interests of affected people are properly considered. A special issue of *Water Alternatives* published 10 years after the WCD report resoundingly concluded that little progress had been made and all the issues remained (Moore et al., 2010). Clearly, mechanisms to address the many complicated and sensitive issues that arise in resettlement have either not been developed or are not effectively implemented (McDonald-Wilmsen and Webber, 2010; Vanclay, 2017a, 2017b).

Some writers have argued that the negative outcomes from dam-induced resettlement need not and should not occur, and that there needs to be a new paradigm about how resettlement is done and how development projects are implemented (de Wet, 2001; Scudder, 2005; Mathur, 2011; Perera, 2014; Vanclay, 2017a; Cernea and Maldonado, 2018). We argue that the concept of Social Licence to Operate (SLO) can be the basis of this new paradigm. We illustrate this by using the SLO concept to explain why the construction of a large Hydroelectric Power Plant (HPP) in Georgia faltered. We advocate that, if the developers of HPPs and other large projects took the need to obtain a SLO seriously (i.e. apply a new paradigm based around the need for SLO), this would help them achieve better outcomes for affected communities and their projects.

Since coming into use in the late 1990s (Moore, 1996; Cooney, 2017), the concept of SLO has evolved, and is now much discussed in

* Corresponding author at: GeoWel Research, Asatiani 36a, Tbilisi 0105, The Netherlands.
E-mail address: david.jijelava@gmail.com (D. Jijelava).

https://doi.org/10.1016/j.eiar.2018.07.001
Received 5 February 2018; Received in revised form 30 June 2018; Accepted 2 July 2018

academia, industry and management circles (Prno, 2013; Boutilier, 2014; Jijelava and Vanclay, 2014a; Moffat and Zhang, 2014; Morrison, 2014; Parsons et al., 2014; Hall et al., 2015; Moffat et al., 2016; Smits et al., 2017). Although there are various competing models (Zhang et al., 2015, 2018; Lacey et al., 2017; Wright and Bice, 2017), and notwithstanding that SLO is intended to be a metaphor (Prno and Slocombe, 2012; Bice, 2014; Bice and Moffat, 2014), the basic idea is that SLO is a continuum on which a number of levels can be identified, for example: *withheld*, when there is no support for the project; *acceptance*, when local communities are not actively opposed to a project; *approval*, when local communities view a project positively; and *psychological identification*, when local communities strongly support and welcome a project (Thomson and Boutilier, 2011; Parsons and Moffat, 2014; Jijelava and Vanclay, 2017). SLO is often described as being an implicit social contract between a project and its host communities (Bice, 2014; Lacey and Lamont, 2014; Demuijnck and Fasterling, 2016; Lacey et al., 2016). Advocates of the concept argue that project proponents should incorporate SLO into their thinking and practice. Doing so would help proponents achieve public approval for their activities, and generate value for their business through all business drivers, such as: improved reputation; revenue growth and access to markets; cost savings and productivity; access to capital; improved risk management; and access to human capital (Esteves and Vanclay, 2009; Esteves et al., 2012; Vanclay et al., 2015). It would also contribute to minimising harm to neighbouring communities. The main criticisms of the concept are that it is vague, hard to measure, and that it is understood and used differently by industry, academics, local communities and other stakeholders (Harvey and Bice, 2014; Moffat et al., 2016). SLO is also considered by some to be a concept that has emerged only as a response to community opposition to projects, and is used with the intention of constraining debate on the underlying issues (Owen and Kemp, 2013; Meesters and Behagel, 2017). Others consider that the lack of a SLO does not necessarily mean that the project is not feasible and/or can not proceed and thus it lacks power or agency (Owen, 2016; c.f. Ehrnstrom-Fuentes and Kroger, 2017). Despite these criticisms, we consider that the concept has much value, which we demonstrate in this paper.

We apply the concept of SLO to the Khudoni Hydroelectric Power Plant in Georgia. This project originally commenced in the late 1970s, but slowed to a stop in the late 1980s with the decline and eventual collapse of the Soviet Union in 1991. Planning recommenced in the 2000s, with an implementation agreement being signed with Trans Electrica in 2009. However, the project was halted in 2013 due to strong opposition from the local community. We use the model of SLO developed by Thomson and Boutilier (2011) as our analytical framework to consider what happened in the Khudoni HPP case. The Thomson and Boutilier model provides a way to assess where the Khudoni HPP project is positioned on the SLO continuum and to consider what specific actions and circumstances led to this positioning. By extrapolating from this case to other large projects, in our conclusion we consider what should be done to make projects more acceptable to local communities.

2. The Thomson & Boutilier model of social Licence to operate

Although there is a burgeoning literature on SLO, we base our understanding of SLO on the model developed by Thomson and Boutilier (2011), which provides a holistic conceptual framework for understanding SLO. Although highly cited and a model with much appeal and face validity, it has not been extensively tested. The Thomson and Boutilier model was explicated further by Jijelava and Vanclay (2017), who provided an operationalization of the model's underlying concepts, legitimacy, credibility and trust. Thomson and Boutilier provided an analytical framework in which SLO is conceived as a continuum (or pyramid) with four levels (see Fig. 1). The bottom level is either where SLO was never given (i.e. *withheld*) or where it was *withdrawn*. This lack of SLO is evident where local communities openly criticise the project,

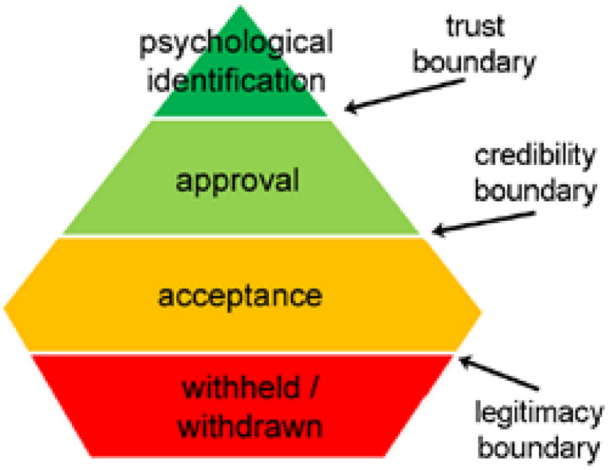

Fig. 1. The Social Licence to Operate Continuum.
Source: Thomson and Boutilier (2011), used with permission.

for example through one of the many forms of protest (Hanna et al., 2016a). The *acceptance* level is achieved when a project convinces a local community of its legitimacy. This includes not only legal and administrative legitimacy, i.e. adherence to national legislation, but also economic and social legitimacy, meaning that people should be convinced that there will be adequate compensation and that supporting the project is the right thing to do. The *approval* level requires that projects gain credibility from a local community. Credibility is achieved by the company providing true, clear and believable information, and delivering on commitments made. The highest level of SLO is *psychological identification* (or 'ownership' as in an earlier version of the model). In order for a local community to identify with a project, there must be a high level of trust, a strong relationship must have developed between the project proponent and the local communities, and they need to perceive each other as partners with shared interests. Drawing on the explication provided by Jijelava and Vanclay (2017), below we explore the three key factors underpinning SLO in the Thomson and Boutilier model – legitimacy, credibility and trust – to the Khudoni HPP in Georgia.

2.1. Legitimacy

For a project to achieve acceptance from the local community, its legitimacy has to be established in legal/administrative, economic and social terms. Legal/administrative legitimacy relates to the perception by the local community that there is sufficient justification for the project (i.e. that it is needed) and that all relevant administrative procedures have been conducted in a fair and reasonable manner. This may go beyond the requirements defined in national law. Economic legitimacy means that the project must be justified in economic terms to the local community, and that, for example, any compensation must be adequate for the people being resettled. Social legitimacy relates to the perceptions of local people on issues such as whether the project is good for their wellbeing, whether it respects local ways of life, whether alternatives have been fully explored and explained to the local community, whether affected people have had a say and their views adequately considered, and whether they feel they have been treated fairly and reasonably. To ensure the legal/administrative legitimacy of SLO in the eyes of local communities, project proponents should demonstrate that they know of and have a good record of adhering to (and preferably exceeding) national and international standards. Where a proponent is a relatively unknown company, the local community will likely have concerns about various issues and suspicions that their rights will not be protected.

The economic legitimacy of large dams is largely related to the