Legitimacy, credibility and trust as the key components of a social licence to operate: An analysis of BP's projects in Georgia

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A B S T R A C T

We consider the extent to which the concept of Social Licence to Operate can be applied in actual practice by considering BP's activities in Georgia, especially the Baku-Tbilisi-Ceyhan and Southern Caucasus Pipeline projects. We adapt the model originally developed by Thomson and Boutilier, particularly by further elaborating their three underlying concepts: legitimacy, credibility and trust. We discuss BP's activities in relation to each of these concepts to determine: (1) whether the adapted model can provide practical and useful results in assessing the SLO of project proponents; and (2) if it is found to be useful, what level of SLO has BP achieved for its projects in Georgia. We conclude that the revised Social Licence framework can be usefully applied and BP has achieved at least an 'acceptance' level from the local community. We also draw lessons from BP's experience that can be utilized elsewhere and in the future.

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1. Introduction

The concept of Social Licence to Operate (SLO) has become much discussed in academic and industry circles (Prno, 2013; Parsons and Moffat, 2014; Boutilier, 2014; Jijelava and Vanclay, 2014a; Moffat and Zhang, 2014; Syn, 2014; Hall et al., 2015; Moffat et al., 2015). Many major companies, especially those in the extractive industries and increasingly now also those in other sectors, explicitly mention SLO when describing their activities (Dare et al., 2014; Wilson, 2016). Simply put, social licence to operate is an expression or turn of phrase that refers to the level of acceptance a company or project has from local communities. Ever since the first use of the term by Jim Cooney in 1997 (Cooney pers com, see also Joyce and Thomson, 2000), and especially with its recent popularisation (Boutilier, 2014), there has been much discussion on the value of the concept and on what constitutes a SLO and how to measure it (Prno, 2013; Bice, 2014). Many overarching models have been proposed and many factors that might contribute to SLO have been nominated (Joyce and Thomson, 2000; Gunningham et al., 2004; Thomson and Boutilier, 2011; Prno and Slocombe, 2012; Prno, 2013; Moffat and Zhang, 2014). There has also been a plethora of studies that explore how businesses in different contexts view their own SLO (Bice, 2014; Boutilier, 2014; Parsons et al., 2014). Although intuitively meaningful, it is generally considered that SLO is difficult if not impossible to measure (Parsons et al., 2014). Given the lack of a fully-developed understanding, there are some writers who question the usefulness of the concept (Owen and Kemp, 2013a; Bice, 2014).

The purpose of our paper is to consider the applicability of the SLO concept in actual practice. We believe that, by thinking about its SLO, an organisation can design its actions in an attempt to achieve public approval for its activities. This would have many benefits and could contribute to minimising harm to neighbouring communities as well as generating value to the company (Esteves and Vanclay, 2009; Esteves et al., 2012; Vanclay et al., 2015). We modify the model originally developed by Thomson and Boutilier (2011) by further elaborating its underpinning concepts, legitimacy, credibility and trust. Although their model is not the only understanding of SLO, and various other authors have suggested a range of approaches to what constitutes SLO (notably Hall et al., 2015; Moffat et al., 2015), the concepts that are used in the Thomson and Boutilier model — legitimacy, credibility and trust — are often discussed in the SLO literature (Prno and Slocombe, 2012, 2014; Parsons et al., 2014). These concepts can be expanded to capture SLO in different contexts. We apply this modified SLO framework to an assessment of BP's operations in Georgia,

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specifically the Baku-Tbilisi-Ceyhan oil pipeline (BTC) and the Baku-Tbilisi-Erzurum (or Southern Caucasus) gas pipeline.

2. Elaboration of the concept of social licence to operate

Ever since the introduction of the SLO concept roughly 20 years ago, there has been much discussion on what constitutes SLO and how to measure it. One the one hand, there have been important efforts to conceptualize SLO by putting forward models and factors that should lead to it (Joyce and Thomson, 2000; Gunningham et al., 2004; Thomson and Boutilier, 2011; Prno and Slocombe, 2012; Prno, 2013; Moffat and Zhang, 2014). On the other hand, there has been a plethora of studies that explore how businesses view their own SLO in different contexts (Bice, 2014; Boutilier, 2014; Dare et al., 2014). The bottom line is that SLO has been difficult if not impossible to measure (Parsons et al., 2014) and is an intangible concept (Franks and Vanclay, 2013). In this article, we use the Thomson and Boutilier model of SLO (2011) because its core concepts — legitimacy, credibility and trust — are often used by other authors (Moffat and Zhang, 2014). We expand on these concepts to make the SLO concept more clear, relevant and applicable in different contexts.

In the Thomson and Boutilier model, SLO is viewed as a continuum of four levels: no SLO; acceptance; approval; and co-ownership or psychological identification (see Fig. 1) (Thomson and Boutilier, 2011). Where a company is located on this continuum depends on the local community's perceptions about the levels of legitimacy, credibility and trust they assign to the company (Joyce and Thomson, 2000; Gunningham et al., 2004; Thomson and Boutilier, 2011; Prno and Slocombe, 2012; Prno, 2013; Moffat and Zhang, 2014). In our elaboration of the SLO framework below, we specifically clarify the meanings of the terms, legitimacy, credibility and trust, so that they can be used in an operationalisation of the SLO model. In general, we consider (and in our wording, although drawing on Thomson and Boutilier, 2011) that (social) legitimacy can be defined as being the acceptance of the project by the host community especially in terms of its fairness — in terms of whether there was a fair procedure to approve the project and there is a fair distribution of benefits from the project. Credibility is the extent to which a project or company is considered to be believable — that what the company says and does is realistic and likely, together with a perception by the community that the company is honest and not engaging in any deception. Trust is a strong form of credibility in which members of the community have confidence that the company will make decisions at least in their mutual best

interest, if not in the best interests of the community itself. At the very least, for a community to trust a company, it must be sure that the company will, of its own accord, fully consider and address all potential issues the community might have about the project (Thomson and Boutilier, 2011).

2.1. Legitimacy in its various forms

In the eyes of a host community, legitimacy is the first requirement to obtain the basic level of SLO, acceptance. Legitimacy has several dimensions, e.g. legal, economic and social (or socio-political). Legal legitimacy is a perception about whether the regulatory processes and procedures have been appropriately followed and the decision-making fair. Economic legitimacy is the perception about whether the benefits the project provides to the community and compensation to affected individuals are fair. Compensation refers to the financial entitlements of those individuals who are directly impacted, for example by resettlement or economic displacement due to their livelihoods being affected by the project. Benefits means those contributions a company makes to a community above normal taxation and other legally-imposed costs of operation. Benefits can be provided in a variety of forms, including: jobs for local people; new business opportunities; social investment programs; shared infrastructure; and the provision of training or capacity development programs (Esteves and Vanclay, 2009; João et al., 2011; Vanclay et al., 2015). Social legitimacy (socio-political legitimacy) is more complex and includes additional dimensions, for example, questions around: is a given project good for the wellbeing of people in the region?; does it respect local ways of life?; does the process treat people with respect?; is there a better alternative to the project?; is it perceived as acting fairly by local actors?; and was it done in a legal and fair way?

Communities differ from each other in many ways, nor is any community homogenous, so project proponents must design contextualized approaches and have a deep understanding of the social, cultural and political dynamics on the ground (Boutilier and Thomson, 2011). The corporate sector is full of examples of inadequate 'one size fits all' approaches (Vanclay, 2012; Owen and Kemp, 2013b; Prno, 2013). However, even though there are no set criteria for achieving a SLO, some obvious minimum standards can be inferred, such as: treating communities with respect; fairness in dealings; upholding basic human rights; avoiding bribery and corruption; and working to minimise harm to the environment and to people (Kemp and Vanclay, 2013; Bice, 2014; Vanclay et al., 2015).

2.2. Credibility

Achieving the approval level in the SLO continuum requires the project/company to be accorded credibility by the members of the local community. Credibility (i.e. believability) is achieved by the company consistently providing true, clear and believable information, and delivering on all commitments made to the community. To build credibility in a local community, it is important to have — and for the community to believe that the company has — a high level of technical competence and a high level of skills, and a commitment to social performance. Social performance comprises: the effective identification and addressing of all social, environmental, health and human rights issues at all stages in the project lifecycle; designing and implementing mitigation and monitoring programs; the provision of real ongoing social benefits to the community; company compliance with at least the minimum international social and environmental standards; a commitment to and evidence of openness, transparency and good governance; implementation of effective community engagement mechanisms;
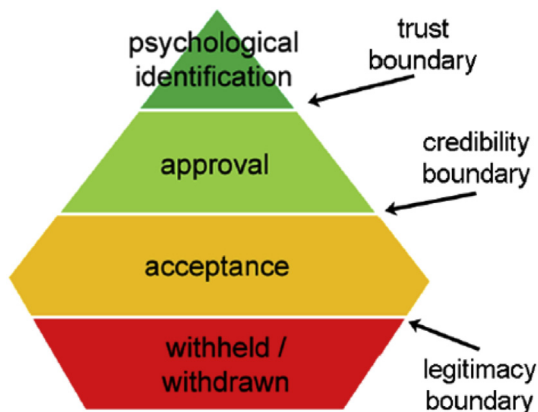

Fig. 1. The social licence to operate continuum.
Source: Thomson and Boutilier (2011).

and undertaking any resettlement and livelihood restoration programs (if applicable) in a fair and effective way (Vanclay et al., 2015).

Effective community engagement is pivotal, and underpins all aspects of credibility, especially in relation to the community's perception (belief) of the social and technical competency of the company (Dare et al., 2014). The type of the community engagement practices used will likely vary according to the underlying level of credibility and trust in the company. Effective engagement provides opportunities for good, positive interaction that builds credibility and ultimately trust (Prno, 2013; Moffat and Zhang, 2014).

2.3. Trust

Gaining the full trust of a community leads to the highest level of SLO: co-ownership or psychological identification (Thomson and Boutilier, 2011). In effect, trust is a strong form of credibility that is developed over time. As explained by Thomson and Boutilier (2011), trust has two components: interactional trust and institutionalized trust. Interactional trust is the strong perception that the company and its management listens, responds, keeps promises, engages in mutual dialogue, and treats the community with respect. Interactional trust is a temporary, transitional phase that eventually leads to established, institutionalized trust, i.e. an enduring regard for each other's interests. Institutionalized trust implies that a company and the local community members perceive each other as partners, respect each other, and have common interests. Such a relationship can be described as regarding each other as a 'good buddy' (Koivurova et al., 2015). The demonstration of high levels of trust is evident in real life, when, for example, local community representatives design and implement their own project activities. The company's role in such activities should be regarded as 'in-reach' (i.e. doing things together *with* local communities), as contrasted with 'out-reach' (i.e. doing things *for* local communities) (Harvey, 2014). Where there are high levels of trust, local communities will want to be involved in the project; they are proud of the project and its activities; they identify themselves with the project; and they consider they have interests in common with the project/company.

In order to assess the usefulness of the concept of Social Licence to Operate, we considered the activities of the oil multinational, BP, in Georgia, especially its activities relating to the Georgian sections of the Baku-Tbilisi-Ceyhan oil pipeline and the Southern Caucuses gas pipeline. We specifically assessed each of the three key SLO elements — legitimacy, credibility and trust — by reviewing BP's statements and actions, and by considering the perspectives of BP's stakeholders.

3. Background to the case study: BP's pipelines in Georgia

The Baku-Tbilisi-Ceyhan pipeline is a very important geopolitical, economic infrastructure project connecting the oil-rich Caspian Sea to Europe. The 1768 km pipeline starts in Baku, Azerbaijan, passes through Georgia, and ends at the Turkish port of Ceyhan (see Fig. 2). The oil is then shipped to world markets through the Mediterranean Sea. The first agreement to construct a pipeline was reached in 1993, not long after Georgia gained independence from the Soviet Union. Subsequently, and after much discussion, construction of the BTC pipeline took place between 2003 and 2005, costing 4 billion dollars. The first oil entered the pipeline in May 2005, taking just over 12 months to reach Ceyhan. With a diameter of around 1 m (exactly 42 inches in most places), the pipeline is now capable of delivering 1.2 million barrels of oil per day. The pipeline was a joint venture between 11 entities, with BP having the largest share (31%) and being the operating partner.

The BTC pipeline was the first energy project to transfer oil from the post-Soviet space to the West without going through the Russian Federation (Cornell et al., 2005). It is very important for the diversification of the world's energy sources, especially for the West in terms of reducing the potential power of Russia and the OPEC nations (Cornell et al., 2005). The BTC pipeline made politically possible and expedient the construction of a second pipeline, this time for gas. This South Caucasus Pipeline (or Baku-Tbilisi-Erzurum or BTE pipeline) largely follows the route of the BTC pipeline up until Erzurum in Turkey, where the gas enters the existing Turkish gas pipeline system. The gas pipeline, which cost 2.9 billion dollars, became operational in 2006, with gas reaching Turkey in 2007. The BTC and BTE pipelines have increased the significance of the small post-Soviet countries of Azerbaijan and Georgia in the world and "reconfigures the mental map with which political observers and decision-makers look at the world" (Cornell et al., 2005, p.17). The realization of these projects has led to Georgia and Azerbaijan having stronger political and social ties with Europe and the USA.

The BTC pipeline is also very significant from an infrastructure perspective. At 1768 km, it is one of the longest oil pipelines in the world. Crossing many mountain ranges, including at altitudes above 2500 m ASL, incurred many technical difficulties. The pipeline is of considerable importance to the national economies of Georgia, Turkey and Azerbaijan. There is a social investment program to benefit communities along the route (IFC, 2006).

The Georgian section of the BTC pipeline is only 249 km long. Construction of this section, together with related facilities, created around 6000 temporary construction-related jobs in Georgia for the two year construction period (2003–2005). Some 500 long-term positions with BTC in Georgia were created, about 95% of which are for local people. During the oil pipeline construction, BP was the largest investor in Georgia. In 2014-15, with the upgrading of the gas pipeline, BP was again the largest investor in the country (Commersant.ge, 2015).

4. Methods and data sources

BP and its pipelines were selected as an appropriate test case because BP in Georgia (and perhaps to a lesser extent also globally) has often been presented both as a good example of a corporation having a SLO as well as being a corporation responsible for actions that have led to severe criticism (Civil.ge, 2004). Such extremes provide a good context to test the SLO concept.

The lead author is a native Georgian who has worked as a research consultant in Georgia for over seven years. As part of a larger project examining the effectiveness and probity of external monitoring bodies (Greenspan, 2011), he was commissioned by Oxfam America in 2010–2011 to consider the involvement of the Georgian public in the implementation of BP's pipeline projects in Georgia and specifically how that compared to the reports of the Caspian Development Advisory Panel (CDAP), a high-profile external body established by BP to monitor the BTC and other BP projects (Caspian Development Advisory Panel, 2007).

With their permission, this paper is primarily based on the data collected for that Oxfam project. There are two reasons for this. The first relates to the timing of data collection. The Oxfam research was conducted when BP's major construction activities had been completed for about 5 years. At that time, it was possible to identify people from local government, NGOs, and affected communities who were directly involved in the process and still had fresh memories about their experiences. In contrast, at the time this paper was being written about 10 years after construction, it would have been difficult to collect reliable data about the perceptions and
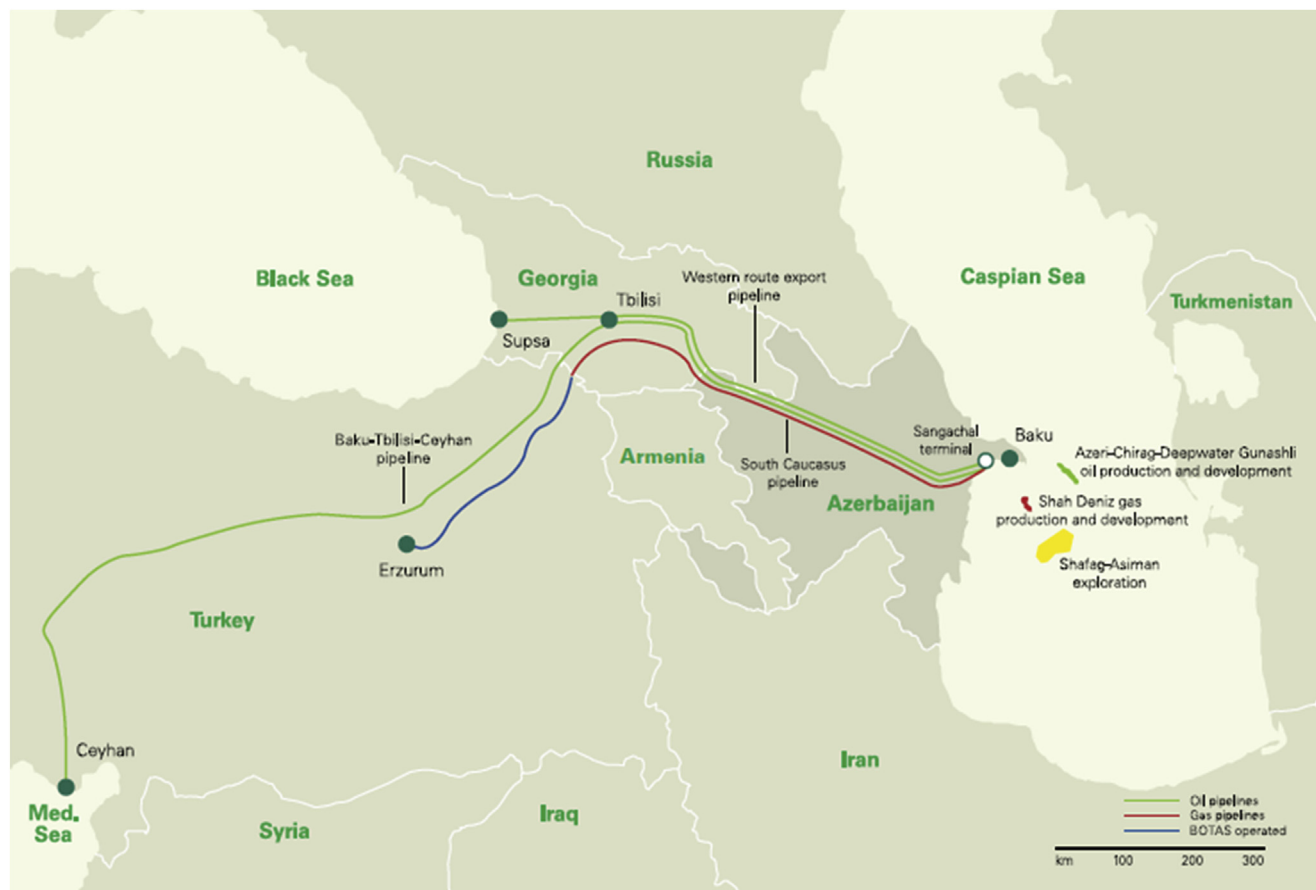
Fig. 2. Route of the Tbilisi-Baku-Ceyhan pipeline.
Source: BP Sustainability Report 2014

experiences of people about that time. The second reason is that the data collected for the Oxfam study was rich and potentially full of valuable insights, and had not been fully utilized, especially in relation to issues around SLO. Since much of the discussions with respondents for that study had been about community perceptions, trust, communication and development, the Oxfam data was a very useful source of information about the extent of SLO BP had in these communities.

The primary data originally collected for the Oxfam America project was augmented by two additional interviews undertaken in 2015 (details given later in this section). The Oxfam research, which started in December 2010, included interviews with all key stake-holders, including: NGOs, local government, central government, businesses, donors, and the general public. An initial meeting with BP was important to gain information on BP's activities, especially relating to public participation. BP willingly shared information and provided a list of the communities potentially affected by the project. The lead author also interviewed Alexander Rondeli, the chairman of Georgian Foundation for Strategic and International Issues, a leading think-tank. As the liaison for CDAP in Georgia and responsible for setting up meetings between CDAP and Georgian stakeholders, Rondeli was a key stakeholder.

In addition to CDAP, there was another independent monitoring body, the Pipeline Monitoring and Dialogue Initiative (PMDI), a platform by which local NGOs could monitor various aspects of BTC operations and provide feedback. Some 20 NGOs were involved in PMDI, including environmental NGOs, and archaeological, human rights, and other organisations. These 20 NGOs were repeatedly

contacted, however after much effort only 12 had responded and were subsequently interviewed.

For the Oxfam project, the lead author also conducted in-terviews with two other large environmental NGOs in Georgia: Green Alternative and the Green Movement. To gain the perspec-tive of the government at the time, he interviewed Nino Chkho-badze, who was Minister for the Environment during the development of the pipeline. As Minister, she was involved in ne-gotiations with BP and the BTC project. Attempts were made to interview a representative of the state-owned Georgian Oil and Gas Company, but without success. For all interviews, the general principle of informed consent (Vanclay et al., 2013) was applied, although signed consent sheets were not used because they would not have been culturally appropriate. Because of the potential sensitivity of the topic, the interviews were not recorded, although extensive notes were taken during each interview, supplemented by additional observations made after the interviews.

The research included field visits to the districts of Akhaltsikhe and Borjomi in the region of Samtskhe-Javakheti, and to the district of Gardabani in in the region of Kvemo Kartli (see Fig. 3). These are the main two regions of Georgia through which the pipelines pass. The village of Akhali Samgori in Kvemo Kartli region was selected due to its large size and close proximity to the pipelines. Bakuriani was selected because it is the largest village in Borjomi district and its population was actively involved in BP activities, especially during construction. Borjomi district was at the centre of heated discussions between civil society, the government, and BP during the construction phase. Skhvilisi village was selected because it is

Fig. 3. The regions of Samtskhe-Javakheti and Kvemo Kartli in Georgia.
Source: adapted from *d-maps.com free maps* - http://d-maps.com/carte.php?num_car=5480&lang=en (accessed on September 8, 2016)

one of the largest ethnic minority villages in Akhaltsikhe district — since the other two centres were predominantly inhabited by ethnic Georgians, it was important to solicit information from the non-Georgian population as well.

In each of the three local communities, discussions were held with relevant local government representatives and other key individuals. It was also intended to hold a focus group in each village to ensure a broad representation of different perspectives. However it proved very difficult to recruit people to these focus groups, perhaps because this research method was not well known in these villages and/or perhaps people had no particular concerns about BP (and thus no inherent interest in investing time in discussing this topic). Ultimately, focus groups of sorts (or perhaps group interviews) were held in each village, but with only 3 or 4 participants in each group (10 in total across the three focus groups). We acknowledge that this is a possible weakness of the research, but we also indicate that in the triangulation of data sources, there was no indication of any significant contradiction or controversy, and thus no reason to believe that a different story would have emerged if more people had participated. Basically, a consistent message emerged from all sources. Two of the three focus groups were tape-recorded, following informed consent from participants. For the other focus group, although informed consent for the focus group was granted, they preferred that the discussion was not recorded. Interviews and focus groups were conducted by the lead author in the Georgian language, with detailed notes being taken in Georgian. An English summary of each interview and focus group was provided for the Oxfam research. For the current research, the original detailed notes in Georgian were reviewed, with key points relating to social licence to operate and the three underlying concepts extracted.

In addition to reconsidering the data from the Oxfam America study, two interviews with authorised BP managers were conducted in 2015 to discuss BP's perspectives on SLO. In addition, we reviewed BP's annual Sustainability Reports (available in English and Georgian) for each year since 2005 as well as other appropriate reports that were publicly available on their website or elsewhere (BP, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015).

To test the applicability of the SLO concept, we considered what BP said in its reports and policies, what BP actually did, and what BP's stakeholders thought about BP. To make a judgement about the applicability of the SLO concept, we considered the following questions:

- Were the underlying concepts (legitimacy, credibility and trust) easy to define and operationalise?
- Could these underlying concepts be easily applied in the specific case of BP in Georgia?
- Was it possible to obtain a clear answer about the extent of SLO held by BP?
- Is it likely that the outcome (extent of SLO) was accurate/robust/reliable?
- Overall, is SLO a meaningful and useful concept?

5. Assessing BP'S social licence to operate

To determine the level of SLO BP has achieved in Georgia, we assessed the extent to which BP had acquired the threshold criteria for each level in the model — the level of acceptability is achieved by the gaining of legitimacy; approval is achieved by the gaining of credibility; and co-ownership or psychological identification is achieved by the gaining of trust.

5.1. Legitimacy

In effect, legitimacy boils down to fairness: a fair distribution of benefits and a fair process. BP has clearly emphasized the importance of legitimacy in its key documents, including its strategy documents, sustainability reports, and code of conduct. BP states that it aims to provide fair compensation. It has displayed a commitment to understanding and respecting local communities.

We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us (BP 2015, 15).

This statement highlights BP's commitment to the key aspects necessary to gain a SLO. It emphasises respect, compliance, ethical standards, good behaviour, gaining trust, and addressing the consequences of its decisions (i.e. impacts). BP ensures that its employees know and follow the company's code of conduct. For example, in 2014, 272 people (i.e. more than half their staff) attended code of conduct awareness training sessions.

It is important that project proponents understand the local context well, and that any decisions made take account of any specific local dynamics (Prno, 2013). At the early stages of its Georgian activities, BP commissioned a regional review to help put its project activities into the local social, economic, political, security and geopolitical context. This regional review influenced its decisions on where the pipeline route should go and what initial actions the company should take for engagement with the public (IFC, 2006: 11).

Facilitating local community development and the fair distribution of benefits can be achieved through appropriate local content arrangements – creating jobs, promoting enterprise development and accelerating the transfer of skills and technologies (Esteves and Vanclay, 2009; Esteves and Barclay, 2011). The importance of sharing economic benefits is highlighted in BP's documents:

We aim to make sure that we bring benefit to local communities by supporting programmes and initiatives that build capacity and promote enterprise (BP, 2015: 7).

Our investment and activities in Georgia generate positive economic and social impact by generating government revenue, creating jobs and providing opportunity in the supply chain (BP, 2015: 19).

BP applied a set of principles and specific targets relating to the use of local labour. The principles stated that contractors should seek to maximize local content and that they should ensure that this expectation was also included in their contracts with subcontractors. BP and its contractors and subcontractors were committed to maximizing benefits to the local communities and municipalities in the vicinity of their work and to Georgia as a whole. For example, they sought to maximize the use of local labour to reduce the risk of increasing social tension (BP, 2014).

During the construction phase, BP had up to 6000 employees in Georgia. It was planned that there would continue to be an ongoing 500 employees of BP in Georgia, of which 95% would be locals. The annual reports indicate that this has been more-or-less the case. In 2014, BP paid USD 22 million in salaries and associated costs in Georgia. A further USD 72 million was provided to sub-

contractor companies (primarily Georgian) and USD 139 million was spent on operational and capital expenditures. Thus, there was a considerable contribution to the national economy. In addition, since 2003 BP has spent a total of USD 30 million on social investment programs across four main areas: the socio-economic development of pipeline communities; businesses development; energy efficiency; and education. As a result of its Community Development Initiative, some 480 new small businesses have been established in the pipeline communities since 2003 (including 91 in 2014).

From our research, particularly in villages near where the BTC pipeline passes, we saw evidence of the benefits BP had created. For example, in the village of Skhvilisi near the Georgian-Turkish border, which is inhabited mostly by ethnic Armenians, the local population mentioned that BP had paid for the renovation of the school and civic administrative building.

Not everything can be easily classified as being evidence for or against the existence of a SLO. For example, in one village, we were told that although BP's security staff were being recruited from local people, they were disproportionately being selected from other neighbouring villages, leading to a concern about equity in the distribution of jobs. A major concern for some villagers related to compensation payments. Some people who were outside the designated 500 m zone wanted to receive compensation, but were ineligible. They felt that they were being artificially excluded by an arbitrary ruling. Thus, for all the good it did, the giving of compensation also created a sense of inequity, or at least created a division within the community. Nevertheless, those who received compensation were generally happy with the extent of compensation paid, the thoroughness by which the compensation was calculated, and by the fairness of the compensation procedure in general.

They paid well. For one side of the pipeline – I don't quite remember how many square meters of land I had – they paid me 1100 Lari [roughly USD 650]; and for the other side, I only had two square meters of land and they compensated me for that as well, with an additional 100 lari [roughly USD 60]. (A focus-group participant from Akhali Samgoni village).

In Bakuriani, where BP accommodated many employees who were undertaking construction work in nearby villages, the sentiments were also very positive. Bakuriani is a mountain resort and the inflow of employees helped its economic recovery, especially because of the lack of tourists at the time – the political unrest associated with the 2003 Rose Revolution had led to a widespread reduction in tourism in Georgia for several years. BP still provides assistance to Bakuriani and neighbouring villages when needed, especially in the form of loaning major equipment (e.g. bulldozers, cranes, snow ploughs).

In all the villages we visited, the local population said they were easily able to communicate with BP. Our overall assessment is that it is clear that BP's operations in Georgia have economic as well as socio-political legitimacy. The environmental and social impacts of the pipelines were minor, much less severe than many other major projects (e.g. mining projects), and the benefits were very evident. Although there were some concerns about compensation and other issues, there was no fundamental opposition to the idea of the pipelines. Thus, the legitimacy barrier was clearly passed.

5.2. Credibility (believability)

According to BP's own documents, the company is committed to building its credibility. This is done primarily through effective engagement mechanisms which demonstrate the company's

competence and transparency, as highlighted in its strategy documents:

> We monitor our performance closely and aim to report in a transparent way. We believe good communication and open dialogue are vital if we are to meet the expectations of our employees, customers, shareholders and the local communities in which we operate (BP, 2015: 11).

> We seek to reinforce the positive relationships we have with the communities near our operations (BP, 2015, 34).

To increase its credibility and transparency, BP developed a multi-layered system of reporting. Reports that are of public interest, e.g. sustainability reports and quarterly reports (BP, 2012-2014), are made available online in English and Georgian. These reports are very detailed and outline what BP had planned, what it had achieved, and the plans for the upcoming period. BP's local subcontractors and partner NGOs are required to submit quarterly reports on their activities which are also uploaded on BP's website.

Initial important elements in BP's monitoring process were its regular internal monitoring mechanisms and the frequent visits from BTC's principal project lender, the International Finance Corporation (IFC). BP also liaised with the external independent monitoring mechanisms, e.g. PMDI. Given its awareness that there was little technical capacity about monitoring large projects amongst Georgian civil society organisations, during the initial phases of the project BP invited all interested parties to training sessions on monitoring mechanisms and took them on regular visits to its project sites. Several panels were established to monitor compliance with the agreed standards. For example, the Social and Resettlement Action Plan Monitoring Panel was set up to monitor compliance with the Resettlement Action Plan. Foley Hoag, an American law firm, was hired to monitor the project's compliance with the Voluntary Principles on Security and Human Rights. Foley Hoag specifically assessed security arrangements and how BP's practices impacted on human rights, finding no issues of major concern (Smith, 2007).

Another step in establishing and maintaining credibility was the creation of a high level external monitoring mechanism, the Caspian Development Advisory Panel (CDAP). CDAP's role was to ensure that any concerns of local communities could reach BP corporate headquarters in London. Analysis of CDAP reports showed that CDAP was highlighting the issues important to local communities, such as land compensation and irrigation issues. However, an Oxfam report (Greenspan, 2011) suggested that CDAP's credibility was impaired by the apparent potential conflict of interest of one of the panel members, the lack of transparency in the selection of panel members, and by the lack of familiarity of the panel members with the region. Although CDAP played an important role in increasing transparency for the BTC project and ensured that local concerns would be taken seriously, it was established only at a late stage in the project. According to an interviewee from the Green Alternative NGO, the increase in the involvement of civil society only happened after 2004 following pressure from the World Bank and other international actors. "*CDAP was the result of this pressure on BP, and its formation led to more openness from BP's side. However, the most important issues, like the route of the pipeline, were already determined*" (Manana Qochladze interview 2010).

Perhaps the biggest concern about the project was the proposed route of the pipeline. It was intended to pass through the Borjomi district, not far from the culturally and economically significant Borjomi natural waters spring. The environmental NGOs opposed this plan. This led to a discussion of alternatives, and eventually a different route was chosen. However, the pipeline route still goes through the Borjomi district, now bypassing the national park and extra safety measures have been deployed. Nevertheless, the route remained of considerable concern to environmentalists in Georgia. To increase its credibility during this process of negotiation, BP revealed it was willing to go beyond its minimum legal obligations to gain a solution acceptable to all parties. Although BP had signed a Host Country Agreement with the Government of Georgia, which gave it the in principle legal right to put the pipeline more-or-less where it wanted, BP agreed to compromise. Relevant points here are that forcing its legal right would have been very bad for BP's credibility. The compromise solution was arguably a reasonable outcome. It was a challenging issue affecting the public perception of BP, but BP's willingness to consider alternatives was generally regarded as being positive. Some environmentalists, however, still believe there is an unacceptable risk to the environment.

In projects as big as BTC, there is a risk of negative impacts. To minimise such negative impacts and capitalise on positive benefits, corporations are generally required to conduct Environmental and Social Impact Assessments (ESIA). In the case of BTC, BP did separate ESIAs for Azerbaijan, Georgia, and Turkey, all conducted by different consultants, resulting in a total of 38 volumes of publicly disclosed documentation (IFC, 2006), including more than 1200 pages of documentation for Georgia alone. Typically, project proponents do one ESIA for a project, but in cases of transboundary projects, especially when there are diverse cultural and geographical contexts, this would create risks of missing important local issues. The extent of BP's commitment to doing the ESIAs and to acting on the recommendations of the many reports was seen as favourable by many local stakeholders. Some external stakeholders, however, considered that the ESIAs did not cover all important issues, such as providing detailed analyses of alternative routes and justifications for construction-related actions (CEE BankWatch Network, 2002).

BP has established grievance mechanisms to collect and address community concerns from the very start of the project. According to BP (2007), 3461 grievances had been logged in Georgia for the period up until 2007. These had been promptly and seriously considered with approximately 60% being resolved in favour of the complainant. Having a grievance mechanism is vital for major projects. BP is aware of this, and developed its grievance process with three distinct objectives: "(i) provide affected people with straightforward and accessible avenues for making a complaint or resolving any dispute that may arise during the course of the project; (ii) ensure that appropriate and mutually acceptable corrective actions were identified and implemented; and (iii) verify that complainants were satisfied with outcomes of corrective actions" (BP, 2015: 33).

In the communities we visited, there was no doubt about BP's technical competence. In fact, some focus group members in Akhali Samgori were concerned that they had to deal with the Georgian Oil and Gas Company (GOGC, a state-owned company) rather than with BP. These people thought they were being disadvantaged because the Georgian government and the GOGC were seen as being less competent than BP. In essence, unlike GOGC, BP did what it was promised to local communities and it delivered additional benefits such as fixing roads and local water supplies. Furthermore, in Bakuriani, locals were saying very positively that BP people often visit and that the company often provides help. On the other hand, there were some people who were less satisfied. In Skhvilisi, some people complained that their claims for compensation were not being properly considered by BP and there was a lack of adequate follow-up by BP.

Whereas it was unambiguous that BP had legitimacy, it was less certain that BP had credibility, especially from all stakeholders. Clearly, some people were impressed with BP and believed it was a

respectable corporate partner, however other people had mixed feelings. Some were not completely happy with the compensation levels or procedures. BP arguably was taking the right steps to attempt to gain credibility, but the complexity of the situation was that credibility had not been fully achieved.

5.3. Trust

Trust is at the pinnacle of the SLO continuum. In effect, the existence of high levels of trust would be revealed when project proponents and local communities consider that they are essentially part of the same team and that their interests are aligned. Gaining institutionalized trust in a local community can only occur after an extended period of prolonged credibility. While establishing a company's legitimacy and arguably credibility might be possible in a relatively short timeframe, establishing institutionalized trust will take several years, if it is ever to be achieved. BP is conscious of the important role of trust and the significance of it for local communities. For example, in the 2015 edition of BP's sustainability report, there is excerpt from its Code of Conduct:

> We can only operate if we maintain the trust of people inside and outside the company. We must earn people's trust by being fair and responsible in everything we do. We monitor our performance closely and aim to report in a transparent way. We believe good communication and open dialogue are vital if we are to meet the expectations of our employees, customers, shareholders and the local communities in which we operate (BP, 2015: 9).

Although being a strong, worthy and aspirational statement, how does it translate into real actions? Does BP adhere to these principles on the ground? Earlier we discussed the mechanisms of community engagement that BP employs to gain credibility for its projects. It can be argued that being committed to such effective engagement practices for over 12 years (i.e. since the commencement of the BTC pipeline) should provide a solid foundation for building trust. Over this period, BP demonstrated that it listened, responded appropriately, kept all promises, engaged in mutual dialogue, and treated the community with respect.

One example of BP's commitment to increase mutual trust with local communities was with its Community Development Initiative (CDI), and especially with a change around 2006 in its stakeholder management strategy reflected in a shift from liaising only with international NGOs to local community groups, and from a purely philanthropic approach to a real delegation of power and responsibilities to local partners. BP initially had partnered with international NGOs to run the subprojects. However, following a period of community capacity building, all aspects of the CDI are now completely in the hands of local NGOs. People from local communities are able to present their own projects for potential BP support based on mutually-agreed, pre-established criteria. Although there are appropriate monitoring processes, the on-going arrangements for the design and implementation of projects are conducted in a way that is built on a foundation of trust and continues to build trust. According to an IFC evaluation, BP's CDI "does not guarantee good community relations in and of itself, but if done right [CDI] can help foster long-term trust and goodwill with affected communities and other stakeholders" (IFC, 2006, p.27).

A big advantage of a long-term project like BTC is that project proponents can plan ahead and tackle strategic issues. For example, BP has taken a leading role in raising awareness about corporate social responsibility (CSR) in the Georgian business sector. Ultimately, the aim of this initiative is to have a positive impact on building mutual trust in the business sector in Georgia.

As was the case with the credibility criterion discussed above, the complex situation with the Borjomi National Park and concerns regarding land compensation and other issues suggest that BP is making efforts to gain trust, but at present it cannot be claimed that it has achieved trust. This is not surprising, because achieving trust takes considerable effort over a long period of time. It is dependent both on the local context and is affected by global external events, which potentially thwart attempts to achieve trust locally.

6. Conclusion

Our application of the SLO framework and assessment of BP's corporate experiences demonstrate the value of thinking about SLO in terms of legitimacy, credibility and trust. The SLO framework proved to be useful and could be relatively easily applied to an assessment of BP's activities in Georgia. By inference, it would also be useful for a wide range of other companies and projects. In essence, we considered that BP had clearly established its legitimacy and thus had at least obtained the 'acceptance' level of SLO. Although many effective and worthwhile practices were being undertaken to attempt to achieve credibility and trust, these attempts had not fully convinced all stakeholders, and thus BP could not be regarded as having either approval or psychological identification from all stakeholders. We consider that this verdict is arguably accurate, robust and reliable, however we note that the background attitudes of any observer/evaluator are likely to influence (i.e. 'bias' in a statistical sense) the way they collect and consider any evidence that might be applied to answer the question of whether a particular company had achieved legitimacy, credibility or trust. One issue that arises in this discussion is what percentage of stakeholders need to consider that the company has credibility for the approval level of SLO to be accorded; and correspondingly to trust the company for co-ownership or psychological identification to be accorded by a particular community.

Another thing to consider with the concept of SLO is that it should not be regarded as a singular concept that only needs to be established at a single point in time (Dare et al., 2014; Hanna and Vanclay, 2013). Unfortunately, the unitary nature of the expression, a social licence to operate, potentially leads some users of the term to consider that there is only one licence that needs to be obtained from one homogenous community. Communities are never homogenous and consequently multiple SLOs will always be required (Vanclay, 2012; Jijelava and Vanclay, 2014b). SLO should therefore always be considered as a holistic and multi-dimensional concept. Nevertheless, the SLO concept is useful because it recognizes the importance and power of local communities (Morrison, 2014; Syn, 2014; Hanna et al., 2016).

The three threshold criteria, legitimacy, credibility and trust, proved to be useful devices. They aligned well with their corresponding level in the SLO spectrum: respectively acceptance, approval and psychological identification. Because they are the factors that companies should focus on to improve their SLO, they were more useful than thinking about the levels of SLO on their own. The three criteria appeared to be comprehensive of all matters that would need to be considered in thinking about a SLO, especially when the cumulative nature of the model was taken into account — i.e. that credibility requires legitimacy; and trust requires credibility and legitimacy.

The social licence to operate concept is appropriate and appealing to most organisations. Gaining social acceptance is especially important for those companies that work in sectors where reputational risk is high, such as in the extractives sector. Not having a SLO can have significant consequences for projects. The lack of social acceptance is likely to lead to a range of protest actions (see Hanna et al., 2016) that can result in: physical damage to

company property; project delays and lost production; court action against the company; regulatory action against the company including additional conditions being imposed, fines, claims for compensation being awarded against the company, or the revoking of legal licences to operate; loss of reputation; sharemarket reaction; extra costs including for additional staff and security, higher insurance premiums and increased cost of finance; implications of the diverted attention of staff and board time; and loss of access to new sites (Vanclay et al., 2015). All up, this can have enormous financial implications. Thus, there is a very strong justification for companies to give serious attention to their SLO. By being aware of this, and by using a range of methods to listen and respond to local concerns, companies can enhance their social licence to operate and grow.

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