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The Implementation of the Social Licence to Operate (SLO) Concept in Nickel Mining Governance in Kolaka Regency

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ABSTRACT

This article examines the governance of nickel mining permits in Indonesia, with Kolaka regency as a case study, with a focus on the implementation of the social license to operate (SLO) and the principle of free, prior, and informed consent (FPIC) as an integral component of SLO. The growing global demand for nickel has led to environmental degradation and social challenges. Drawing on document analysis, field observations, and interviews, this study finds that the implementation of SLO in Kolaka has not fully achieved genuine social legitimacy. Companies largely depend on corporate social responsibility (CSR) and community development programmes to build social acceptance, with primary focus on compensatory measures such as infrastructure or employment. However, these strategies tend to be top-down and do not ensure inclusive participation. FPIC has not been properly implemented, as consultations often exclude indigenous communities and fail to meet the criteria of being free, prior, and informed. Moreover, SLO is typically secured after mining operations have already commenced. These findings show that SLO implementation in Kolaka remains superficial, shaped more by CSR than by active engagement and voluntary consent from affected communities. It recommends adopting a more transparent and participatory approach grounded in FPIC principles.

Keywords*: Nickel mining; permit governance; SLO; FPIC; Kolaka*

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Introduction

The global surge in demand for nickel, particularly driven by the development of renewable energy sector, has triggered the nickel rush phenomenon, leading to a significant increase in mining activities in Indonesia, including in Kolaka regency. While this phenomenon has boosted national nickel production, it has also resulted in adverse social and environmental impacts, such as pollution and rising tensions with local communities (Jatam, 2022; Wijaya, 2022). The governance of nickel mining permits, therefore, plays a crucial role in ensuring operational sustainability and mitigating the negative impacts (Aljauhar, 2018; Tegnan et al., 2021).

Indonesia possesses approximately 25% of the world's nickel reserves (Zuada et al., 2021), positioning it as a strategic player in the global renewable energy supply chain. However, exploiting these vast resources has frequently involved significant governance issues, including environmental degradation, regulatory breaches, illegal mining, and corruption (Tegnan et al., 2021). In this context, the social licence to operate (SLO) is vital. As a form of social contract, the SLO builds relationships between mining firms and local communities (Prno & Slocombe, 2012; Sícoli Pósleman & Sallan, 2019).

This article aims to analyse how the SLO is implemented in the governance of nickel mining amid the ongoing nickel rush phenomenon. The SLO is conceptualised as a social contract reflecting the relationship between mining companies and local communities, wherein communities actively influence the sustainability of mining projects (Heffron et al., 2021; Komnitsas, 2020;

Prno & Slocombe, 2012; Sícoli Pósleman & Sallan, 2019). A core element of this framework is free, prior and informed consent (FPIC), which emphasises obtaining consent from affected communities before launching any project likely to affect their lives (Anderson, 2011; Rodhouse & Vanclay, 2016; Yakovleva et al., 2023). Both concepts are vital for sound mining governance, particularly in regions like Southeast Asia where extractive sector governance remains weak. This study assesses how these mechanisms are applied in Kolaka and explores the challenges and opportunities faced by mining firms in securing social legitimacy to sustain their operations.

This article is based on qualitative research that combines document analysis, field observations, and in-depth interviews with various informants directly or indirectly involved in political practices and mining activities in Kolaka. All names of individuals, locations, and institutions have been anonymised consistently to protect privacy and to avoid potential negative consequences for local communities, government actors, companies, and the researcher. Only names derived from written sources or public figures that cannot reasonably be anonymised have been retained. This process of anonymisation reflects an ethical commitment and methodological caution in addressing the sensitive issues explored in this study.

The article is structured as follows: the first section reviews literature on the SLO and outlines the analytical framework; the second introduces the empirical context of Kolaka as the case study; the third examines strategies used by nickel mining firms to implement the

SLO, including successes and challenges; the fourth reviews the obstacles in implementing the SLO during the permitting process and the extent of community involvement. The conclusion underscores the need to strengthen the SLO to promote sustainable mining governance in Kolaka.

Challenges and Strategies in Implementing the Social Licence to Operate in Nickel Mining in Kolaka Regency

The SLO has gained increasing relevance in the context of mining activities, particularly in response to the nickel rush phenomenon. SLO refers to the obligation of companies to secure acceptance from local communities for their operations, recognising that social consent is crucial when mining activities carry the potential for environmental and social impacts on surrounding populations (Heffron et al., 2021; Nguyen, 2021).

In Indonesia, the concept is embedded in legal frameworks such as the Job Creation Law (Undang-Undang Cipta Kerja) and the Environmental Impact Assessment (Analisis Mengenai Dampak Lingkungan/ AMDAL) regime. The principles underlying SLO are reflected in provisions requiring community involvement in environmental permitting. For example, Article 26 (3) of the Environmental Protection and Management Law (Law No. 32/2009), revised by Article 26 (2) of the Job Creation Law, mandates engagement with communities affected by planned business activities during AMDAL preparation. Likewise, Article 23 (3) of the Job Creation Law requires business risk assessments to consider health, safety, environmental impact, and natural resource use. These provisions show that community involvement is not merely procedural but forms a core aspect of corporate social legitimacy, closely aligned with SLO principles in the mining sector (Komnitsas, 2020).

The SLO can be understood as a social contract between companies and local communities, wherein companies are expected to fulfil social, economic, and environmental expectations (Prno & Slocombe, 2012). Community trust is essential for securing this licence. Without it, local populations often resist or reject mining activities (Matebesi & Marais, 2018). Thomson & Boutilier's (2011) framework, comprising legitimacy, credibility, and trust, explains how SLO can be sustained and social conflict prevented (Gehman et al., 2017; Savira, 2023). These elements are particularly relevant where distrust towards companies leads to tension. In this context, free, prior and informed consent (FPIC) is a key tool for establishing legitimacy, ensuring that communities can meaningfully engage in decisions before mining begins. Effective FPIC strengthens a firm's social legitimacy, credibility, and community trust.

Leena et al., (2019) note that trust is shaped by community engagement, access to information, company reputation, and contributions to local development. Firms perceived as fair and transparent often receive greater public support, even when negative impacts occur. Case studies from Colombia and Peru highlight that securing SLO is critical to long term sustainability, as the absence of community support can lead to delays, disruptions, or project termination, threatening both investment and operational continuity (Heffron et al., 2021; Prno & Scott Slocombe, 2012; Sícoli Pósleman & Sallan, 2019).

Cesar (2019) notes that community acceptance of a company increases when the company is perceived as fair, highlighting the importance of fairness in shaping relationship between companies and local communities. Similarly, Savira's (2023) found that community trust in developers who demonstrate fairness and credibility is a crucial factor in securing the SLO. The success of SLO highly dependent on stakeholders engagement, which not only fosters more responsible mining practices but also has the potential to mitigate the social impacts associated with extractive activities (Cesar, 2019, 2021; Komnitsas, 2020).

FPIC, which forms part of the SLO, is a fundamental internationally recognised principle aimed at ensuring that indigenous and local communities provide voluntary consent before any project affecting them is initiated (Prno & Slocombe, 2012). FPIC is crucial for balancing the interests of mining companies with the rights of local communities in Kolaka. It underscores that the need for communities to give their consent freely, based on comprehensive information about the potential impacts of a proposed project (Huizenga, 2019; Ikbal, 2012; Yakovleva et al., 2023).

In Indonesia, the relevance of FPIC has emerged from growing concern over the marginalisation of indigenous communities who often lack the political leverage to safeguard their interests in decisions taken by the government authorities or private investors (Anderson, 2011). Although some efforts have been made to incorporate

FPIC into legislation, such as the Environmental Protection and Management Law, these remain incomplete. Current regulations do not explicitly require legal consent from communities before project implementation. Instead, they emphasise public consultation without granting affected communities veto power. Consequently, FPIC is often subject to the discretion of companies or local authorities. Yet, the “consent” aspect of FPIC remains critical to project sustainability, particularly where indigenous rights and livelihoods are involved (Wardhani, 2020).

In this context, FPIC seeks to ensure that communities, including indigenous peoples, receive adequate information and are given the genuine opportunity to provide or withhold consent for projects that may affect their lives and livelihoods. However, the implementation of FPIC in Indonesia continues to faces significant challenges due to the lack of formal recognition of indigenous communities’ rights over their land and resources, which complicates the process of securing consent that is truly free, prior, and informed (Rodhouse & Vanclay, 2016; Yakovleva et al., 2023).

Overall, the implementation of SLO in mining governance, particularly within the nickel sector, should be understood as comprising two interrelated and complementary approaches. FPIC forms an integral part of SLO, wherein the community’s right to grant or withhold consent constitutes a fundamental element of inclusive and rights-based governance. While there is a growing body of literature on SLO and FPIC, there remains a lack of focused research on how FPIC is operationalised within the broader framework of SLO, especially in the context of mining permit governance in Indonesia.

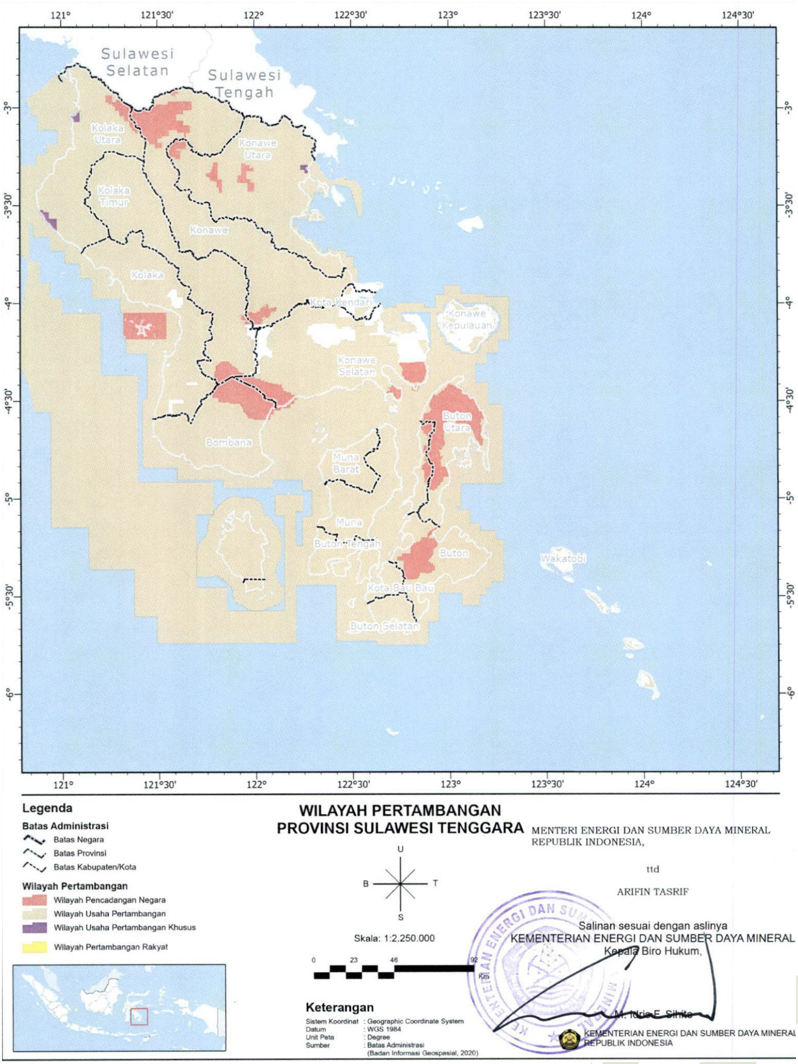
Accordingly, this study aims to investigate more thoroughly how the governance of nickel mining permits in Indonesia, especially in Kolaka, integrates the principles of SLO and FPIC to achieve more inclusive, legitimate, and sustainable development outcomes.

The Nickel Mining Boom in Kolaka Regency

Kolaka regency, Southeast Sulawesi, was formally established on 29 September 1959. It spans 3,283.64 km² of land and around 15,000 km² of maritime area. Administratively, it comprises 12 sub-districts, 35 urban villages, and 100 rural villages, with a population of 228,970 (Kabupaten Kolaka, 2021). The local economy relies primarily on agriculture, forestry, and fisheries, supported by sufficient education and healthcare infrastructure (JP, 2023). Kolaka holds one of the largest nickel reserves in Southeast Sulawesi, estimated at 12.81 billion tonnes (suarakendari.com, 2023). Mining activities began in 1901 (tribhakti.com, 2021), and expanded significantly post-2008, particularly after Indonesia's 2014 ban on raw nickel exports to promote domestic smelter development (PWYP Indonesia, 2017).

According to the Ministry of Energy and Mineral Resources Decree No. 104.K/MB.01/MEM.B/2022 concerning Mining Areas in Southeast Sulawesi Province, the following map illustrates the designated nickel mining business permit areas (*wilayah izin usaha pertambangan*/WIUP) within the region:

Figure 1. Mining Areas in Southeast Sulawesi Province



Source: Decree of the Minister of Energy and Mineral Resources (ESDM) No. 104.K/MB.01/MEM.B/2022 on Mining Areas in Southeast Sulawesi Province

The map above illustrates that the entire Kolaka is included within the designated WIUP. In contrast, only a small portion of the territory is classified as a state-reserved mining area.

Kolaka is endowed with abundant natural resources, particularly nickel, which serves as one of the primary sources of regional income. The extractive potential of these resources and reserves is outlined as follows:

Table 1. Data on Mineral Resource Potential in Kolaka Regency

No	District	Distribution of Mineral Resources	
		Area (Hectares)	Nickel
1	Iwoimenda	25.680	-
2	Wolo	35.033	4.108
3	Samaturu	66.260	-
4	Latambaga	22.480	-
5	Kolaka	12.700	-
6	Wundulako	16.483	4.498
7	Baula	10.750	4.481
8	Pomalaa	23.420	16.136
9	Tanggetada	24.540	4.911
10	Polinggona	12.460	-
11	Watubangga	31.880	737,5
12	Toari	10.620	-
Total		292.307	34.847
Specific Gravity			1,5
Estimated Thickness			5
Estimated Distribution			50%

Source: RPJMD Kolaka 2019-2024

Mining companies operating in Kolaka are primarily concentrated in three districts: Wolo, Pomalaa, and Tanggetada.

Table 2. Registered Mining Companies Operating in Kolaka Regency

Mining Companies Operating in Kolaka Regency			
Region			
Regency/city	District(s)	Company name	Types of Mining Materials
Kolaka	Pomalaa	Akar Mas International, PT	Nickel
Kolaka	Pomalaa	Aneka Usaha Kolaka, PD	Nickel
Kolaka	Pomalaa	Antam, Tbk, PT	Nickel
Kolaka	Pomalaa	Bola Dunia Mandiri, PT	Nickel
Kolaka	Wolo	Ceria Nugraha Indotama, PT	Nickel
Kolaka	Tanggetada and Lambandia	Dharma Bumi Kendari, PT	Nickel
Kolaka	Tanggetada and Lambandia	Dharma Bumi Kolaka, PT	Nickel
Kolaka	Tanggetada	Pernick Sultra, PT	Nickel
Kolaka	Pomalaa	Putra Mekongga Sejahtera, PT	Nickel
Kolaka	Tanggetada, Watubangga, and Lambandia	Toshida Indonesia, PT	Nickel
Kolaka	Wolo	Wajah Inti Lestari, PT	Nickel
Kolaka	Pomalaa	Wijaya Nikel Nusantara, PT	Nickel
Kolaka	Pomalaa	Mapan Asri Sejahtera, PT	Nickel

Source: Badan Pusat Statistik, 2022

The mining operations undertaken by companies in Kolaka have become a vital component of the local economy, providing employment opportunities for local residents and significantly enhancing regional economic performance. This is reflected in the increasing contribution to the gross regional domestic product between 2021 and 2023.

Table 3. Annual Contribution of Mining Companies

Year	Contribution from Mining and Quarrying (in million IDR)
2021	13.244.394,76
2022	15.657.297,52
2023	19.324.787,52

Source: BPS, 2024

Kolaka's growing nickel industry has generated economic opportunities but also caused significant environmental harm, especially in villages within mining zones 1 and 2. In Hakatutobu village, coastal and marine pollution, including sedimentation from red mud waste linked to port construction, has led to shallower coastal waters. This has contaminated fish farming, seaweed cultivation, and sea cucumber harvesting. The damage has severely affected local fishermen, who now struggle to depend on nearby waters. Whereas fish were once abundant near the shore, they must now travel further out to sustain their catch.

Mining activities have resulted in environmental pollution, including in Muara Lapao-pao village, located within the operational area of PT CNI, where a dam breach caused water overflow (Lestarini, 2023). The adverse impacts have extended to other sectors, notably agriculture. In Pesouha village, for instance, mining waste has led to land degradation and subsequent flooding. The floodwaters, contaminated with red mud, inundated approximately 650 hectares of rice fields and residential areas (Interview with Gusri, head of administration in Pesouha village, 3 October 2023). This environmental disaster caused widespread crop failure, resulting in reduced income for farmers and a further decline in the economic conditions of the local community (Salman, 2023).

Social challenges in Kolaka extend beyond environmental degradation, with local employment emerging as a major source of tension. During the early phase of nickel operations, conflicts arose over recruitment practices. In Hakatutobu village in 2003, protests erupted during the construction of a ferronickel plant after the developer was accused of prioritising workers from outside Kolaka, while offering only temporary or low-skilled roles to locals. The appointment of non-local workers to similar roles further fuelled resentment among residents who felt marginalised. Land ownership also remains a major point of contention, driven by overlapping mining concessions and hereditary land claims that often lack formal legal recognition. These issues particularly affect Indigenous communities and compound frustrations over the limited inclusion of locals in mining employment.

Despite the significant economic potential brought about by the rapid development of the nickel industry, Kolaka faces serious challenges stemming from the environmental and social impacts of mining activities. In this regard, Kolaka presents a compelling case study through which to examine the complex dynamics of nickel mining governance. Analysing Kolaka as a focal point provides a solid foundation for understanding the broader implications of mining activities and offers valuable insights into both identify both the challenges and opportunities for achieving sustainable natural resource management.

The Dynamics of SLO Implementation in the Governance of Nickel Mining Permits in Kolaka Regency

SLO seeks to ensure that mining companies contribute to local development by creating employment and delivering social programmes, such as education and healthcare, not only for employees but also for those in related sectors like logistics, hospitality, and public services (Nguyen, 2021). In Kolaka, the implementation of the SLO within permit governance reflects a complex dynamic, where success relies less on regulatory compliance and more on companies' ability to foster genuine relationships with local communities. This includes inclusive project planning, transparent information-sharing, and responsiveness to local needs and concerns.

A key mechanism in securing an SLO is the application of FPIC, which ensures that affected communities receive timely information, can freely express consent or dissent, and participate throughout the decision-making process. In Kolaka's nickel sector, implementing FPIC remains challenging, especially in ensuring that consultations genuinely reflect community aspirations. To build trust, companies have employed strategies such as corporate social responsibility (CSR) and mandatory community development programmes (*program pemberdayaan masyarakat*/PPM).

While CSR reflects voluntary initiatives in economic, health, education, and infrastructure development, PPM, requiring local government approval, aims to improve the socio-economic conditions of communities near mining sites. Notably, PT Vale initiated a PPM even before commencing operations as an early engagement effort (Heffron et al., 2021). Broader SLO strategies also include transparency around social and environmental impacts, participatory consultations, and targeted development programmes. These efforts are shaped by regulatory frameworks, local socio cultural dynamics, and the communication strategies used by companies to engage stakeholders (Mononen & Sairinen, 2021).

To foster the three core elements of SLO legitimacy, credibility, and trust, companies have adopted multifaceted strategies. These include prioritising the recruitment of local labour, undertaking CSR and PPM, and establishing collaborative partnerships with local communities. Specific initiatives have involved vocational training for residents, support for micro-enterprise development, and the construction of public infrastructure through participatory approaches. Such strategies aim to strengthen company-community relations and enhance local participation in shaping corporate social policy.

These strategic measures reflect the notion that a company's legitimacy in the eyes of the community is contingent not only on its economic contributions but also on the social impacts it engenders. By implementing transparent CSR programmes and actively involving local communities in decision-making processes, companies can foster the credibility and trust essentials for securing and maintaining long-term social support.

a. Employing the Local Workforce

Nickel companies in Kolaka regency aim to foster positive relations with local communities by prioritising the recruitment of local residents. Through open hiring processes, they promote equal opportunities and local participation. Where skills are lacking, firms provide targeted training to enhance competencies. This strategy helps build both economic support and social legitimacy (Muchtazar et al., 2023). Leena et al. (2019) note that creating local employment is among the most effective ways to secure an SLO, as it reduces unemployment and boosts income, creating mutual benefits. Companies such as PT Ceria Nugraha Indotama (CNI) and PT WIL have successfully recruited workers from nearby villages. PT CNI, for instance, prioritises local hires, with most of its workforce drawn from surrounding communities (Arsyad, 2023).

> *"We prioritise local labour up to 70%. In addition, we also enhance their capacity through training, for example, by providing them with education or training such as operating heavy equipment." (Interview with Saldi, external CSR representative of PT CNI, 4 October 2023).*

Meanwhile, PT WIL also engages residents as workers, whether in skilled or unskilled roles, particularly in non-technical positions, as part of its economic empowerment strategy.

Nickel companies in Kolaka have sought to empower local communities by collaborating with local youth organisations, such as *karang taruna*, to provide training that enhances workforce skills and institutional capacity. These efforts aim to deliver tangible economic benefits and foster community empowerment. By offering broader employment opportunities, both in unskilled and administrative roles, and prioritising local recruitment, companies have strengthened social trust and legitimacy. This approach ensures that mining's economic gains are directly felt by local populations, supporting smoother operations and reinforcing positive company–community relations (Matebesi & Marais, 2018; Mononen & Sairinen, 2021).

b. Corporate Social Responsibility and Community Empowerment Programmes

Mining companies in Kolaka implement CSR and PPM initiatives as strategies to gain legitimacy and SLO from local communities. These programmes aim to deliver direct benefits through economic assistance, infrastructure development, and capacity building (Cesar, 2019; Komnitsas, 2020). For instance, PT CNI allocates CSR and PPM funds annually, distributing IDR 200 million to first-ring villages and IDR 100 million to second-ring villages within Wolo district. These funds are typically used for priority community needs identified through local consultations.

> *"The amount of CSR funds for each village in ring 1 is 200 million, but for villages in ring 2, they receive 100 million, this is provided by CNI." (Interview with Rahman, head of Wolo district, 11 October 2023).*

The allocation of funds is determined through village-level deliberations involving various local stakeholders before being submitted to the company. PT Antam also provides varying levels of funding, the use of which is jointly discussed with the community during the Pomalaa Development Planning Meeting (Musyawarah Rencana Pembangunan Pomalaa/ MUSREMPOM). According to the Tambea village government, programme proposals in Pomalaa district are typically developed through community consensus during these planning meetings.

"The proposals are made during a meeting called MUSREMPOM. So, all the villages discuss Pomalaa's development. The collected amount of 200 million already includes partners and VAT, so the amount that reaches the village is only 150 million." (Interview with Kusupang, Tambea village government, 3 October 2023).

Table 4. CSR and PPM Funds Received by Villages in Kolaka Regency

District	Company	Annual CSR/PPM Fund Allocation for Villages in Ring 1	Annual CSR/PPM Fund Allocation for Villages in Ring 2
Wolo	PT. CNI	IDR 200.000.000	IDR 100.000.000
Wolo	PT. WIL	Irregular	Irregular
Pomalaa	PT. Antam	IDR 200.000.000	IDR 100.000.000

Source: Processed by the author, 2024

CSR and PPM funding helps villages near mining sites become more financially self-reliant, reducing dependence on state funds such as *dana desa* and *alokasi dana desa*. These programmes typically focus on education, healthcare, and infrastructure, sectors crucial for fostering strong community relations and securing the SLO (Heffron et al., 2021; Sícoli Pósleman & Sallan, 2019). CSR reflects SLO principles, where active community participation is key to gaining social approval (Matebesi & Marais, 2018). In practice, companies adapt CSR to meet pressing needs; during the COVID-19 pandemic, priorities shifted to health. PT Ceria, for instance, conducted a needs-mapping process to align its initiatives with community input (Interview with Saldi, external CSR representative of PT CNI, 4 October 2023).

Companies also accept village proposals, expanding CSR and PPM's impact on local welfare (Nguyen, 2021). This flexibility shows purely profit-driven but seek long-term relationships through sustained social responsibility (Komnitsas, 2020; Prno & Slocombe, 2012). CSR initiatives span infrastructure, education, healthcare, and social support, including roads, health posts, scholarships, and medical aid. Infrastructure is often prioritised to improve living standards and access to services, with programmes coordinated with local authorities to meet real needs (Interview with Saldi, external CSR representative of PT CNI, 4 October 2023).

A key CSR priority has been building agricultural access roads to help farmers transport produce efficiently, thereby strengthening ties with local communities. Companies have also supported large-scale infrastructure, such as regional hospitals and public facilities. According to the Chairman of the Kolaka branch of the Indonesian Muslim Students' Association (Himpunan Mahasiswa Islam/ HMI), PT Antam has made a substantial contribution to infrastructure, funding approximately 80–90% of the regional hospital's development through CSR (Sandi, external CSR representative of PT CNI, 2 October 2023).

These initiatives deliver tangible benefits and demonstrate corporate commitment to sustainable development. Firms also invest in education through scholarships and school facility upgrades, supporting students from primary to university level (Saldi, external CSR representative of PT CNI, 4 October 2023). These efforts not only widen access to education but also enhance its quality, building local skills and creating future employment prospects.

In the health sector, companies provide basic services including health centres, immunisation programmes, and awareness campaigns, particularly for vulnerable groups such as pregnant women and children. These efforts reflect a commitment to public health and alignment with government initiatives.

For instance, in Wolo district, PT CNI donated an ambulance to the local community health centre (Pusat kesehatan masyarakat/ Puskesmas) as part of its health support (Interview with Saldi, external CSR representative of PT CNI, 4 October 2023). In Pomalaa district, PT Antam, allocated most of its 2022 CSR budget to the construction and renovation of integrated health posts (*pos pelayanan terpadu/*

posyandu) (Fatmawati, 2023). During the COVID-19 pandemic, mining companies across Kolaka also provided essential assistance, including food aid, medical supplies, and other forms of support.

In addition, companies offer social and economic support through skills training, small business development, and targeted assistance for vulnerable families. These efforts help strengthen social networks and enhancing the economic resilience.

> *"In the social and economic sector, we provided fishing boats along with fishing equipment to fishermen's groups. We also delivered tractors for rice farmers and offered various training programmes tailored to the community's needs." (Interview with Saldi, external CSR representative of PT CNI, 4 October 2023).*

The support includes training for farmers, provision of fishing equipment for fishermen, and assistance for micro, small, and medium enterprises (MSMEs). These programmes help improve the economic conditions of local communities and reflect the companies' commitment to the welfare of those directly affected by mining activities.

c. Impact of Corporate Strategies

Mining companies in Kolaka have strengthened community relations by prioritising local recruitment and providing skills training. In Wolo district, most residents are now employed in mining-related sectors, ranging from unskilled to managerial roles, with skilled labour forming the majority (Saldi, external CSR representative of PT CNI, 4 October 2023). his employment growth has led to greater community acceptance of mining operations. Youth representatives from Wolo noted that initial resistance has largely subsided, with complaints significantly decreasing as more locals have secured jobs with the company (Ahmad, Cikal, Wahyu, Adi, Iccang, & Akka, youth representatives from Wolo district, 7 December 2023).

Local involvement in the mining sector has enhanced community welfare and social stability. Companies like PT Ceria prioritise local recruitment, with around 70% of employees ranging from operators to management positions (Interview with Saldi, external CSR representative of PT CNI, 4 October 2023). Most are skilled workers, indicating improved employment prospects and household incomes. Although some are employed on contractual or daily terms, many refrain from voicing concerns due to job insecurity. This reflects a tacit compromise, where community acceptance is tied to corporate compliance with regulations and transparency. Such openness builds trust and reduces resistance. In Hakatutobu village, Pomalaa district, for example, residents initially opposed PT Antam's operations over environmental damage and exclusion from employment.

> *"At first, when the mining started here, the community left the village empty for three days and three nights, spending the nights at the parliament building to protest against the mine." (Asep, resident from Hakatutobu village, 5 October 2023).*

He also highlighted the injustice in labour recruitment, stating:

> *"The company only employed workers from outside Kolaka without utilising the*

local community. The company should facilitate empowerment so that locals can become skilled professionals and placed in appropriate positions, rather than being relegated to unskilled labour." (Asep, resident from Hakatutobu village, 5 October 2023).

However, over time, interaction between mining companies and local communities have evolved through CSR programmes. Training and empowerment initiatives have become accepted forms of collaboration. As noted by Asep, such efforts aim to reduce dependence of mining, promoting long-term community resilience:

"I conduct training programmes... because if the Pomalaa community depends solely on the companies, it will have negative consequences when these resources are depleted, what will they do then?" (Asep, resident from Hakatutobu village, 5 October 2023).

These efforts have shown positive outcomes. PT Antam, for example, received ISO 26000 certification for CSR, with programmes in Pomalaa including youth training, mangrove reforestation, and infrastructure development to build community trust. In Tambea village, empowerment efforts are reflected in the development of layer chicken farming and bread-making businesses, both supported by the mining company. An interview with the Tambea village government stated:

"There is empowerment here in the form of layer chicken farming, which is still in the development. I have requested it continue. There is also a bread-making business, which, thankfully, has

received support this year." (Kusupang, Tambea village government, 3 October 2023).

A similar collaboration occurred in Wolo district, where the company and community jointly formulated empowerment programmes through village meetings to address local needs. For example, a plan to build toilets at a kindergarten was redirected towards constructing a fence, due to the road-widening project. As stated by the Head of Wolo district:

> *"Recently, from PT CNI, we initially programmed to build toilets for kindergarten, but because of the road-widening, so that they would be removed, we then redirected the plan from building toilets to support the construction of a fence." (Rahman, head of Wolo district, 11 October 2023).*

This demonstrates the flexibility and responsiveness of company-community collaboration.

Overall, the collaboration between mining companies and communities in Kolaka has contributed to stronger cooperative relationships. Empowerment programmes have provided tangible economic and social benefits, including employment opportunities and skills development. Interviews with community leaders and youth indicate a growing community involvement in economic activities linked to the mining sector, such as local supply chains, labour, and support services. This suggests a transformation in the community's socio-economic dynamics in response to mining operations.

d. Challenges in the Implementation of SLO

Despite Kolaka's substantial nickel reserves, mining companies often struggle to secure community support. A key barrier is limited public understanding of mining operations and their impacts, leading to distrust and unmet expectations around welfare and compensation (Nguyen, 2021; Savira, 2023). Poor transparency and weak communication further erode corporate credibility. Misalignment between CSR programmes and actual community needs often stems from a lack of consultation. The absence of local involvement in planning reduces effectiveness (Prno & Slocombe, 2012).

The Tambea village government, for instance, criticised the lack of preliminary research in CSR planning.

> *"PT Antam helped without prior research. For example, regarding the fishermen in Tambea village, what do they need? Ideally, a needs assessment should have been conducted. But in this case, the company simply heard that fishermen needed engines and immediately distributed them. In fact, many of the fishermen already had engines. Eventually, the equipment was sold because there had been no field communication or research to ensure that the assistance matched real needs." (Kusupang, Tambea village government, 3 October 2023).*

Without proper assessment, assistance risks being misdirected and ineffective. In Pesouha village, repeated complaints about waste runoff into the Air Merah stream were unresolved. A local official explained:

> *"So, we invited them, whenever it rains, waste flows down again into the Air Merah stream, we called them in, we told them our complaints and all sorts of things, but that's how it goes. The only compensation they gave was fertiliser."* (Gusri, Pesouha village government, 3 October 2023)

These cases illustrate how poor communication and lack of responsiveness undermine trust and the social licence to operate. These communication failures reveal deeper structural problems in company–community engagement, where the lack of responsive and transparent channels weakens the implementation of the SLO. As noted by Sícoli Pósleman & Sallan (2019), CSR programmes developed without meaningful community participation often misalign with local needs and may provoke resistance, particularly when environmental or economic concerns emerge. Many communities view CSR as limited to physical assistance, with insufficient focus on sustainable empowerment or post-mining planning. Programmes frequently prioritise infrastructure, such as bridges and offices, over long-term investment in human capital. As a Tambea village official expressed:

> *"Most CSR programmes are focused on physical infrastructure, while community empowerment is lacking. What I understand about CSR is that the government has issued a policy that should compel PT Antam, or any company, to consider not only today's needs but also what happens after mining operations cease. How will Tambea village look once PT Antam leaves Pomalaa? What about the community's health,*

education, and economy, especially since most of us here are fishermen?" (Kusupang, Tambea village government, 3 October 2023).

On the other hand, the involvement of the regional-owned enterprise (*badan usaha milik daerah*/BUMD) funds has also drawn public scrutiny. According to Kolaka Regional Regulation (*Peraturan Daerah/ Perda*) No. 4 of 2016, the regional enterprise (Perusda) is required to allocate a portion of its profits to CSR initiatives. However, the realisation of this mandate has often failed to meet public expectations. As expressed by a member of HMI:

"I have never even heard of Perusda allocating any CSR or PPM funds. Never. We've never heard of it. Yet Perusda has been in operation since 2016, if I'm not mistaken. It's only been active for a few years." (Sandi, member of HMI, 2 October 2023).

This perceived inaction has fueled public scepticism regarding Perusda's commitment to social responsibility.

Another persistent issue relates to the employment of residents. Despite being located within the primary operational zone (ring 1), many community members feel excluded from job opportunities. Recruitment processes that prioritise technical qualifications and favour non-local applicants often marginalise local job seekers. This has generated frustration and a sense of injustice among residents. As a resident of Hakatutobu village noted:

"Even employment at PT Antam is still dominated by outsiders, it's an open secret. So even if you're from the local area, if you

don't have access, you won't be able to get in, even though your village is within ring 1, you still need connections to get into PT Antam." (Asep, resident of Hakatutobu village, 5 October 2023).

Widespread dissatisfaction reflects the absence of inclusive recruitment and limited community involvement in decision-making, both of which undermine corporate legitimacy. Community participation is crucial for the legitimacy and sustainability of mining operations, with FPIC serving as a key safeguard. FPIC ensures that affected communities, particularly indigenous groups, can accept or reject projects before they begin. It requires companies to provide clear, comprehensive information and obtain consent without coercion (Anderson, 2011; Heffron et al., 2021). In Kolaka, FPIC implementation has faced major challenges, especially during the initial entry of mining firms. Early stages were marked by demonstrations over environmental damage, land rights, and exclusion of local labour. While resistance has lessened, often due to rising nickel output and strategic engagement with local elites, underlying discontent remains. In Hakatutobu village, for example, opposition declined only after firms secured support from key individuals formerly involved in anti-mining protests.

Despite company efforts, many residents remain sceptical about mining's long-term benefits. When properly implemented, FPIC not only secures voluntary and informed consent but also fosters legitimacy and trust. It requires that consent be given freely, with clear and transparent information, and before project initiation. The core elements of FPIC, freedom, access to information, and genuine consent, are vital for transparent company–community relations and for building a lasting SLO (Mahanty & McDermott, 2013; Prno & Slocombe, 2012; Rodhouse & Vanclay, 2016).

e. Involvement of Indigenous Communities

Indigenous communities in Kolaka face persistent challenges, particularly regarding ancestral land and forest claims. The expansion of nickel mining has heightened tensions over hereditary rights, exacerbated by the lack of clear legal frameworks for indigenous territories. Although Indonesia's Constitutional Court ruled that customary forests are not state property, local regulations such as Regional Regulation No. 11 of 2016 on the Empowerment of the Mekongga Indigenous Assembly lack clear territorial definitions, weakening indigenous bargaining power.

The Tolaki Mekongga, for instance, maintain customary inheritance systems that frequently clash with mining concessions, resulting in disputes companies cannot resolve alone. Firms often work with village governments to mediate, usually resulting in "loss compensation" payments for land use. While this may ease short term tensions, it also inflates land values and fuels further disputes, with some viewing land sales as a path to quick profit. In some cases, village heads have encouraged sales, often ignoring long term socio economic or cultural consequences.

The continued lack of legal recognition for customary land rights disadvantages indigenous communities. Although some have received compensation, such transactions often prompt speculation and further conflict. Efforts by indigenous advocates to address these issues through formal channels such as the Regional House of Representatives have been largely ineffective due to weak legal protections. Meanwhile, some companies have reduced resistance by co-opting influential former anti mining figures (Interview with Zul, indigenous peoples' lawyer of Kolaka, 13 October 2023).

f. Consultation and Community Approval Process

Consultation in Kolaka's mining sector are typically carried out through formal forums such as village development planning meetings (*musrembangdes*), where village heads often act as intermediaries. Although meant to inform residents about upcoming projects, these forums rarely involve direct participation from indigenous communities. Instead, village heads represent all residents, creating ambiguity and fuelling tensions over land rights. Companies have sought to resolve disputes through mediation and compensation, but these efforts have triggered unintended effects, including rising land prices and more conflicts, driven by the belief that land transactions bring financial gain.

Outreach strategies vary among mining companies in Kolaka. Some engage in direct consultations, while others rely on digital platforms. Although efficient, digital methods often exclude those without reliable access. Dependence on village heads as sole representatives undermines inclusive participation, especially for indigenous groups, contributing to dissatisfaction and protests, particularly around employment.

These practices fall short of FPIC standards. Continued resistance after operations begin suggests that consent was not obtained through transparent, inclusive processes or failed to reflect collective agreement. Often, it comes from individuals expecting direct benefits rather than genuine, community-wide decisions.

Company engagement is often confined to formal events like *musrembangdes* meetings, attended by government officials but excluding traditional leaders, customary institutions, and marginalised groups. Reliance on digital communication further reinforces inequality by sidelining those lacking access or literacy. Meaningful implementation of FPIC requires companies to move beyond formalities and establish inclusive, transparent communication channels, ensure fair representation, and address concerns through participatory dialogue. Early and continuous involvement of all stakeholders, especially Indigenous communities, is vital for building trust, social legitimacy, and sustainable development.

Conclusion

This study demonstrates that the implementation of the SLO in Kolaka has not fully adhered to its foundational principles. Central to this shortfall is the incomplete application of FPIC, a core component of the SLO framework. In practice, the involvement of indigenous communities in decision-making processes has fallen short of the FPIC principles, leading to the perception among many communities that the presence of mining companies has not translated into equitable welfare.

Although several mining companies have successfully reduced resistance in certain villages through CSR and

PPM, these efforts have not necessarily reflected genuine social acceptance. CSR, while often deployed as a key tool for fostering community support, remains a statutory obligation rather than a voluntary mechanism for negotiating social consent. In this context, CSR is frequently utilised as a means to cultivate social legitimacy, yet it does not inherently satisfy the FCIP criteria, which demand consent that is freely given, obtained prior to activities, and informed by transparent and inclusive dialogue.

From a regulatory perspective, the principles underpinning SLO are implicitly recognised in several national policies such as the Job Creation Law and AMDAL framework. However, the implementation of SLO in Kolaka, there is a clear gap between the conceptual framework of the SLO and its practical implementation. Ideally, SLO should be secured before operations begin, as a form of social legitimacy granted by affected communities. In practice, however, companies in Kolaka often seek acceptance retrospectively through what can be described as designed acceptance strategies based on corporate social responsibility programmes. This raises critical questions about whether community support stems from free consent or from corporate adaptation after operations commence. The case also demonstrates that FPIC has not been meaningfully integrated into the SLO process. Consultations are often procedural and fail to engage all stakeholders, especially indigenous groups. As a result, SLO in Kolaka appears more strategic than genuine, marked by managed compliance rather than authentic community partnership. The acceptance achieved frequently falls short of the voluntary, inclusive, and informed consent envisioned in the original SLO and FPIC principles.

Based on these findings, this study concludes that the current implementation of the SLO in Kolaka has yet to fully uphold its core principles. Social acceptance has largely been consctructed through compensatory measures such as CSR, rather than through participatory mechanisms that enable communities to exercise agency in determining the terms of their engagement with mining companies. Therefore, this study recommends the adoption of a more inclusive, transparent approach grounded in FPIC principles in the implementation of SLO within the mining sector, to ensure that the social legitimacy obtained genuinely reflects legitimate and sustainable community acceptance.

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