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New Directions in Social Impact Assessment

Conceptual and Methodological Advances



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FOREWORD

SIA from a developer's perspective

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Social Impact Assessment (SIA) was born when the National Environmental Policy Act (NEPA) of the USA was signed into law by President Nixon in 1970, requiring US Federal agencies to make integrated use of the natural and social sciences in decision-making relating to government actions which may have an impact on the environment. Initially, SIA was not required to support a policy-maker in coming up with the 'best' or the 'right' decision. Nor was there a requirement to stop projects with negative consequences. The emphasis was on public disclosure and frank discussion of the likely impacts or effects. As it developed around the world, the traditional model of SIA was designed to identify and address the 'unintended consequences' of developments that are normally initiated by private, profit-oriented, companies. It usually involved the social mapping of distinct populations in affected areas, baseline surveying of socioeconomic conditions, predicting and evaluating change, and proposing project changes designed to mitigate the negative effects and accentuate the benefits for as many people as possible. Widespread public discussion was considered to be important and, although interdisciplinary social scientists were involved, priority was not given to technical judgements. What was intended was a balance between technical, political and policy interests and as such the public disclosure and consultation aspects of SIA are of fundamental importance.

Much has changed since the inception of SIA. The last thirty years have seen political and economic developments that have dramatically changed the world and the resources industry. For resource companies, above all, changed public expectations of corporate environmental and social performance have driven the industry to reassess what it takes to be competitive. This shift is attributable to the intersection of a number of factors, including heightened stakeholder and community expectations, the glare of global scrutiny and the growing influence of concepts such as 'corporate social responsibility', 'social licence', 'sustainable development' and 'triple bottom line'. Whereas central governments previously regulated the resources industry with little direct community involvement, communities have now become or are becoming active participants in the process. In this emerging 'tri-polar' governance landscape, government remains a provider of mandate and a regulator, but when dealing with business, communities now frequently represent themselves, whether through public fora, delegate bodies or the agency of Non Government Organisations (NGOs). Whereas in the past resource developers and governments frequently worked together to override the concerns of host communities, increasingly this is no longer possible in most parts of the world. Developers are now obliged to develop direct relationships with local communities and local government, and are increasingly pushed to do so by communities with access to the communication and transactional enablers that are driving globalisation. Equally,

government regulators for their part are disinclined to permit new projects without demonstrable evidence that host communities are actively supportive. Reflecting a shift in the three-way power balance, successful resource developers are learning to work with host communities to negotiate with governments for the permits and ancillary infrastructure needed to support long life operations.

Recognising the shift, there has been a concerted drive within the resources sector to change how operations interact with their communities. Historically the community involvement of most resource companies was largely unplanned or, in the case of purpose-built operations in remote areas, primarily focussed on infrastructure provision. More recently, successful companies have made public commitments to engage on a much more informed basis with affected communities and other stakeholders on matters of mutual concern. A variety of formal and informal consultative processes are now normal at the local level, and a growing number of operations are adopting formal strategies and systems for engaging with communities. This new approach seeks to closely integrate local communities with the economic activity that a resource development project or processing facility engenders. Thus, local employment, local service and supply, business development, cultural awareness training and environmental co-management are critical activities. The primary business drivers for this enhanced attention to community engagement are a desire to better manage social risks, to achieve competitive advantage through self-regulation; community, employee and hence government endorsement; and, generally, to reduce volatility.

A distinction between communities and stakeholders is important. Decisions involving multiple parties have to concede that different parties are affected in different ways and to different extents, some net positive and some negative. How these compromises are achieved is never a simple exercise; it inevitably involves trade-offs, often political, and the weightings applied to different constituents will vary markedly. In places with strong central or provincial sovereignty, urban constituents tend to dominate, in which case the prevailing developmental status of the nation state will determine what values are emphasised.

Taking Australia as an example, the 1960s to early 1980s was a period of self-conscious nation building. There was an export boom based on an expanding international demand for mineral commodities, while the rights and interests of Aboriginal inhabitants of the development frontier were unrecognised in law. Under these circumstances, politicians sensed that resource development was a project of immense national significance to be pursued at all costs, and the urban populations tended to support this view. The interests of local peoples were simply overridden, or worse, unrecognised, in national policy. By the 1990s, the tide of national sentiment had turned. The next generation of urban voters came to reject policies based on 'development at any cost' and instead insisted that resource development interests were secondary to environmental protection and the

emerging legal recognition of land connected Aboriginal peoples. Ironically, the shift did not provide any greater weight to the specific views of local peoples. Often polarised themselves, they continued to struggle to represent their specific and changing interests in national and State policy debates. Although political ‘standing’ has been achieved, emerging aspirations of economic opportunity are now often blocked by stakeholders with other views concerning the ‘sanctity’ of frontier landscapes.

Against this changing socio-political landscape, SIA has evolved into numerous schema, with the poor treatment of economic impacts and local involvement being common weaknesses. While SIA in some countries frequently involves economists, public policy specialists and small business developers, in developing regions too little attention has been paid to assessing the benefits that could come from creating jobs, income earning business opportunities or service provision.

Too much emphasis has often been placed on preservation and conservation of the traditional way of life at the expense of appreciating change that reflects what local people want. Attempts to balance aspiration and preservation as desired by local people are frequently not considered. Admittedly, such assessments are in many ways more difficult to make in traditional societies experiencing change than they are in industrialised regions. In developing regions experiencing dramatic transition, to simply advocate no change performs no service for local peoples. Rapid population increases through in-migration and high birth rates erode the resource base; and increasing knowledge affects preferences, particularly the preferences of the younger generation, causing intergenerational tension. While dangers are frequently identified, it is much less clear that there are agreed and tested scientific remedies or that local people did not want some of the changes. Worse still, the emphasis on local people as being weak and vulnerable has encouraged the creation of paternalistic approaches, generating strong patterns of reciprocating dependency and resentment.

Increasingly, the use of SIA is not optional; its use is mandated by governments and encouraged by the lending institutions. However, beyond common use of the term SIA, there is no universal approach in the methods or content of SIA. While this may be appropriate to context and purpose, it can present problems when it comes to demonstrating consistency and credibility.

Divergent approaches towards SIA have emerged and two broad ‘schools’ are apparent. One school offers SIA configured to the compliance requirements of host jurisdictions. Based on familiarity with the proclivities of the local regulators, something international resource developers lack by definition, consultancies offer a pragmatic approach to SIA the way a high school student approaches homework. With past knowledge of preferred language and content, the task is to frame an opus that will extract a threshold pass for least effort. The opus is padded out in time honoured fashion to demonstrate ‘weight’ in

the work. Any genuinely good work tends to be diluted by the narrative. The resulting multi-volume set serves to demonstrate that a diligent, hard wrung job was undertaken. The public is grateful for the protection afforded, the regulator and the developer log the task as complete, the volumes are shelved and the developer gets on with the job of development.

The second SIA school, with many members based in academies and international agencies, approaches the question differently. Quite correctly it recognises that real analysis is possible. Professional and personal motivations centre on the need for 'comprehension' or 'understanding'. Regulatory SIA requirement is grasped as something that can motivate to this purpose and practitioners craft increasingly specialised tools for this and other ends. These specialised tools turn on special interests such as 'gender impact assessment', 'human rights impact assessment', 'conflict analysis', 'cultural impact assessment', 'livelihood impact analysis', 'health impact assessment' and 'ecosystem impact assessment'. The approach is based on emphasis, not exclusivity, resulting in a plethora of overlapping tools that seek to instil genuinely informed project planning through the agency of SIA.

Deployment of many of these tools rarely proceeds beyond piloting, reflecting a competitive market and the fact that private sector clients tend to prefer the other SIA school. In a developer's total budget of compliance-directed days, the number dedicated to social compliance can only grow at the expense of other studies. Hence company compliance officers are looking for an omnibus not a smorgasbord. In the face of onerous compliance requirements across a broad front, 'box ticking' prevails, with no real analysis or follow-through within SIA processes. The discouraging effect is compounded by the nature of regulation; prescription can only encourage compliance, not the exploration of possibility.

Attempts by SIA practitioners to construct a business case based on 'international law', 'total risk', 'total business value' and reputation rarely convince, for the simple reason that company value analysis is assessed in a different silo to compliance. Resource developers separate out their own analysis and community engagement from regulatory processes which are designed to meet stakeholder expectations. Successful companies undertake comprehensive socioeconomic analysis within project planning and let compliance draw upon data subsets to meet the expectations of SIA. Furthermore, company preferred processes, aiming to optimise, do not fit comfortably with labelling involving the word 'impact'.

SIA as currently approached simply fails to meet the new requirements of resource developers and communities. Bias starts with the title, 'Social Impact Assessment'. Bias continues with terms such as 'mitigation' and 'compensation', suggesting what is important before any facts have been collected. Indeed, the facts are usually collected in

a manner that – because it is circular – confirms the correctness of the original assumption about harm and damage.

Practitioners will often say they are in favour of SIA as a process and disavow ‘blueprint’ and ‘social engineering approaches’. They also say that they believe in the importance of consultation. The results frequently suggest otherwise. It is the social scientist and the developer’s budget that determines the SIA scope and timetable, what the phases are and how these will proceed. Local people are asked to provide their input through a pre-determined process that has pre-determined content, structure and organisation.

Local people need to be much more involved in socioeconomic analysis, and local political decision making should play a more prominent role in development approvals. SIA practitioners and prescription need to be less prominent in a process that gives community people greater opportunities to generate for themselves the questions and the answers about good and bad scenarios.

Social and economic assessments of resource projects need to use people who are familiar with the industry in order that they recognise and understand past problems. They need sensible terms of reference requiring attention to be paid to the benefits, burdens and options of a proposal, not the template preference of a distant and somewhat disinterested bureaucracy.

There should be greater emphasis on doing business in the community. Successful developers want to do business in the community and communities frequently want the same thing. This is particularly important if governments and companies wish to avoid being seen as paternalistic. Because doing business in the community needs to be seen and handled in the same way as any other element of core business, these programmes should be thought of as ‘investment’, rather than ‘social investment.’

Newly formulated rights, such as ‘free, prior and informed consent’, seem antithetical to regulatory SIA processes, and struggle for accommodation. Information is delivered in the media and language of the sovereign state, which is often alien to local communities. Hence, SIA processes of themselves often fail to inform affected communities in a way that can be understood. Worse still, the ultimate project consent is in the realm of regulators.

Partnerships are not seen in SIA and need to be more prevalent, all the more so because a major industrial development creates dilemmas that a company cannot be expected to solve by itself. The developer should not be the only one with performance requirements. Government, communities and civil society organisations should be

encouraged to participate, remembering of course that consulted stakeholders might have inappropriate expectations.

SIA rarely considers the fiscal distribution of mining taxes and royalties, nor the accountabilities of government agencies towards those directly affected. Local political voices tend to be lost in government assemblies focused on national imperatives, and government officers are rarely connected with the realities of local life. And, in the context of development at the frontier, disinterest can give way to deliberate expropriation under the banner of national interest.

Cumulative impacts struggle to emerge early enough for sensible analysis in project specific SIA. New development proposals can be subject to the same SIA hurdles as their predecessors, or may face disproportionate greater scrutiny to appease political pressures. The reality may be that proposed new developments add little to a burden already accepted, or may be preferable to the specific impact of existing operations.

SIA represents a point in time and fails to establish a regime that can consider evolving circumstances. Economic development in a frontier region and rapid population growth combine to create accelerating change. SIA has no dynamic monitoring, all gauges are stuck at the initial setting or are comprehensively recalibrated only at designated intervals, resulting in periodic review being attempted reluctantly and any attempted response always being out of synch. What is actually needed is constant monitoring of what is important locally, and little attention at all to what is not. Only community driven processes can do this.

Lastly, SIA needs to look beyond the immediate community out into the broader region. SIA has tended to concentrate on communities and projects with a well-defined geographic boundary. Broader vision is needed. Neither a project nor a community approach is always appropriate. In the case of large developments, the industry has to go beyond the enclave approach. It must look at ways in which investments can be regionally integrated. In the past, resource companies have been warmly welcomed by national governments, only to find that local elements were bitterly opposed to their entry. Or, local relationships have been very good, but government wants to pluck the goose that lays the golden eggs and local communities have lost out.

In conclusion, SIA as it currently prevails at most resource development sites is outdated and the re-fresh button needs to be pushed. The contributions that follow in this timely book, incisively edited by Frank Vanclay and Ana Marie Esteves, provide much in the way of thoughtful analysis and ideas for improvement. It is time for a generational shift in the way socioeconomic studies and community participation is undertaken in resource development decisions and design. We need to return to the original intention. This book is a major contribution to thinking about socioeconomic

scenario planning in a globalised ‘information age’; an age in which local communities are more empowered than ever before to take their place as true constituents of nations and development opportunity.

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