

## MONITORING AND EVALUATION OF COMMUNITY INVESTMENT PROGRAMMES IS KEY TO MANAGING THE STRATEGIC SOCIAL SUSTAINABILITY PRACTICES OF THE EXTRACTIVES SECTOR: UTILISING KEY PERFORMANCE INDICATORS IN COMMUNITY INVESTMENT PROGRAMMES

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Criticisms have been levelled at the private sector's use of community investment (CI) programmes (CIPs) for being poorly applied and ineffective, for failing to manage community expectations, and for using CIPs as a 'quick-fix' tool rather than as an opportunity to fulfil sustainable development objectives – resulting in affected communities becoming dependent on the private sector to reduce poverty and enhance livelihoods. To counter this, the private sector (and extractive companies specifically) are moving beyond the philanthropic practices of previous CSR models towards a more strategic 'best practice' approach focussed on on-going and targeted engagement with affected communities; emphasising 'soft development', sustainability, partnership and community-centric development, effectively enhancing socio-economic benefits and livelihoods.

However, in failing to adequately monitor, evaluate and report on the effectiveness of their CIPs (a best practice recommendation), extractive companies are neither capitalising on opportunities to showcase best practice CI, nor applying lessons learnt to adapt existing or future programmes. This paper provides recommendations on Key Performance Indicators (KPIs) that can be adopted by extractive companies to assess effectiveness of CIPs against best practice, thereby improving planning and implementation of CIPs, managing non-technical risk and enhancing corporate reputations. Two scenarios (based on real CIPs implemented in the oil and gas sector) are presented to demonstrate the variation in current practice and the importance of KPIs.

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Broad CSR practices have been criticised for being *largely window dressing that serves a strategic purpose of mollifying public concern* regarding environmental damage caused by extractive companies (Slack, 2011: 179) and for failing to manage environmental impacts and contribute to social development in the developing countries where they mostly operate. In response, the extractives sector has shifted its approach from being 'seen' to be responsible, to recognising CSR as an important (but not yet 'core') aspect of their operations (Campbell, 2011; World Bank, 2004).

Today, strategic CI focuses on implementing programmes that generate long term benefits for affected communities which, via broad community support, can result in business value for the company as well as reputational and productivity gains and a reduction in risk (to budget and schedule) (IFC, 2010). Yet, the actual effectiveness of CIPs is not given sufficient importance. Extractive companies are still criticised for implementing CIPs that target the 'social license to operate' with short term promises to meet corporate requirements rather than understanding local context and sustainability (Campbell, 2011; Slack, 2011) – essentially, only implementing CIPs to be seen to be making a difference and not necessarily because they recognise the importance of CI to their core operations. This leads to *ill-conceived and highly inappropriate development programmes that contribute little to, and have a divisive effect on, the social and economic security of local communities* (Gilberthorpe & Banks, 2011: 186). While profit will always remain the driving factor behind any investment, the issue is that many CIPs are detached from the local context, lack participation and ownership by local stakeholders, lack clear objectives, and over-emphasise 'quick-fix' hard infrastructure solutions rather than long-term 'soft development' solutions (IFC, 2010). The emphasis must therefore be on sustainable solutions: making project affected people the beneficiaries and **engaging with and empowering affected communities** and **partnering with local organisations** to develop opportunities (via a **needs assessment**) for **sustainable 'soft' development** and livelihood enhancement that also fit with a company's wider business objectives; and evaluating the effectiveness of the investment (using KPIs) in the same way that the financial performance of a project is evaluated.

Recently, handbooks outlining best practice approaches for strategic CI (e.g. IPIECA, 2008; IFC, 2010) have focused on improving the planning and implementation of CIPs to improve their value

to the community. However, insufficient importance is given to monitoring and evaluation (M&E) of CIPs using *specific, measurable, achievable, relevant and timely* (CommDev & BSR, n.d.) KPIs which are crucial for determining the success of CI, gathering lessons learned, and informing the design and management of future CIPs.

Considering best practice approaches, this paper presents an initial broad set of KPIs which have been developed based on experience, a literature review, and current understanding of best practice principles to enable M&E of best practice (e.g. needs assessments, community involvement, focus on soft development, partnership and local implementation, and sustainability) in CIPs. Two scenarios (based on real CIPs in the O&G sector) have been assessed against the suggested KPIs to demonstrate the variation in current practices. The scenarios are briefly summarised below and assessed in the following table.

**Scenario 1:** Investment in an established local foundation which seeks to ‘create more accessible and inclusive market systems, thereby increasing the economic opportunities for large numbers of the poor and providing a path for them to escape poverty’. As part of a comprehensive CIP focused on agriculture and skills and local business capacity development, Company designates \$100,000 to implement an aquaculture pilot program.

**Scenario 2:** Provision of equipment and supplies to a local school which was identified by a local leader as a ‘school in need’. Illiteracy is high - the community and local education statistics are some of the worst in the country. Company designates \$100,000 to buy new chairs, books, and school supplies.

Scenario 1 focuses on soft investments with greater emphasis on partnerships, community involvement, and capacity building and demonstrates alignment with best practice. Scenario 2 focuses on hard infrastructure and is unlikely to have developed KPIs to evaluate its effectiveness – it is a classic ‘quick-fix’ scenario.

BEST PRACTICE APPROACH	KEY PERFORMANCE INDICATOR	SCENARIO 1 (KPIs used in planning and implementation phase to guide investment)	SCENARIO 2 – (No use of KPIs until M&E phase)
<b>Needs Assessment</b>	<p><i>Early consultation with affected communities and local authorities commenced prior to establishment of CIP - number of public meetings, one-to-one meetings, focus groups, surveys/interviews which have been conducted in order to feed into needs assessment.</i></p> <p><i>Baseline data, including audit of local skill-set and capacity, completed prior to establishment of CIP which can feed into needs assessment.</i></p> <p><i>Memorandum of Understanding (MoU) signed by community representative and local authority representative to agree expectations and prioritise investment requirements.</i></p>	<p>Company began Stakeholder Engagement in 1<sup>st</sup> stage of the Project (Opportunity). 20 meetings held over 6 months with local stakeholders, NGOs, local authorities, and vulnerable groups which provided additional baseline data (in addition to desk top research) on the local needs, capacity and skill-sets in project zone of influence.</p> <p>Based on results from engagement process and baseline data collection (including the fact that there are 500 local small businesses focused on agriculture), Company signed MoU with government and local communities which outlined types of projects to be undertaken via Project's CIP with an agreement to pursue skills development and capacity development in aquaculture, cassava and palm oil as a priority.</p>	<p>Company developed a CIP based on corporate preference to complete education-based projects and awareness of high illiteracy.</p> <p>One engagement meeting with local authorities during ESHIA phase identified that a school in neighbouring community required desks, books, and supplies.</p> <p>Project leadership agreed verbally with local leader to provide necessary equipment and supplies to school.</p>
<b>Community Involvement</b>	<p><i>Effective flow of CIP information between company and community: number of community members attending public meetings; number of one-to-one meetings, focus groups, survey/interviews held with affected community (weekly/monthly/quarterly/annually)</i></p> <p><i>Diversity - number of men, women, vulnerable groups, businesses involved or represented in engagement activities and decision-making</i></p> <p><i>Number of community grievances related to CIPs received during each phase of the project and phase of CIP implementation (weekly/monthly/quarterly/annually)</i></p>	<p>Monthly stakeholder roundtables at Project site during Design/Pre-Construction and Construction show that over the first six months, there were an average of 56 community stakeholders per meeting – of which 10 are female and 25 have local businesses.</p> <p>Monthly one-on-one meetings with focus groups active in fishing and aqua-related commercial activities. In every meeting, MOU was discussed and CIP progress update was presented.</p> <p>No grievances related to CIPs / or community expectations related to CIPs (i.e. – no community members expressed grievances related to lack of company-provided healthcare, education or infrastructure.)</p>	<p>10 stakeholder engagement meetings during Stage 3 ESHIA process which focused on project impacts and mitigations.</p> <p>One roundtable meeting in the local community in which 10 local leaders (men) were invited to participate.</p> <p>One-on-one meetings with local official who recommended the school supply project continued into construction.</p> <p>During construction, project received 24 grievances related to expectations and community needs for additional education and school projects, and other needs like water, roads and health clinics.</p>
<b>Focus on Soft Development</b>	<p><i>Number of local business owners and employees trained</i></p> <p><i>Number of local businesses supported</i></p> <p><i>Number of training programs conducted and total number of locals trained as a result of the programs.</i></p> <p><i>Number of people who have received skills transfer following training (of trainers)</i></p>	<p>Of 500 local businesses identified in early engagement and baseline phase, 50 were chosen to participate in pilot programs. 100 locals (including 10 women) were trained. 20 of them were trained as trainers. Monthly training by those 20 local ToTs has resulted in 450 additional locals being trained.</p>	<p>No skills transfer or training conducted.</p>

<b>Partnership &amp; Local Implementation</b>	<p><i>Number of partner organizations (NGOs, CBOs, CSOs) in the area who have experience or interest in CIP – how many of those have been engaged or are involved in the CIP?</i></p> <p><i>Number of jobs related to CIP created through local partnerships and setting up a local community development department – number of full time and part time employees as compared to the number of available locals with related skills or capacity for skills development?</i></p> <p><i>How many local businesses and/or suppliers have been engaged to provide support on CIP?</i></p>	<p>Engages with 5 local NGOs per year out of 20 in local community. Each NGO given \$20,000 and responsible for training and skills development.</p> <p>Of 550 locals trained in aquaculture skills and business management, 50 have been hired by local businesses.</p>	<p>One local NGO engaged to purchase equipment and supplies on local market and distribute to local school.</p> <p>Local photographer engaged to take photos of event.</p>
<b>Sustainability</b>	<p><i>CIP aligned with on-going government programmes and priorities?</i></p> <p><i>Ongoing engagement and buy-in from community and local authorities</i></p> <p><i>Planning, implementation and M&amp;E led by local partner(s), communities - investment in capacity of local government, community, &amp; NGOs, CBOs, CSOs – number of training programmes run and number of attendees, average hours of training provided per year per attendee, by gender, age group</i></p> <p><i>M&amp;E reports received from local community development department (weekly, quarterly, monthly, annually)</i></p>	<p>Government programmes aimed at business development in the aquaculture field are of a high priority in the Project's region.</p> <p>CIP run by local NGOs, includes local trainers, and pilot businesses run by locals are required to provide monthly M&amp;E surveys to local community development department. These include number of training attendees, hours, etc.</p>	<p>Education is priority investment sector for government.</p> <p>No engagement with school or school administrators.</p> <p>M&amp;E matrix produced after project has been implemented but no meaningful data to evaluate impact or efficacy of CI, nor baseline data for comparison.</p>

## Conclusion

In summary, during the design phase of a CIP, companies must plan for M&E by developing and incorporating KPIs which focus on the core principles of best practice, thereby facilitating evaluation of a CIP's effectiveness throughout its lifecycle. Information gathered via M&E is then used to enhance future CIPs in line with best practice. Key recommendations are therefore to:

- **Prepare a detailed community engagement strategy** to ensure effective management of stakeholders' expectations through early their involvement and clear communication of an exit strategy. This should include a **Memorandum of Understanding** wherever possible.
- **Undertake a needs assessment** to prioritise investment to achieve maximum community benefits.
- **Focus on capacity building and empowerment of local communities and organisations** (NGOs, CBOs, CSOs) to achieve participation during planning, implementation (including M&E) and to enhance sustainability.

The authors acknowledge that the suggested KPIs require refinement. It is recommended that a standardised set of KPIs are agreed by the industry and incorporated into existing best practice approaches. Further, the industry might consider developing specific KPIs for typical investment projects (e.g. health, education, infrastructure) to further enhance planning and implementation of effective CI.

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