

## Community Perspectives on Challenges in Environmental and Social Impact Assessment

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*The most common challenges identified in conducting environmental and social impact assessments (ESIA) can be broadly categorized into two interrelated areas. The first is concerned with the policies, practices, and other mechanisms that determine the extent to which an ESIA accurately estimates a project's impacts. The second is characterized by questions related to the effectiveness of an ESIA in influencing project-level decisions. While the literature has explored many challenges across both these areas, there has been less work considering them from community perspectives. We seek to fill this gap by examining community perspectives on ESIA for international development projects. To do so, we utilized case data from the Office of the Compliance Advisor Ombudsman (CAO), which is the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA)'s independent accountability office. In these cases, communities raised ESIA challenges related to conducting meaningful consultation, accurately assessing project impacts, and maintaining broad community support. We examine the nature of these challenges, projects where they arose, and areas for research to improve future practice.*

**Keywords:** environmental and social impact assessment; communities; challenges; meaningful consultation; broad community support; Compliance Advisor Ombudsman

### Introduction

The World Bank Group's earliest experiments with environmental and social impact assessments (ESIA) were in 1975. Along with other multilateral, bilateral, and public institutions, the Bank was responding to the widespread influence of assessment requirements in the U.S. National Environmental Protection Act (Esteves et al. 2011). Nevertheless, it was not until 1984 that the Bank formally adopted a mandatory environmental policy with an ESIA component. These first attempts were, however, largely unsuccessful in preventing harm (Goodland 2000).

As a result, the Bank was confronted by pressure from NGOs, a series of U.S. congressional hearings, and threats from member states to withhold funding (Goodland 2000). In the years following the mid-1980s, the Bank responded to critics by increasing environmental staff and generating research at the forefront of sustainability (Wade 1997: 612). There were also major environmental and social policy developments: new ESIA requirements were adopted in 1989, stakeholder participation rules in 1991, and consultation and disclosure reforms in 1994. These policies had limitations, but laid the foundation for the World Bank's Safeguard Policies and the International Finance Corporation's (IFC) Performance Standards.

In the case of the Performance Standards, ESIA are required to be consistent with good international industry practice (GIIP).<sup>1</sup> GIIP entails an iterative process of analyzing, identifying, evaluating, and monitoring the environmental and social consequences of an intervention (IAIA 1999, Vanclay et al. 2015).

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<sup>1</sup> See, for instance, Performance Standards (2012: 18).

In theory, ESIA's done in this way optimize benefits for stakeholders while minimizing or mitigating against harms. In practice, however, multifaceted challenges can arise in conducting ESIA's (Vanclay 2003). Understanding those challenges, and designing strategies to overcome them, has been imperative to improving ESIA from their earliest varieties to today.

This paper examines challenges in ESIA's related to IFC and Multilateral Investment Guarantee Agency (MIGA) supported projects that have undergone compliance reviews. To do so, it relies on data from the Office of the Compliance Advisor Ombudsman (CAO), which is the independent grievance mechanism for IFC and MIGA. CAO's mandate is to address complaints from project-affected communities and to provide recourse and accountability through dispute resolution and compliance. Shortcomings in ESIA's often lead to grievances, which are captured in CAO's case data. This paper analyzes those cases to elicit community perspectives on ESIA challenges, and then utilizes those perspectives, as well as CAO compliance findings, to discuss three recurring challenges: conducting meaningful consultation, accurately assessing project impacts, and maintaining broad community support. It then offers suggestions for areas of further research.

## **Methodology and Data**

This paper drew from two primary qualitative data sources: complaints filed with CAO and CAO's compliance reports. The former initially included 175 complaints from IFC fiscal years 2001 to 2017.<sup>2,3</sup> The content of these complaints, which are publicly available with confidentially guarantees where appropriate, was coded for underlying environmental and social issues, as well as procedural matters that are mandated by the Performance Standards.<sup>4</sup> This exercise allowed for the creation of a sample containing cases that (a) raised ESIA-related grievances and (b) underwent a compliance review. Since the adoption of the Performance Standards in 2006 and their 2012 update changed IFC's approach to, and oversight of, ESIA processes, only cases pertaining to projects approved under those policies were included. The second data input employed was CAO's compliance reports. Compliance reports evaluate IFC's due diligence and supervision of projects as it relates to the requirements of the Performance Standards, including the preparation of ESIA's. In total, this narrowed the sample to 24 cases.

While the two data inputs helped develop a comprehensive picture of ESIA challenges from both community and institutional perspectives, this data is not without limitations. Namely, there is an implicit selection bias in using CAO data because there are ESIA challenges in IFC's work that do not result in registered complaints. These biases are extenuated in situations where they strongly correlate with other systemic issues. For example, if project-affected people are hesitant to submit complaints when there are elevated risks of reprisals, and engaging with at-risk stakeholders is an ESIA challenge, that challenge may not be captured in this data. Moreover, CAO cases represent approximately one percent of IFC's portfolio. Still, using CAO cases as an instrument for uncovering ESIA challenges led to valuable findings, which are discussed in the next section.

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<sup>2</sup> These complaints are publicly available at [www.cao-ombudsman.org/cases](http://www.cao-ombudsman.org/cases).

<sup>3</sup> For complaint eligibility criteria, see Operational Guidelines (2013: 13).

<sup>4</sup> See, for instance, CAO's 2015 Annual Report for a high-level breakdown of these categories.

## Challenges in Environmental and Social Impact Assessment

In the CAO data, recurring ESIA challenges related to the following practices: conducting meaningful consultation, accurately assessing project impacts, and maintaining broad community support. In the next section, this paper briefly discusses the nature of these challenges, examples where they arose, and highlights areas for research to improve future practice.

### *Conducting Meaningful Consultation*

Meaningful community consultation is a cornerstone of successful ESIA processes (Morgan 2012, Vanclay et al. 2015).<sup>5</sup> At the same time, since ESIA were first popularized, limitations in the quality of those consultations have been a consistent concern (Esteves et al. 2011: 37). This trend held true in CAO's cases. The most frequently cited environmental and social issue by communities in ESIA-related complaints were associated with consultation and participation (63 percent).

There are several determinants for when consultation challenges arise. In the worst cases, this happens when consultations exploit the guise of participation to create a false sense of legitimacy for a project (Cooke and Kothari 2001, Li 2009, Bratman and Dias 2017). These problems are accentuated in situations where asymmetries in power are particularly stark and access to accountability mechanisms is low (Cashmore and Richardson 2013). In other instances, limitations are driven by policy gaps, mismanagement, or organizational structures (Kemp 2011). For the complaints and compliance reports analyzed in this paper, the binding constraint to meaningful consultation was frequently related to implementation.

In a West African infrastructure project, for example, CAO's compliance investigation found that the client's consultation activities did not extend to all potentially affected communities identified in the project's ESIA as living within the broader area of influence. Other reports acknowledged instances where consultations did take place, but community opposition to projects was downplayed. These were cases where stakeholder analysis and consultation may have been conducted, but the results of those consultations did not affect the implementation of the project.

In these cases, communities raised issues concerning each stage of the consultation process. Given the growth of the guidance literature on consultation, a lack of technical solutions is not driving these shortcomings. There is a breadth of toolkits, practice notes, and research papers providing solutions to the consultation issues highlighted in this data. Instead, to resolve these challenges, future research should concentrate on what structural changes within organizations and companies are required to ensure consultations are conducted at the GIIP standard. The effectiveness of consultation is predicated by a practice environment that mandates consultations influence project proponents. In other words, to overcome challenges in consultation, future research does not need to answer questions of policy or practice, but instead to focus on what systems bridge the gap between the two.

### *Accurately Accessing Project Impacts*

At IFC, the type, scale, and location of a project guide the scope and level of effort devoted to the impact assessment process (Performance Standards 2012: 18). Here, ESIA are conceptualized both as a tool for safeguarding environmental and social sustainability and as a means to reduce real and reputational risk,

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<sup>5</sup> While definitions vary, the term "meaningful" is further discussed in *Meaningful Stakeholder Consultation* (2017).

improve project execution, and increase the likelihood of overall success. At the core of any ESIA approach, however, is the estimation of a given project's identified and potential impacts.

It follows that ESIA challenges are often related to this fundamental objective and this was the case in the CAO data, as well. For example, in one agribusiness case the ESIA did not sufficiently address supply chain impacts. In another, the compliance review found that IFC overly relied on the project proponent's E&S team and consequently did not take concerns regarding impacts on communities seriously. For an investment in a junior mining company, IFC required the project proponent to conduct a biodiversity assessment but did not ensure the completion of the necessary studies.

Underlying this challenge of accurately estimating environmental and social impacts are questions of due diligence and incorporating community perspectives in the assessment process. A lack of due diligence, as mentioned above, led to impacts that were either not identified, considered, or mitigated against. Moreover, estimations of impact that do not incorporate community perspectives ignore a valuable input for identifying, managing, and responding to risks. They may also prioritize static technocratic understandings of impact over community perspectives. In the community complaints and compliance review reports examined, not incorporating those views contributed to inaccurate assessments, disregarding community concerns, and jeopardizing project benefits for all stakeholders. Furthermore, collecting and incorporating communities' perspectives in impact assessment processes can help with later monitoring and supervision. An important subsequent area of research, therefore, is on how organizations and firms can foster systems where integrating community views on impact is a normalized process. In particular, a potential space to further explore is the applied elements of including communities in developing estimations of impact causes and significance, as well as monitoring plans.

#### *Maintaining Broad Community Support*

Another challenging aspect of ESIA is developing and maintaining broad community support (BCS) over the life cycle of a project. For the Performance Standards, BCS is defined as a collection of expressions by affected communities, through individuals or their recognized representatives, in support of proposed business activity (Performance Standards 2012: 7). The often-changing nature of those business activities means that maintaining BCS over time requires sustained participatory engagement with communities.<sup>6</sup> In certain sectors, such as extractives, extensive periods of preparatory work can make this challenge particularly acute. These timelines can leave communities with uncertainty around projects, fatigued from repeated consultations and iterations, and can threaten BCS more broadly (Baines et. al 2013).

Challenges with maintaining BCS appeared in the CAO ESIA-related complaints and compliance reports surveyed in this paper. More specifically, there were instances of declining engagement due to multiple iterations of studies, project design modifications, and a lack of apparent project progress during those time periods. While there were a number of examples in CAO's data, an extractive case in the Caucasus region illustrates this challenge especially well. Here, changes in project design over the course of exploration shifted areas of impact and necessitated repeat consultation activities with a community which became more heavily affected. However, the length of the project's pre-development phase, coupled with uncertainty regarding the project moving forward, generated consultation fatigue and eroded levels of participation within the community, ultimately diminishing BCS.

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<sup>6</sup> See Performance Standards (2012: 7) for IFC's definition of BCS.

This case highlights a larger tension in maintaining BCS. On one hand, there are instances where BCS is determined with one-off assessments. In such cases, the process does not capture changes that may develop during the life cycle of a project. Those deviations from the initial assessment can have adverse consequences on social cohesion, interest levels from parties, and BCS. On the other hand, if not done adequately, ongoing monitoring of community support raises its own set of risks. Sustained participation necessitates navigating both project and community changes, at times requiring project developers to redefine their stakeholder engagement strategies to prevent consultation fatigue. To maintain BCS, consultations need to balance this tension and generate effective ways of sustaining participatory engagement. Understanding the calculus for doing so is an area that may benefit from further research. At the very least, this requires effective and efficient ongoing engagement where practitioners communicate accurate timelines, minimize demands and costs borne by stakeholders, and maximize community inclusion.

## Conclusion

This paper utilized data from CAO's casework to examine challenges in ESIAs, which are a critical dimension of IFC's current practice. Complaints submitted by communities and compliance reports highlighted three areas where underperformance can limit project benefits and lead to harm for communities. Further research on bridging the policy practice gap in meaningful consultation, including communities in developing estimations of impact, and sustaining participatory engagement to maintain BCS can improve ESIAs and thereby maximize benefits for communities and companies while minimizing environmental and social harms.

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