IAIA19, Brisbane: Evolution or Revolution: Where next for impact assessment?

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Back to the future – avoiding social impacts before they happen

Abstract

Avoiding, managing and mitigating the negative social impacts of projects is central to the purpose of social impact assessment (SIA). Opportunities to avoid negative social impacts (and support positive social impacts), however, are reduced over the course of the planning process as a project becomes more defined and thus less flexible. This paper draws on case studies from the authors' experiences working with Australian industrial companies to consider social impacts for projects long before specific design or even timeframes have been defined.

Commencing the assessments early led to many benefits that outweighed the challenges of working with high levels of uncertainty. Options found to have the largest negative social impact were removed; wide-reaching internal engagement became crucial (due to a reduced ability for external engagement). Multidisciplinary conversations helped to build understanding of potential social impacts across all areas of those companies – i.e. beyond those charged with social performance / community engagement. The case studies highlights the role of SIA as a dynamic, iterative process, and encourages companies to consider social impacts at the point at which avoiding those impacts is able to be done without cost or delay.

Introduction

A key purpose of the social impact assessment (SIA) process is to avoid, mitigate and manage the potential negative social impacts, and to enhance positive impacts that come from "planned interventions" whether they be "policies, programs, plans or projects".[1] And yet an all-to-common experience of SIA professionals is that many of the most negative and most difficult to mitigate or manage impacts are already set in stone by the time a formal SIA process is begun. The option to 'avoid' has either been cursory or has been given no consideration at all.

[1] Vanclay, F et al. (2015) Social Impact Assessment: Guidance for assessing and managing the social impacts of projects. IAIA. Vanclay, F (2003) International Principles For Social Impact Assessment, Impact Assessment and Project Appraisal, 21:1, 5-12

This leaves those charged with managing an organisation's social performance left to put band aids ('mitigate or manage') on significant impacts. At worst, the design of a project is so set in stone that no genuine engagement is possible or desired. At this point there is a risk that SIA's are carried out only in order to meet external regulatory or internal reporting requirements; community and stakeholder engagement is shaped up not from a desire to work in partnership with communities, but rather as a corporate affairs type function in which project information is broadcast; PR is used to persuade; and 'opponents' are identified and monitored. At this dismal end of the scale the project design never changes in response to stakeholder feedback, and social impacts are measured purely as risks to the organisation rather than impacts on actual communities and stakeholders.[2]

The challenges, therefore, are these – how early can an SIA process be deployed in order to avoid negative impacts? What are the opportunities and constraints that come out of going early? And what does it mean for the kind of processes and skills that an organisation might need?

Case studies: major industrial developments in residential areas

The authors of this paper have been involved in the development of social impact assessments for a number of major industrial companies operating in close proximity to residential areas. For the purposes of this paper all of the companies and sites have been anonymised.[3] In all of the sites considered here a regular SIA process has existed as an internal company process triggered either by time elapsed (e.g. every five years), and/or to go alongside applications to regulators for changes or expansions to operations.

What was increasingly realised at all of these sites, however, was that this regular SIA process needed to be complemented by a new kind of social impact process that was applied very early in the process. At one site this manifested in a social risk process being applied to multiple different project options that were being considered by the company, even before substantial design work had occurred.

In this situation the company's starting point was to consider roughly a dozen different options for future operations through three high level assessments – a normal investment basis (different capital and operational expenditure profiles, expected returns etc.); a regulatory risk basis; and a social impact basis. No one assessment had 'veto' power over the others, but the results of the different assessments promoted or demoted different options up or down the order of relative attractiveness to the company concerned.

The social impact process – while definitely not an SIA – did have the objective of identifying and if possible avoiding those options which would generate disproportionate negative social impacts. While the size of the potential social 'win' was significant, the constraints on the social impact process were also considerable. Most notably, how could one carry out a social impact process

[2] D. Kemp and J. Owen (2018), Social performance gaps in the global mining industry: A position paper for executives. Centre for Social Responsibility in Mining, Sustainable Minerals Institute, The University of Queensland, pp. 2-3.

[3] In some cases the descriptions provided here have combined experiences of and lessons learned from several different sites, so as to facilitate the process of truly anonymising the organisations involved.

without talking to any stakeholders outside of the company,[4] and at a stage in which the design of each option was still high level?

At a high level the process involved developing social risk indicators, and then giving a low, medium or high rating to each of those indicators based on data that was either already held by the company or was in the public domain. The kind proxy indicators considered included:

- The *cost* of acquiring or relocating residential properties, commercial properties, infrastructure such as roads, and public and community facilities.
- Potential *reputational* impacts based on assessments of known community, government, and media sensitivity or concern.
- The *time* that managing or mitigating impacts might take, which was essentially a function of the combined cost and reputation considerations outlined above.

In order to determine the rating of each of these indicators data was then sourced from:

- As detailed a disaggregation of demographic data as was possible in the community
- An analysis of media coverage over the previous 2-3 years
- Records of complaints or inquiries made to the company
- Previous SIAs
- Discussions with company staff who lived in the community.
- A cross-disciplinary internal workshop with company staff involved in the projects.

Compared with an SIA process, this process was highly simplified in terms of the proxy indicators – which were disproportionately focused on risks to the company – as well as the limited qualitative data that was able to be considered.

The benefits and challenges of eliminating social impacts at an early stage

The benefits of using a process that combined investment, regulatory and social considerations at this very early stage was considerable. In the above example projects shown to have both a high level of regulatory and social risk were subject to much greater scrutiny, and were ultimately not progressed further for the time being. In other words, potential social impacts were avoided by eliminating project options that would have generated them in the first place.

There is also a clear value in bringing together different project disciplines at an early stage. At the early pre-feasibility phase it is not uncommon for different parts of an organisation to consider a project in relative isolation from one-another. The internal validation workshop held as part of the case studies detailed above bought together finance, engineering, environmental, community and legal staff, many of whom conceptualised the relative risks and opportunities of each project very differently. Several projects, for example, came out of the social impact process as being particularly high risk, when others involved in the development of those projects had considered those risks to be either low or easy to mitigate and manage.

[4] The reasons for not engaging publicly were several. Firstly, the vast majority of project options would ultimately be discarded long in advance of further studies and design. Secondly, all project options were at this early stage commercially confidential. There is of course a difficult balance to be managed here, between companies being meaningfully transparent, while at the same time avoiding unnecessary psycho-social impacts by publicly announcing projects that are likely to never eventuate.

Finally, the process of removing potentially harmful and controversial options at an early stage is beneficial to both communities and companies. Communities are not subject to the stresses of considering a project that might have had a high level of social impact. Those stresses – the fear of the worst case scenario – can be very significant psycho-social impacts in and of themselves, and those impacts are experienced even if a company ultimately choses to not progress a project.

For companies the benefits are that the risk of unexpected project delays, additional costs, or reputational harm caused by projects with social impacts that are considered to be unacceptably high by communities. It also has the potential to avoid significant cost of carrying out detailed financial or engineering studies of options that might not actually be viable from a social impact point of view.

In the context of a traditional SIA process, the challenges of this kind of pre-design social impact screening process are obvious. Commercial confidentiality means that it is impossible to engage with external stakeholders to determine likely hierarchy of impacts. Publicly available data is extremely useful but is often high level and not disaggregated enough to identify specific vulnerable groups. The lack of qualitative data means that it is virtually impossible to identify any 'unknown unknowns' in terms of community attitudes to current and potential future projects.

It is also a challenge internally as at this very early stage the options being considered are very high level and lacking in precise data around even the simplest of issues – e.g. what the final footprint of the industrial site might be; what it might look like; what amenity impacts might be experienced in which parts of a community. The best one can do is to approximate based on similar projects elsewhere, and environmental modelling (e.g. for noise) from other operations. It is inevitable that the reality of the final project – should it be built – will be different; with the margin of difference difficult to predict.

A final challenge can come from convening different internal disciplines in a way in which they are able to understand and consider the potential trade-offs between very different considerations – financial costs; the pros and cons of different engineering approaches; the kinds of environmental and social impacts that might be generated by different approaches. In this context finding project staff who are able to strategise across all of those different disciplines is crucial.

Conclusions

Acting on the imperative to avoid social impacts is often difficult as it is normally considered (at best) during the construction stage – at which point an organisation is already locked into a particular type of project. At worst the consideration of social impacts only comes once the construction process is almost complete, which removes avoidance of impacts as an option, and can even make managing and mitigating impacts difficult. SIAs at this point can become exercises in satisfying regulators; PR takes precedence over meaningful engagement.

Considering social impacts during the project selection and pre-feasibility stages is not without difficulties and risks, but it does make the avoidance of impacts a genuine option. Indeed, one would think that pre-feasibility SIA processes should become more the norm if the purpose of such assessments is indeed

"…predicated on the notion that decision-makers should understand the consequences of their decisions before they act, and that the people affected will not only be appraised of the effects, but have the opportunity to participate in designing their future."[5]

Presenting author bio

Sefton Darby is an Associate Director at KPMG Banarra, the Australian firm's specialist human rights and social impact group. He has previously worked for the UK Cabinet Office, DFID, the World Bank, Newmont Mining, as a senior mining sector regulator in New Zealand. He specialises in social impact and community engagement; good governance and transparency; and resource sector policy and regulation. He is the author of *The Ground Between* published by BWB Books.

[5] IGCP (Interorganizational Committee on Guidelines and Principles) 1994 https://www.st.nmfs.noaa.gov/tm/spo/spo16.pdf