

# The role of impact benefit agreements for environmental assessment

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*We respectfully acknowledge we are on unceded traditional territories of  
the x<sup>w</sup>məθkwəy̓əm (Musqueam), Skwxwú7mesh (Squamish) and Səlílwətał  
(Tseil-Waututh) Nations*

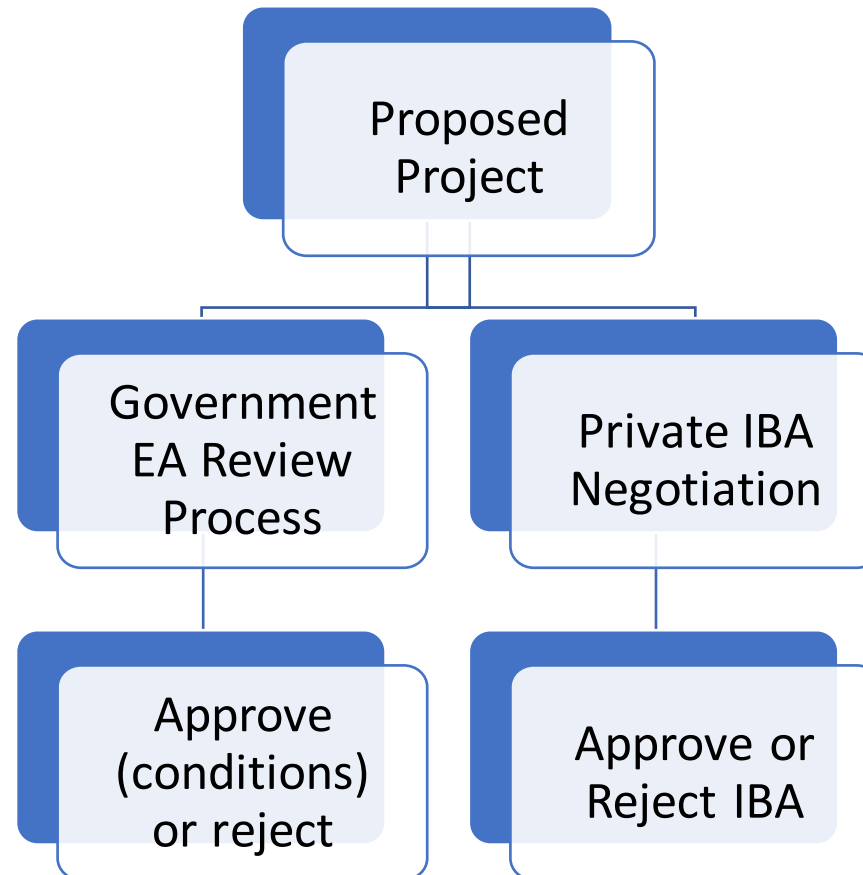
# Impact Benefit Agreement (IBA)

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- Agreement between project developer/government and impacted community
- Can contain provisions for:
  - Economic development (employment training, procurement)
  - Revenue sharing
  - Impact mitigation
  - Co-management
- Common but normally outside government EA process



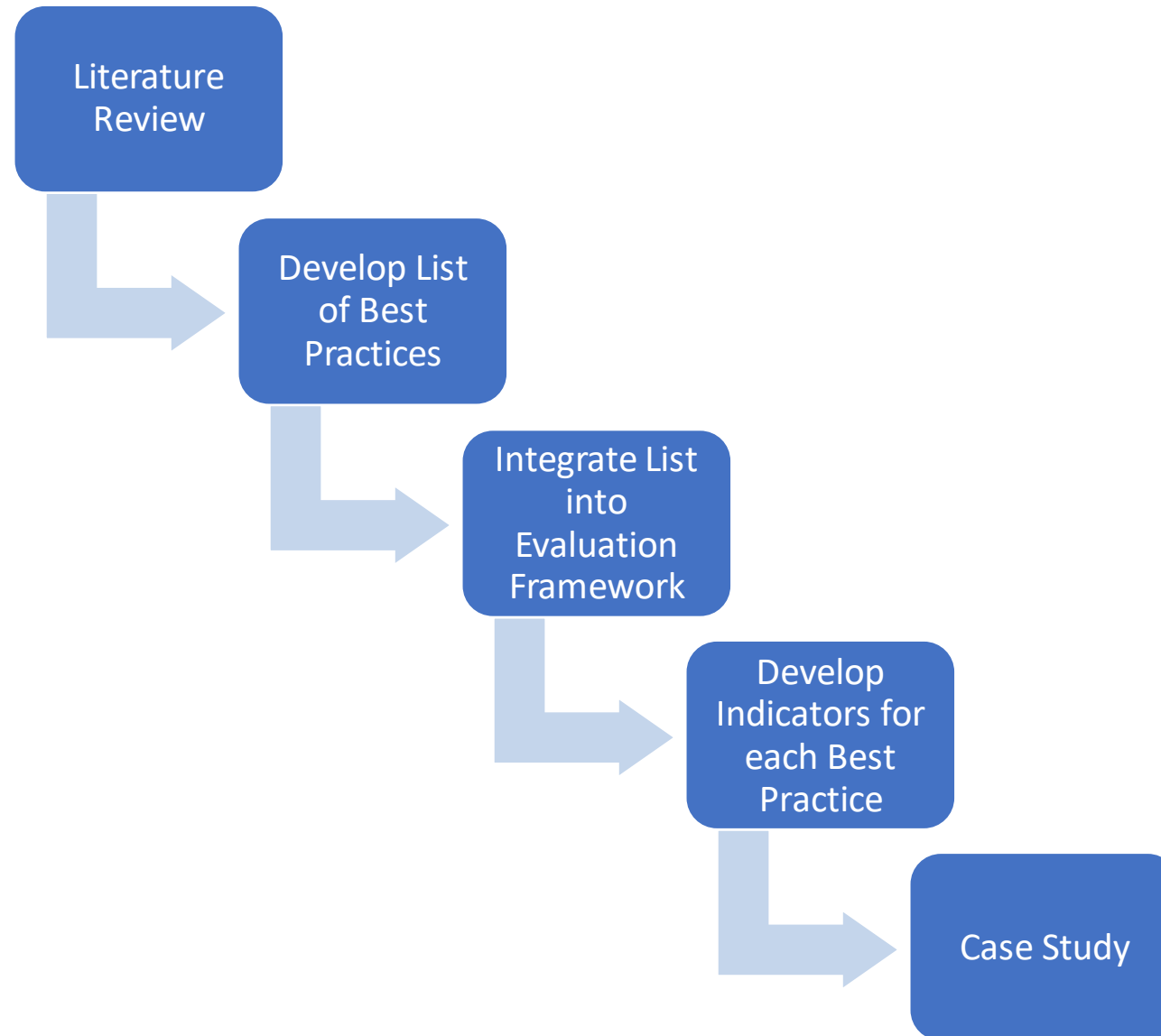
# Role of IBAs in Project Review



A blue speech bubble graphic with a white question. The bubble has a dark blue shadow on its left side, giving it a 3D effect. The text is centered within the bubble.

How do you design  
effective IBAs?

# Methodology



# The Evaluation Framework

Criteria (10)

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graph TD; A[Criteria (10)] --> B[Sub-criteria (44)]; B --> C[Indicators (89)];
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Sub-criteria (44)

Indicators (89)



# The Criteria

An effective IBA is one that...

- 1. Empowering**
- 2. Respects local culture**
- 3. Affirming**
- 4. Collaborative communication**
- 5. Builds Capacity**
- 6. Equitable**
- 7. Comprehensive**
- 8. Enforceable**
- 9. Implemented**
- 10. Monitored and Revised**

# Evaluation of Empowering Criterion

Sub-criteria	Indicators	Assessment	Deficiencies	Rank	Score
1.1 Every affected community is a participant in the IBA-making process.	<ul style="list-style-type: none"> <li>Were communities with legal rights at or around the project site consulted?</li> <li>Were communities with unrecognized legal rights at or around the project site consulted?</li> <li>Were communities who may experience downstream effects of the project consulted?</li> </ul>	The five closest communities are represented by the QIA, who is party to the IBA. Each community has a community director who sits on the QIA board of directors. The QIA represents other communities and Inuit in the high arctic and on Baffin Island.	None	Met	3
1.2 Vulnerable and marginalized groups are included in the IBA-making process.	<ul style="list-style-type: none"> <li>Were any women, youth, or elder groups included in the IBA-making process?</li> <li>Was the IBA negotiator / negotiation team representative of marginalized interests (i.e., did the team include people from marginalized groups or was the team elected in a collaborative or democratic way)?</li> </ul>	The QIA's social policy is to include as many people as possible in any complex decision making. A youth and elders from each community must attend the annual project review forum.	The extent to which vulnerable groups were given the opportunity to participate during negotiations is unknown.	Unknown	-
1.3 Community sovereignty is maintained.	<ul style="list-style-type: none"> <li>Does the community relinquish any rights, such as governance or land monitoring powers, in the IBA?</li> </ul>	No rights were relinquished in the IBA.	None	Met	3
1.4 IBA funds are managed by the recipient community.	<ul style="list-style-type: none"> <li>Are the IBA funds managed by the recipient community?</li> </ul>	The Ilagiiktunut Nunalinnullu Pivalliajutsait Kiinaujat Fund is managed by the QIA. Two Inuit Employment and Training Coordinators, one of which works for Baffinland and the other for QIA, jointly manage the Business Capacity and Start Up Fund. IBA payments go from Baffinland to the QIA.	None	Met	3



# Evaluation for Equity Criterion

Sub-criteria	Indicators	Assessment	Deficiencies	Rank	Score
6.1 No community member is worse off as a result of the project.	<ul style="list-style-type: none"> <li>Is there a provision to ensure that any member of the community adversely impacted by the project is fully compensated for the adverse effect?</li> </ul>	There is a fund to support communities who lose hunting fauna from the project and provisions to allow traditional activities to continue around the project. There is also a community development project projects aimed at fostering equity between communities and generations.	Results from socio-economic monitoring report suggest possibility that at least one community member may be worse off (JPCS, 2018): lack of certainty that no community member is worse off.	Unknown	-
6.2 Community benefits are scaled to total project profitability.	<ul style="list-style-type: none"> <li><b>What are community benefits as proportion of total project benefits?</b></li> <li><b>Are financial benefits adjusted to changes in project benefits?</b></li> </ul>	The QIA receives 1.19% of net sales revenue from the MRP, from which the advanced payments and extension payments can be deducted. If additional impacts are identified, more compensation may be negotiated.	The royalty is a small portion of total project benefits.	Partially Met	1
6.3 Financial benefits are delivered to suit community needs.	<ul style="list-style-type: none"> <li>Is the financial benefit delivery method a mix of fixed and variable cash payouts?</li> </ul>	Payments are fixed prior to construction and royalty-based once production starts. Pre-production fixed payments are subtracted from later royalty payment.	After production starts, payments are completely royalty based as fixed payments cease, so there is some uncertainty in the magnitude of payments.	Partially Met	1
6.4 Contracts are designed for, and favour, local businesses.	<ul style="list-style-type: none"> <li>Do local businesses have an advantage in the contract bidding processes?</li> <li>Are contracts unbundled?</li> </ul>	There is a list of Designated Inuit firms that the executive committee identifies as Inuit owned or operated and capable of providing goods or services to the project. The contract assessment framework gives Inuit and Baffin Island companies an advantage during the bidding process. This is done by adjusting bids using an Inuit Content Factor based on Inuit or Baffin Inuit ownership, Baffin Inuit employment, proportion of wages accrued by Baffin Inuit, purchases from Inuit, and whether the contractor's head office is on Baffin Island (see MRP IBA, 2013, s. 6.11 for more information). Contracts are unbundled to make them more accessible to North Baffin and Inuit firms. Inuit owned businesses have been awarded contracts, including air transport and sealift construction (NWT and Nunavut Chamber of Mines, 2013). Moreover, there is an Inuit Procurement and Contracting Strategy. In 2017, 18 contracts with a total value of \$387.3 million were awarded to Inuit owned firms and joint ventures (JPCS, 2018).	None	Met	3
6.5 Community members are preferentially hired.	<ul style="list-style-type: none"> <li>Are there provisions that support hiring community members?</li> <li>Are there provisions that support advancement of community members?</li> <li>Are there provisions that support retention of community members?</li> </ul>	Yes, there are provisions that support hiring, advancement, and retention of local Inuit workers. In 2017, North Baffin Inuit worked 9.6% of total hours worked on the MRP, and Inuit from Iqaluit worked 3.5% of total hours; 13.9% of MRP employees and contractor employees are Inuit, which is a decrease since the high of 20.3% in 2013 (JPCS, 2018). Employment numbers are lower than anticipated, some Inuit promotions occur, and turnover rate for Inuit is 6% higher than for non-Inuit. There is an Inuit human resources strategy.	Minimum Inuit employment goal is 25%, so not being achieved and there is high Inuit turnover rate. However, the Inuit human resources strategy is aimed at addressing this deficiency.	Largely met	2

# Equity Criterion

1. What tools do you use to obtain community benefits?
2. How do you measure community benefits as proportion of project benefits?
3. Are IBAs doing a good job in meeting the equity criterion?

# Tools for obtaining community benefits

## Revenue

1. Bonus Bids
2. Fixed Payments (milestone and annual)
3. Joint Ownership
4. Royalties
  - a. Per unit of production (volumetric)
  - b. Per dollar of production (ad valorem)
  - c. Percent of Profit (Profit based)
  - d. Percent of Rent (Economic Rent Tax)

## Other Benefits

1. Employment
2. Procurement
3. Mitigation

How do you measure benefits as proportion of project benefits?

1. Benefit Cost Analysis
2. Estimate the Project Net Benefit (net present value) or Resource Rent
3. Estimate the proportional distribution of project benefits and costs among key stakeholders

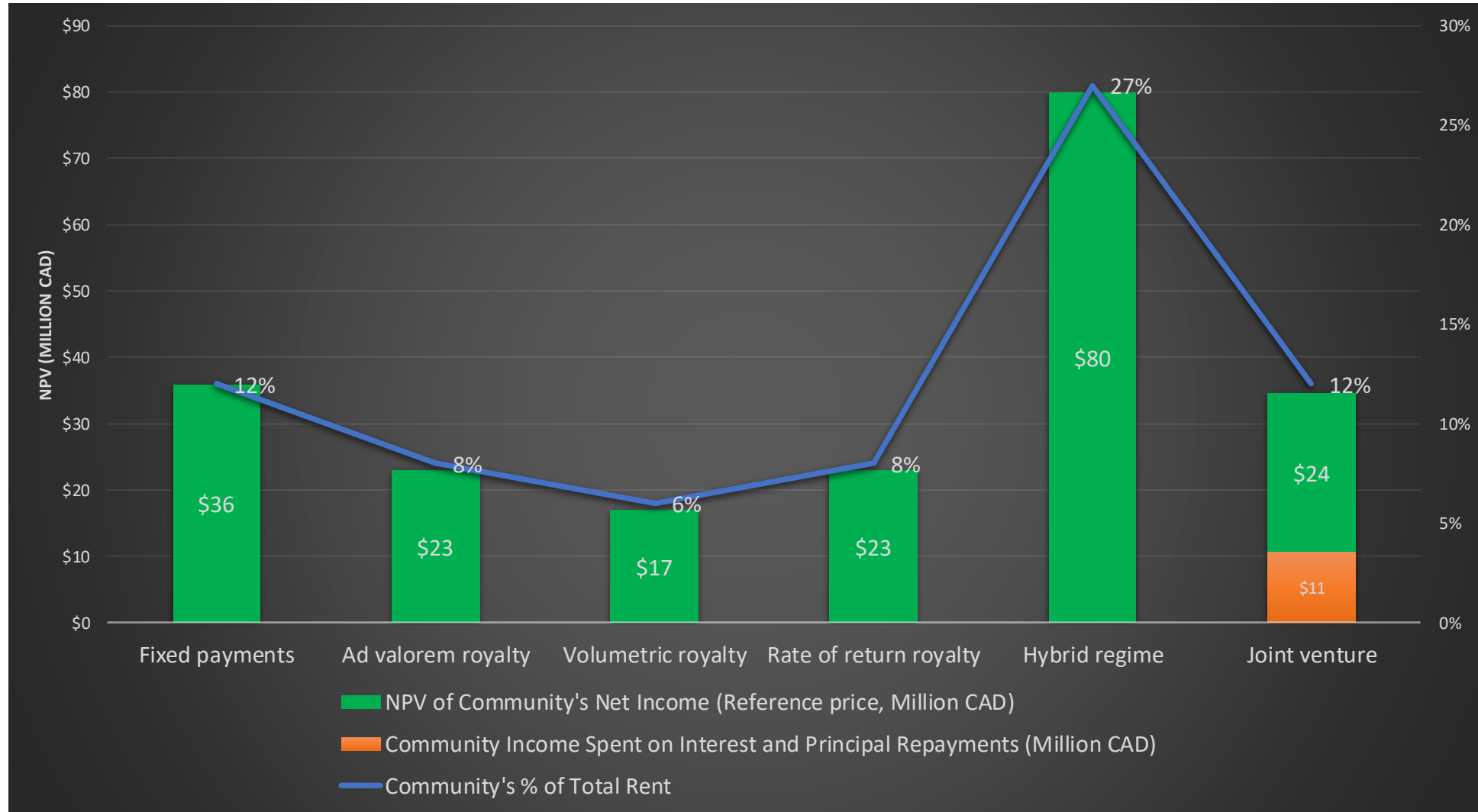
# Community Benefit Analysis Example

Community Benefits	Benefit to Community (NPV over project life in millions of \$)	Indicator Ratio	Result
Revenue payment	\$36	% of project net benefit	12.2%
Local employment	\$68	% of total wages paid	10%
Local purchases	\$22	% of total purchases	6%
Infrastructure	\$7	% of project net benefit	2.4%

Are IBAs  
doing a good  
job meeting  
the equity  
criterion?

**Model existing IBAs in mining  
sector**

# Results – NPV and % of Rent



# Conclusions

1. IBAs are a key tool to meet community interests
2. IBAs have not been as effective as they could be
3. IBAs should meet all 44 best practice sub-criteria to be successful
4. IBA process needs to be better integrated with government EA process
  - a. Required
  - b. Public/transparent



# Let's continue the conversation!

Post questions and comments via chat in the IAIA22 platform.

Resources policy special issue on benefit agreements: <https://www.sciencedirect.com/journal/resources-policy/special-issue/109QDJV65XK>



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