

Reconciling Net Value in Social Impact Assessment and Monitoring

An exploration of the motivation, approach and direction for a net value lens in social impact assessment for major resource development projects in Canada

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This paper is intended to serve as a discussion piece to continue the dialogue on the evolving net value (or net benefit) approach applied to social impact assessment (SIA) and monitoring in the Canadian context. It highlights recent regulatory and community-based drivers of net value as an end goal, and explores mechanisms to better reflect what is valued by those who are affected by development in the impact assessment (IA) process. A key focus of this paper is on the role of participation and collaboration in this process. Finally, this paper poses the question of 'where are we going' with the net value approach to IA.

International best practice has often outpaced the SIA requirements of regulators at national levels. The Canadian regulatory context is no exception, although there is a strong history of exporting Canadian IA practices to other countries (e.g., through Canadian practitioners working overseas, and the adaptation of Canadian regulatory processes and methods). Further, the work of International Financial Institutions serving as lenders for publicly funded projects has long applied a net value lens to SIA, asking the question "is this a worthwhile, beneficial use of public funds?" Canadian governments have also been required to apply a net value test (e.g., through a cost-benefit analysis) for publicly funded projects to confirm that the project has an adequate social return, and is good use of public funds. While important, the net benefit question is, however, often an analysis independent from the IA undertaken late in decision making.

Conversely, private sector developers largely do not have a mandate to apply such an overarching view supporting the rationale for their projects, or the IA process. The question of the net value of their project has primarily been focused at the corporate and shareholder level - is there an adequate financial return to the investors? If investors are interested in a project (as supported by an economic assessment and/or separate feasibility study), then its net value to society has largely been assumed. In IA practice, the need or justification for a project from the perspective of the developer has been a largely perfunctory consideration based on the needs of the market. Prior to recent regulatory changes in Canada, the question of the net value of a project to society has not been widely entertained within the Canadian private sector IA method itself, or reflected in the conclusions of the assessment.

As noted, the question of net social value/benefit can come into play when a ministerial decision is made on EA approval. It is left to federal and provincial regulators to determine if the project's assessed benefits outweigh its adverse impacts based on the IA submission of the developer, and evidence levied by other intervening parties. The evaluation becomes one weighing the economic output of a project (e.g., jobs, contracting, expenditures, incomes, GDP and tax contributions) against environmental impacts on the land, air, and water, and social impacts on communities and affected groups. Evaluative metrics may become siloed and considered as discrete inputs to the overall determination of public interest made by regulators and ministerial authorities, leaving the "net benefit" discussion separate from the IA process.

In the past, the concept of national economic benefit may have weighed more heavily than social or environmental impacts in regulatory decisions, resulting in the approval of projects with significant adverse effects on local communities and/or subgroups within the population. More recently, the Impact Assessment Agency of Canada (IAAC), as the regulator guiding IA at the national level, has begun to emphasize the importance of a more holistic approach that reflects both the ability of people to benefit from private sector development, but also to be adversely impacted. Today, IA practitioners are increasingly being asked to integrate the net value or benefit question into their analysis.

Recent national impact statement guidelines from IAAC have placed great emphasis on the analysis of environmental, social, and health impacts relative to gross economic benefits at the assessment stage. Such guidelines have also highlighted the importance of taking a collaborative approach in understanding the implications of such effects on the local populations with which project development will interact. Some provincial and territorial regulators have already implemented similar requirements locally (e.g., the British Columbia Environmental Assessment Office, the Mackenzie Valley Environmental Impact Review Board in the Northwest Territories), giving them a leg up in raising the net value bar, in line with the way forward at the national level. The challenge for many SIA practitioners today is how to address these requirements in a private sector development context in the absence of clear implementation expectations.

While many practitioners have advanced the net value approach in their advocacy for communities and Indigenous Peoples, the regulatory landscape in Canada is still very much catching up. How do we as IA practitioners leverage our experience and knowledge of evaluative approaches that seek to go beyond the simple discussion of economic benefits accruing to those able to access opportunities, and look at the net potential for benefit to broader populations and subgroups within? How do we get a better understanding of community values/social benefits v. project benefits? These questions may in part be addressed by strengthening aspects of the SIA process for private sector developments – from a framing lens to guide the IA process, to the approach taken to facilitate collaboration with affected people, to the actual tools available to practitioners.

An approach long applied in the practice of SIA, Gender Based Analysis Plus (GBA+) has become an analytical lens more widely appreciated by regulators. Increasing weight is being given to the ability or, in many cases, inability of diverse segments of the population to access the typical economic benefits touted of development. In seeking to characterize the experience of unique subgroups of the communities impacted by development, a GBA+ lens allows us to go beyond the typical discussion of local (i.e., community, economic region) employment, contracts, and community-level investment, to understand changing community fabric, differing experiences of those marginalized or unable to access project benefits, and resulting social implications within a community. Using such an approach, the concept of a project's net value can be discussed in more nuanced terms than at a societal or regional level.

Canadian regulators are increasingly recognizing this lens as a key, overarching outlook within IA that facilitates the transition from a statement of generic, if localized project benefits, to a focus on social benefits and sustainability of communities and wellbeing. As the regulatory expectation of a GBA+ approach expands within different Canadian jurisdictions, so too does the opportunity to involve the subpopulations on which it focuses in the IA process, providing a more formalized space for their voice in SIA, and an opportunity to create a more in-depth collaborative process.

One such collaborative approach supported by the application of a GBA+ lens to SIA is the involvement of Indigenous Peoples in the IA process. Consultation with Indigenous Peoples has long been a requirement in the IA process in Canadian regulatory jurisdictions. However, the approach to such consultation efforts led by private sector proponents through the IA process has been the subject of scrutiny and critique regarding the sincerity of collaborative efforts. Further, the efficacy of consultation in bringing Indigenous perspectives, Knowledge, and aspirations into the assessment at all stages has in many cases been questionable. Similarly, there is a level of distrust in the utility of consultation led by regulators, governments, and the Crown through the IA process as a mechanism of representing the interests of Indigenous Peoples. Social baseline studies conducted in support of IA work often seek to bridge this gap, however the reality is that many of these are proponent-led and constrained by regulatory terms of reference.

Increasingly, these shortcomings have been recognised as something that developers, regulators, and governments are likely not well positioned to address in isolation. While perhaps commonly understood and supported in the field of SIA itself, this concept appears to be gaining wider recognition within the regulatory landscape in Canada. The requirement for meaningful collaboration has been in place internationally and in some provincial/territorial jurisdictions for decades (e.g., British Columbia, the Northwest Territories, Nunavut), but is increasingly the focus of national-level IA regulation in the country as evidenced by recent impact statement guidelines issued by IAAC.

The collaborative balance is tipping in, arguably, the right direction, with greater emphasis on Indigenous-led assessment as a key approach to the implementation of a GBA+ lens in the regulatory process, and the most effective means of representing the voice, perspective, and desired outcomes of Indigenous Peoples. It builds confidence in IA outcomes, and can be a key driver of re-establishing trust in the regulatory system. As communities, IA practitioners, proponents, and regulators seek to navigate this process on the national stage, it will be important to take stock of lessons learned, and strive to continually improve on the IA and SIA process, with an overall aim of securing net value not just for society as a whole, but for those impacted by development. Indigenous-led assessment is only one, albeit prominent, example of a changing Canadian regulatory landscape, and of the need for greater representation and collaboration in the IA process to plan projects to the greatest possible level of net benefit.

There are a number of well-developed technical tools in the arsenal of the IA practitioner to tackle the net value question. Most notably, these include risk impact matrixes, social cost benefit analysis (CBA), multiple accounts analysis (MAA or multiple criteria analysis) and, more recently, analyses based on use of a sustainability lens. Traditionally, these have mainly been applied in silo by technical experts and have not been utilized as part of an IA method. There is a great deal of potential to take these well-established tools and use them as part of a participatory analysis within an IA process. MAA and CBA, for example, already have a history of involving affected stakeholders in the analyses – but we now need to bring this more meaningfully into the IA method and involve communities.

One notable barrier to this is the accessibility of these tools. Many are highly technical and not within the experience base of communities to implement. However, there is a role for IA practitioners to facilitate a participatory process involving these tools and communities. There is also an opportunity for longer term collaboration where, for example, the IA practitioner undertakes the predictive analysis, and the community monitors the outcome to hold the developer accountable. Questions remain about the extent to which, and how net value considerations in an IA are incorporated into project monitoring plans. A switch to community-based monitoring (rather than reliance on compliance monitoring) is a strong trend in Canadian IA practice, and communities themselves are increasingly demanding this. It is beyond the scope of this paper to delve into the design principles of a net benefit monitoring program, but fair to say that there is considerable work to be done to figure out what this means.

What is next in a net value approach within private sector development in Canada? National-level regulatory requirements are catching up to international best practice, and filtering into other (e.g., provincial/territorial) jurisdictions. Expectations for private sector projects to demonstrate net benefits to society are increasing. There are new and evolving tools, that are well suited to participatory approaches, and to facilitating involvement and collaboration in the IA and overall decision-making process. Blending these points together requires the direction of regulators, the involvement of impacted peoples, the expertise of practitioners, and the cooperation of the private sector. It will require further understanding of how we work together to support a participatory and collaborative approach to IA that integrates different perspectives and ways of knowing, as we seek to better understand the value of development, not just to society broadly, but to the constituent people and groups therein.