

# **Closing the Gap between National Requirements and International Standards in Social Impact Assessments: Case Study of a Mining Project in Argentina**

**Vilma Gayoso-Haro**

Hemmera, an Ausenco Company  
Vilma.Gayoso-H@hemmera.com

**Ashley Turner**

Hemmera, an Ausenco Company  
Ashley.Turner@hemmera.com

## **ABSTRACT**

Projects seeking international financing are required to implement Social Impact Assessment (SIA) according to international standards that in some cases are stricter than national requirements. We use the case study of a mining project in Argentina to discuss the main gaps between local and international standards, implementation challenges, and key strategies to develop an International Finance Corporation (IFC) compliant SIA effectively when local regulatory requirements are limited. Our study highlights strategies such as early gap analysis and early planning were key to effective data collection and reduction in costs and time required for the preparation of an IFC compliant SIA. Inclusion of gender-based lenses, Free Prior and Informed Consent principles and engagement were integrated early in all aspects of data collection, Socio-economic Management Plans and social investment program preparation.

## **INTRODUCTION**

Social impact assessment (SIA) is a practice that is well established internationally, with agreed principles and best practices. SIA is required by multilateral development banks and other international financial institutions, notably the International Finance Corporation (IFC) (IFC, 2012) and by all banks that are signatories to the Equator Principles (EP, 2020). SIA can also be required by national laws or as a condition of project financing or international partnerships. In other cases, SIAs are done voluntarily by companies.

National governments have their own regulations for SIA and there could be many discrepancies between national and international expectations. This applies particularly to jurisdictions where SIA and Environmental Impact Assessment (EIA) processes are not well developed (Guakov et al, 2020). This has created a sort of dual process in projects supported by international financial institutions, where SIAs implemented in accordance with international principles, guidelines and best practices are generally added to the national EIA reports later in the assessment process.

This paper explores the gaps between national SIA and international compliant SIA in Argentina and highlights the challenges faced when implementing an international compliant SIA in a context of less stringent national requirements. We use the case study of a major mining project in Argentina to discuss the main gaps between local and international standards, implementation challenges, and key strategies to develop an IFC compliant SIA effectively.

This paper is primarily based on analysis of completed national and international SIA, or components of them (e.g., reviews of SIA materials, Stakeholder Engagement Plans, assessments). It is also based on analysis of interactions the authors had with Argentine colleagues and project collaborators. This was supplemented by the self-reflection of the authors on their experiences on national and international SIA.

### **International Best Practice Social Impact Assessment**

SIA is defined as the analysis, monitoring, and management of the social effects of projects or of any planned interventions that affect people and communities. The purpose of SIA is to achieve a sustainable (i.e., viable, bearable, and equitable) human environment (IAIA, 2020). SIAs were initially employed as a mechanism to predict the social effects of projects but have since evolved into a comprehensive process to identify, monitor, and manage social dimensions of resource developments (Esteves et al., 2012, Gulakov et al., 2020). SIA assists governments and project proponents to understand and respond to the positive and negative changes induced by projects and improve the outcomes for communities. In practice, SIA is both a regulatory tool for assessing project suitability, and an industry tool to manage social impacts (Franks and Vanclay, 2013).

Many jurisdictions have formal EIA processes, but not all require proponents to identify and mitigate social impacts. EIA frameworks vary in SIA requirements and consideration of social effects. In some jurisdictions SIA is a fully independent process such as in Queensland, Australia (DSDMIP, 2018), whereas in other jurisdictions SIA is integrated within the EIA process, such as in Canada (BC EAO, 2020). In other jurisdictions, SIA requirements are minimal or absent.

Internationally, SIA is now a well-developed process. The international financial institutions, notably the IFC, and other development banks, have standards outlining SIA requirements for their clients. Compliance with their standards is usually a condition of their loans, and penalties are applied for non-compliance. These SIA standards are key components of how social performance is expected to be achieved.

The Equator Principles are a sustainability framework adopted by financial institutions to identify, assess and manage environmental and social risks when financing projects. As of 2022, 131 banks from 38 countries had adopted the Equator Principles. The Equator Principles Association assigns countries as being “designated” or “non-designated”. For projects in designated countries, the Equator Principles only requires compliance with national laws, since these are deemed to meet acceptable standards, whereas for non-designated countries, the assessment process evaluates compliance using the IFC Performance Standards (PS). As of October 2021, only 34 countries around the world were considered designated countries, most of them developed countries. Argentina is a non-designated country (EPA, 2022).

#### *IFC Performance Standards*

Given the convergence in international requirements, the IFC PS are considered a benchmark for environmental and social performance (Vanclay and Hana, 2019).

An underlying principle of IFC PS and international SIA is that people have a right to be involved in decision making about the planned interventions that will affect their lives and that this decision making should be just, fair and transparent (Gulakov et al 2020). Key SIA considerations include early and ongoing consultation, local and traditional knowledge, effects on vulnerable groups, community health, safety and security, indigenous peoples, land

acquisition and involuntary resettlement, cultural heritage, and socio-economic monitoring programs and social impact management systems (IFC, 2012, IAIA 2020).

## MAIN GAPS BETWEEN ARGENTINA SIA AND INTERNATIONAL SIA

Argentina has a complex legal and institutional architecture related to environmental and social assessment and management. The National Constitution divides authority between the federal and provincial governments, with Provinces retaining domain over the natural resources in their territories. The National Constitution vests the federal government with the power to enact rules that set a “minimum standards for environmental protection” and provinces have the power to enact supplementary regulation to those federal rules for purposes of harmonization and making them applicable territorially, but without altering jurisdictions.

The use of EIA for the evaluation and mitigation of environmental impacts is common in the federal regulations and in most of the provincial regulations. Several of these laws include the concept of public hearings or consultations for projects with potential negative and significant impacts. However, in terms of the contents of the environmental assessments, some differences exist across provinces (World Bank, 2014).

While the contents of EIA in Argentina vary by province, common differences between Argentinian EIA application and IFC requirements were identified during a gap analysis of the case study project. The main differences between Argentinian EIA and IFC requirements are summarised in Table 1.

**Table 1: Main Differences Between Argentinian EIA and IFC Requirements**

Argentina	IFC
Project components assessed separately	Project components assessed holistically
EIA does not include impact into post-closure	Includes impacts into post-closure
Consultation is prescriptive during EIA process done by agency	Consultation is proactive, abundant, and based on FPIC
SIA is nominal	SIA is prominent, guided by community interest and community engagement
Impact assessment methodology is prescriptive	Impact assessment methodology can vary as long as impacts are addressed systemically
Relative low level of protection for Indigenous People	Full consideration and respect of the human rights, economies, and cultures of Indigenous peoples, based on FPIC
Energy and water efficiency are nominal and as prescribed by law	Energy and water efficiency and use must be proven
Biodiversity viewed more from a species perspective	Biodiversity conservation must be proven, no net loss of critical habitat. Assessment focuses on ecosystems and considers ecosystem services
Human health not considered	Human health is considered
High level Environmental Management Plans	Aim at establishing an Environmental and Social Management System

## Comparison of Argentina and International SIAs – Case Study

The proponent of the case study project (the Project) was committed to follow international SIA practices and IFC PS as part of their financing strategy. A gap analysis was conducted to identify the areas of the national SIA that would require strengthening to meet IFC PS. A summary of the gaps identified are shown in Table 2.

**Table 2: Gaps identified between Argentinian SIA and IFC Requirements**

Valued Component	Gaps in National SIA
Regional economy and economic growth	<ul style="list-style-type: none"> <li>Estimates of impacts on national and provincial economy, employment, and government taxes</li> </ul>
Employment, contracting and training	<ul style="list-style-type: none"> <li>Estimates of impacts on local / non-local demand for labour, training opportunities, and contracting and business opportunities</li> <li>Gender perspective of these impacts</li> <li>HHRR policies with PS2 content</li> <li>Labour policies with PS2 content</li> <li>Camp site accommodation policies with PS2 content</li> <li>Grievance / complaint mechanisms for workers and contractors</li> <li>Emergency preparedness plans</li> <li>Contractors management and monitoring policies</li> </ul>
Transportation and traffic	<ul style="list-style-type: none"> <li>Estimate of impacts on traffic and access, and impacts on communities</li> <li>Accounting for access routes in study area</li> <li>Traffic management and community monitoring</li> </ul>
Community infrastructure and services	<ul style="list-style-type: none"> <li>Influx of non-local workers</li> <li>Estimates of impacts on demand for local accommodation, local infrastructure, and community services</li> </ul>
Community health, safety and wellbeing	<ul style="list-style-type: none"> <li>Health and safety analysis (including impacts associated to access road)</li> <li>Local economies and livelihood</li> <li>Access to health and emergency services</li> <li>Health and safety community plans and health and safety policies for workers</li> <li>Hazardous management to match PS4</li> <li>Emergency preparedness and response that is inclusive of community contacts, communications and infrastructure</li> <li>Occupational health and safety</li> </ul>
Heritage resources	<ul style="list-style-type: none"> <li>Archaeological and paleontology baselines and assessment for access road and transmission line</li> <li>Heritage management plan</li> <li>Chance find management plan</li> </ul>

## OVERVIEW OF STRATEGIES TO CLOSE GAPS

The main areas where the application of international standards improved quality of the Argentinian SIA were:

## **Early Gap Analysis**

An early gap analysis was conducted to identify gaps between the national SIA and the IFC PS. Through the gaps analysis, a road map was created to close gaps, with specific timelines that considered the national prescribed requirements and international objectives. Key actions included: developing and implementing a citizen engagement plan for all phases of the Project, expanding the social area of influence to encompass all Project components, augmenting scopes for baselines, involving technical experts with experience in international SIA at key stages, developing a comprehensive SIA with components informed by community concerns, developing management and monitoring plans.

## **Early and Ongoing Engagement**

The Argentinian environmental regulation establishes requirements for citizen participation, usually in the form of government-led public hearings. At the federal and provincial level, public consultation is not yet duly regulated, there are no rules to ensure budgets for consultation, including in remote zones and the results of public hearings are not binding on the government decision (Barilari et. al., 2020). Tendency by most companies is to limit stakeholder consultation to participating in government-led public hearings.

In consideration of the IFC PS the proponent led an extended engagement program. It developed early a stakeholder engagement plan for the Project. The plan outlined the specific engagement activities the proponent would implement at each project phase and included a feedback mechanism for stakeholders to provide feedback and raise their concerns. Input from this engagement helped to identify existing community issues and select valued components for the SIA. Community engagement was also critical for contributing to public trust.

## **Expanded Social Area of Influence**

IFC PS requires clients to evaluate the impacts of the Project and all associated components such as access road, transmission line, pipelines, etc. holistically, whereas in Argentina each project component is evaluated and permitted independently and by different agencies. This segmented approach limits the ability to evaluate social impacts holistically, as well as the adequate consideration of direct, indirect, induced, and cumulative effects.

To address IFC PS, the SIA expanded the study areas to encompass all the communities along the entire access corridor from the Project site to the transport terminals, where vehicular flow and air and noise disturbances were anticipated to be caused by the project. This allowed early consideration of all relevant communities, including for engagement activities and baseline data collection. This also reduced duplication of effort and community fatigue.

## **Extended Baseline Program**

More detailed and comprehensive baselines were required to meet IFC PS. including consideration of land and resource uses (e.g., water users), traditional uses, community health and wellbeing, transportation, housing, community services, etc. Detailed socio-economic and archaeological baseline included all Project components, including access road and transmission line, as well as community-based research to collected primary information. Moreover, additional associated studies were identified and conducted early such as noise, air quality, vehicle count, etc. Data was collected for all components of the project in a single program to reduce the burden on the community and reduce cost and timelines for preparing the international SIA.

## **Developed Social Impact Management Plans and follow-up Monitoring**

IFC PS requires clients to develop and implement Socio economic management and monitoring plans (SIMP) for all large resource projects. The SIMP is intended to define actions to address the social risks and impacts identified in the SIA, with elements such as performance indicators and targets that can be tracked over time, and with clear responsibilities for implementation. The SIMP also follows-up on effectiveness of mitigation measures and is responsive to unforeseen events as part of adaptive management.

The Project developed several management plans to enhance positive impacts and mitigate adverse socio-economic impacts over the life of the project. The SIMP also included feedback mechanisms and ongoing components of monitoring, The following SIMPs were developed:

- Community Relations and Consultation Plan
- Employment and Training Plan
- Community's Health and Safety Protection Plan
- Cultural Heritage Protection Plan
- Contractor and Staff Health and Safety Protection Plan
- Transportation Management Plan

## **Community Development Programs and Partnerships**

In line with international best practices the Project also developed programs to support long term community capacity and community sustainability. These programs focused on key areas identified through community engagement including empowerment of local people, enhancement of the position of women, development capacity building, and increased equity. Programs included:

- Local Vendors and Supplier Development Program
- Use of Water for Productive Purposes Program
- Local Productive Development Support Program
- Job Education and Training Program
- Program for Strengthening Local Civil Society Organisations

## **CONCLUSIONS**

While each case is unique, this case study identifies several strategies to support development of an effective international SIA when national requirements are less stringent, these include:

- Early gap analysis between national and international standards.
- Expanding engagement programs to build meaningful relationships and trust.
- Mapping stakeholders and developing a community participation plan as early as possible.
- Planning baseline scopes to meet international requirements.
- Meaningful participation of communities in SIA scoping in a transparent and collaborative manner.
- Use of technical specialists with experience implementing international best practices.
- Obtaining early community input for mitigation, management plans and community programs.

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