

Overhauling Social Impact Assessment by Promoting Community Investment



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We simplify complexities through our expertise, making what seems impossible, possible.

Make it sure, make it simple.

RINA today

5300 colleagues

200 offices

70 countries

Our people

More than **90 nationalities**

80%+ educated to degree level

42 average age

Supporting the community

Resources

- R&D & innovation strategy
- Decision support services
- Expertise on renewable energy & environment

Transformation & Production

- Inspection & field
- Certification
- Feasibility studies
- Infrastructure & PMC

Logistics & Distribution

- Certification
- Mobility & transport
- Shipping

Society

- Sustainability, impact assessment
- Energy efficiency
- Social & governance

Grounded in our expertise

Who we are ?

Energy & Mobility
Energy solutions from O&G to renewables, taking care of sustainability and environmental impacts

Marine
Rules, technologies and innovative services to manage transport and pleasure vessels

Certification
Solutions to support products, people and processes on their way to excellence

Real Estate & Infrastructure
The path to the next generation of infrastructure and buildings by ensuring their safety and efficiency

Industry
Industry 4.0, innovation & research, Space & Defence, Cyber Security



THE QUESTION

- The practices of impact assessment have evolved over time
- The concept of international development has evolved over time
- What would be the next step?
- Are the current practices and frameworks effective enough for achieving the goals of international development?
- This presentation addresses these questions focusing on the World Bank and its private sector arm, the International Finance Corporation (the IFC)
- The question is also relevant to the other IFIs (including the EBRD, ADB, AfDB)

BACKGROUND

- The WB is one of the largest organisations in the field of international development
- The WB started its operations almost 80 years ago
- The WB provided loans to economies disrupted by World War II, and later to low-income countries
- Initially, the WB operations had 'purely economic' character
- The goal of international development was 'economic growth'



BACKGROUND

- Purely economic approach led to problems

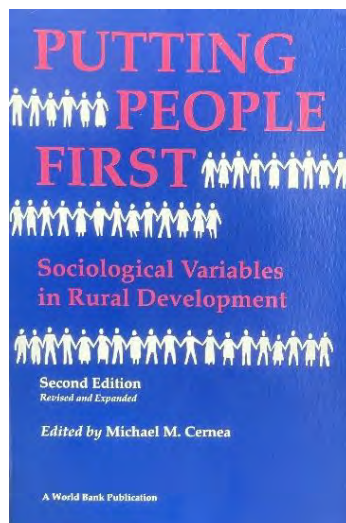
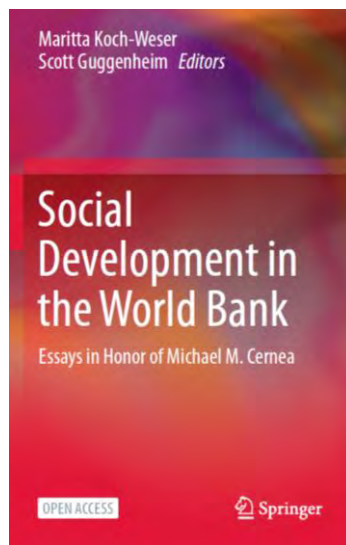
For example, failure to properly resettle people for a dam project could severely impact:

- people's lives
- the project
- the Bank's reputation

Example: dam project in Brazil that forcibly displaced 65K people

Considerations of various risks led to adoption:

- Environmental and Social safeguard policies
- Environmental and Social Framework



BACKGROUND

- One of the key drivers for considering social impacts in the Bank's investment process was **Michael Cernea**

“People are – and should be – the starting point, the center, and the end goal of each development intervention”

Putting People First

- In 1980s, the group led by Michael Cernea step by step pushed up a number of important social policies, broadening development paradigm of the Bank

BACKGROUND



Twin objectives of international development: accelerate economic growth and reduce poverty

Robert McNamara, WB President 1968-1981

Economic growth does not directly or immediately benefit the poor. 'People don't eat GDP'

James Wolfensohn, WB President 1995-2005



BACKGROUND

Major shift in the WB performance:

- Adoption of the E & S policies
- Changing the goals of international development from 'economic growth' to 'social development' and 'poverty reduction'
- E & S policies apply to every project the WB finances (as appropriate)

Adoption of these policies was associated with struggle and resistance within the WB.



MISSION OF THE WORLD BANK GROUP

- To end extreme poverty
By reducing the share of the global population that lives in extreme poverty to 3%
- To promote shared prosperity
By increasing the incomes of the poorest 40 percent of people in every country
- Poverty is multidimensional
- Are the current E&S practices and policies of the WBG effective?
- Are they aligned to address multiple dimensions of poverty and prosperity?



DO CURRENT PRACTICES AND POLICIES EFFECTIVELY ADDRESS POVERTY?

- Despite the significant achievements made so far, the answer seems to be negative rather than positive
- ‘People don’t eat GDP’, or economic growth does not directly or immediately benefit the poor (J. Wolfensohn)
- The two major benefits new projects are argued to bring – **taxes** and **jobs** – are not always experienced by local people
- The current E&S policies are **focused on** assessment and management of **adverse impacts**. This is **essential**. However, this **does not address multiple aspects of poverty**.
- ‘*What is in it for us?*’ – a question affected communities always ask

COMMUNITY INVESTMENT

A significant contribution to achievement of the mission of poverty reduction might be made by ensuring that **community investment** activities:

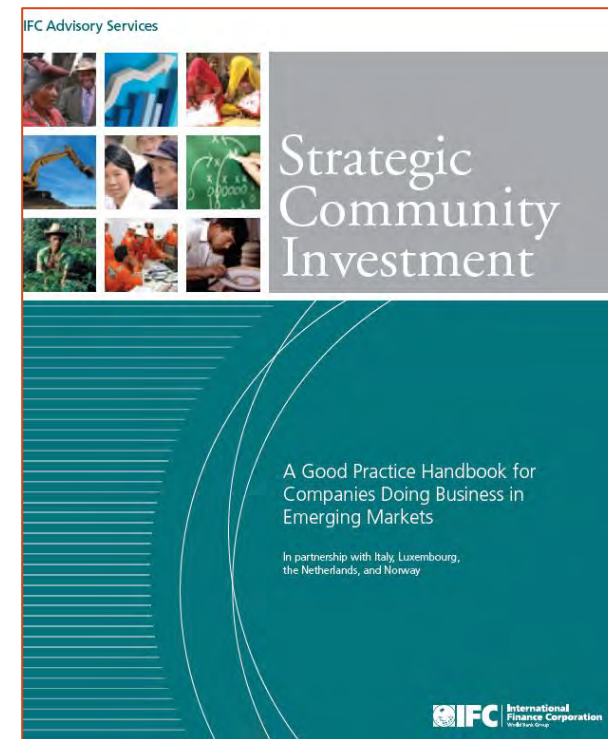
- Are required by the WBG (and other IFIs)
- Are specifically mentioned in their frameworks and policies (in particular, in the IFC Performance Standards)

WHAT IS COMMUNITY INVESTMENT?

Community Investment

“voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of opportunities created by private investment – in ways that are sustainable and support business objectives”

IFC, 2010





COMMUNITY INVESTMENT

- Targeted on creation of benefits or positive impacts of projects
- Focused on people affected by a project - though might have a broader scope
- Calls for moving away from casual philanthropy towards a more strategic approach
- Builds on understanding local context
- Builds on community participation and shared ownership
- Linked to company's business operations
- Sets a business case – by determining clear objectives, criteria, budget, etc.
- Being voluntary, community investment is very seldom implemented

COMMUNITY INVESTMENT – WHAT DOES IT INCLUDE?

Case Study: Petrochemical Project, Eastern Europe

Analysis of existing development plans and initiatives:

- Planning documents for the project area
- Initiatives of other actors (NGOs, etc.)

Consultations:

- Crucial part of community investment
- Might be conducted in various forms
- Included a set of focus groups and interviews
- Were conducted to identify community strengths, needs and ways of addressing them



COMMUNITY INVESTMENT – WHAT DOES IT INCLUDE?

Case Study: Petrochemical Project, Eastern Europe



Definition of key investment areas

- Local employment
- Recreation and sport
- Communal environment

Setting up implementation model:

- In-house or third-party implementation, etc.
- Proactive or reactive (*Creation of Committee, Small grants programme*)

Determining organizational arrangements:

- Budget
- Monitoring provisions, etc.



Photo - source: Author

COMMUNITY INVESTMENT

- Ensures that affected people experience not only adverse but also positive impacts of projects
- Focuses on community needs
- Addresses multiple dimensions of community wellbeing (and of poverty and prosperity)
- Aligned with the mission of international development
- Sets a business case
- Does not necessarily require significant resources



PROPOSED AMENDMENT TO THE E&S FRAMEWORKS AND POLICIES – *in particular, to the IFC Performance Standard 1*

“Clients will conduct community investment activities to help communities in their areas of operation address their development priorities and take advantage of the opportunities created by private investment. Clients will develop and implement a Community Investment Plan that is focused on affected communities, grounded in the local context and prepared based on consultations with communities. Community investment activities should not be regarded as compensation for the adverse impacts of projects, which are to be identified and managed according to the requirements of paragraphs 7–16 of this Performance Standard”

INTEGRATING COMMUNITY INVESTMENT INTO E&S FRAMEWORK

- Will be the next shift in the international development process:
 - *First – from economic development to consideration of adverse E&S impacts*
 - *Second – from consideration of adverse impacts to creation of benefits*
- Everything is ready for making this shift:
 - *Guidelines*
 - *Accumulated experience*
- No obstacles for making this shift
- Will contribute to achieving the mission of poverty reduction and promotion of shared prosperity
- Continue to 'Put People First' (M. Cernia)

Let's continue the conversation!

Post questions and comments in the IAIA23 app.



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