

The Role of Social Impact Assessment in Shaping Community Development Funds for Energy Projects: Lessons from Australia and Asia

Andrea J Kanaris & Biqing Li

"The future depends on what we do in the present." Mahatma Gandhi

Understanding the social impacts of an energy or resource project is crucial in shaping where and how community development funds invest. Social impact assessment (SIA) is understood as a process of identifying, analyzing, monitoring and managing the intended and unintended social consequences (positive and negative), of planned interventions (policies, programs, plans, projects) and any social change invoked by those interventions (Vanclay, 2003). SIAs serve as a vital tool for the identification and evaluation of the social, environmental, and economic impacts of these projects. Historically SIA and community development funds (CDF) have operated as separate activities. SIAs are primarily mandatory forming part of environmental approvals and CDF are a mechanism established to contribute to a company's corporate social responsibility (CSR) often with little or no evidence of their success in delivering on their intended outcomes (Barnett et al., 2020). This paper explores how SIAs may influence the design and execution of CDF and lays down the foundation for their success. We explore both CDFs and community benefit schemes (CBS) as identified by the CSR and community development literature.

This paper builds on the existing discussions of merging approaches of SIA and CDF to shed some light on the practical side of such an approach, especially in energy projects.

First, we outline the existing problem with CDFs drawing on case studies from Australia and Asia. Secondly, we outline why SIA provides the critical underpinnings for building a business case for investment in community benefit interventions. Thirdly, we articulate the rationale for reimagining community development funds as investment funds. Finally, we introduce a way forward for companies to invest in community programs and interventions that maximize and measure benefits to the community.

The problem with CDFs

CBS and CSR share the same vision to positively contribute to society. The CSR literature began about 50 years ago. CSR entails the "policies and practices of corporations that reflect business responsibility for some of the wider societal good" (Matten & Moon, 2008). The CSR stream of corporate social performance literature is criticized for disproportionately focusing on the benefits to specific stakeholders or the firm itself (whether it is financial or non-financial) instead of impacts on the wider society. There is not a single study that adequately demonstrates that CSR initiatives resolved the social problems they intended to address. The above deficiency of CSR literature highlights a need for an appropriate approach to evaluate and validate the effectiveness of CSR initiatives and expanding the matrix of social performance to social impacts.

CBS are also rooted in development studies. They are viewed as voluntary, therefore additional measures a project proponent can take to restore and improve affected livelihoods (IFC, 2012). Development practice has enormous concern with evidence of their impact and evaluations are the norm (Duflo et al., 2007; Khandker et al., 2010; Ravallion,

2009; Banerjee & Duflo, 2009). Scholars and practitioners have pointed out the advantages of SIA in addressing the effectiveness of CBS and its potential to improve corporate social performance evaluation, including:

- Identification of who is eligible (Devine-Wright & Sherry-Brennan, 2019)
- Identify opportunities based on the characteristics of the community (Estevez & Vanclay, 2009).
- Establish the effectiveness of initiatives with robust evaluation methods.
- Facilitate selecting and designing CBS that can realize their good intentions.
- Provides evidence through rigorous research methods and processes to help selecting more effective and efficient interventions/programs.
- Help justify the design of CBS (Barnett et al., 2020).

Even though several researchers have highlighted the potential that SIA could facilitate the design, implementation and evaluation of CDF, there is limited discussion as to how it should be done in practice. Estevez & Vanclay (2009) concluded that CBS or social investment should be encompassed by SIA discourse and practice given that SIA is already a mandatory requirement in many jurisdictions and an essential part of project financing whilst social investment remain a voluntary and less regulated field. Combining the process helps avoid duplication of actions in data collection and improves efficiency of money spent.

SIA Practitioners often hear impacted communities talk about their low levels of trust in corporations and government, and frustration at the known impacts not being adequately addressed. In many cases these companies will have CDFs established that spend millions of dollars in the community in the belief that they are "doing good". The result is often that impacts are not adequately addressed, community consume the grants and yet maintain a high-level of distrust and sometimes resentment. Many express feeling that the company is only interested in "looking good" and seeking photos for the public relations and reporting. On the other hand, the companies are often perplexed at how all their good work has not translated to high levels of trust and a great relationship with their community.

So, what is going on? The dilemma is the disconnect between the intention and outcome realizing its effects i.e. mistrust. By this stage the problems are layered on top of each other. The community are receiving funds and grants for programs or initiatives that are often unrelated to the impacts. Leaving impacted people to fall through the cracks. Large amounts of funds allocated to lots of small projects that often make the staff and the recipients happy but at its worst there is no measurable benefit to the community as whole. This is compounded by diverting money away from projects and strategies that would address the companies impacts and community needs in a manner that allows for measurable ROI.

We looked at two case studies:

- Australia: Clean Energy Enhancing Positive Social Outcomes from Wind Farm Development, which included findings from their survey results.
- Asis: Asian Development Bank's (ADB) Strategic and Integrated Approach to Transforming Power Development in Planning in the Greater Mekong Subregion.

The Australian study showed there is no linking of SIA to CDFs and ASIA linked the SIA to the CDF but the process for integration is flawed.

Case study 1 – Australia

The Clean Energy Council surveyed corporate and community wind energy developers on their community engagement and benefit-sharing. They received 26 responses from company representatives working in community engagement (43%), leadership roles (e.g. CEO) (25%). The survey was not circulated to recipients of CDFs to ascertain their views, satisfaction levels and experiences.

Among those working in benefit sharing only 35% had some relevant training or qualification. There were no mentions of linking the community benefits to the environment or SIA.

There was remarkably little benefit-sharing in the 19 project examples provided by respondents. This question had lowest response rate with only 15 respondents, possibly reflecting a level of unfamiliarity and inexperience among respondents. For those that do benefit-sharing, the most common forms are sponsorship (25%) and community grant funds (34%). There were plans to use/implement community co-investment or co-ownership by 17% of respondents. Benefit-sharing overall was less common, less diverse and less understood.

A range of approaches to community engagement were being used across the Australian wind industry. However, they are wary of public meetings (e.g. 'town hall' meetings) and use of surveys, feeling that these can easily misrepresent local sentiments (i.e. be hijacked) and can tend to result in creating 'for and against' divides. The primary purpose of community engagement's is to build relationships (26%) and a need to inform and educate (17%)(Hicks et al., 2017).

Case study 2 – Asia

The benefits and impacts of energy projects, especially large-scale renewable energy projects, are often imbalanced with the benefits typically accruing at national or global levels and adverse impacts felt by local residents (ADB, 2020). Due to this characteristic of energy projects, we argue that CBS accompanying these projects should be designed proportionately to the project impacts to be able to address the unfair distribution of burdens in energy transition (ADB, 2020). Asia Development Bank (2020) proposed to integrate Strategic Environmental Assessment (SEA) into Power Development Planning to enhance environmentally, socially and economically sustainable outcomes efficiently. CBS are incorporated into SEA processes, mitigation measures or action plans, which are subject to monitoring and evaluation. These schemes were informed by the results of impact assessment by:

- being consistent with the objective and criteria identified through baseline study.
- being consistent with the concerns as indicated by impact assessment.
- developing mitigation measures proportionately to the possible impacts.

This case was addressed in the context of coordinated efforts and has the following shortcomings:

- Neglected the inherent disconnect from the work done by an independent SIA expert and company employees designing and implementing CDFs who are incentivized to represent their employer.
- Did not address how much benefit should a corporate entity create for their community and when is it the responsibility of governments.
- Did not address whether experts with the appropriate skill sets and capacity will be involved in delivery.

Rationale for reimagining CDF

The current framework for CDF is not effective and may not be efficient. Most CDFs adopt a grant funding model and are unable to demonstrate their return on investment (ROI) as they measure outputs without evaluating their intended outcomes. Often the amounts are distributed in small amounts as donations e.g., jerseys for the local football team or one-off grant payment to a local charity, school etc. This approach is popular for many reasons such as making staff feel good, provides good public relations announcements, helps support small local initiatives. Grants are beneficial to those funded and is not necessarily meeting a community need or benefit the broader community.

Vanclay (2003) stipulates that a feature of SIA is to assist communities and stakeholders to identify development goals and ensure positive impacts (benefits) are maximized or enhanced, indicating that this role can be more important than minimizing harm from negative impacts. On this premise we make the argument that SIA is critical in the formation of CDF, and we propose they are reimagined as community investment funds (CIF).

Proposed CIF model

Language is important. By shifting the name to community 'investment' fund we are noting the need for a return on that investment. This would then require a justification for the investment and the need for measurement.

SIA can be seen as the business case for the investment in social programs/initiatives, mitigation strategies, and benefit enhancement strategies that create a shared value as they address impacts and benefits and are endorsed by the community. In this model, there would be a strategic investment that better leverages funding to meet the needs of the community, partners and the corporate entity.

When consulting with community during a SIA a range of impacts, benefits, mitigation and enhancements are raised but not all are included in subsequent management plans and conditions. These are the starting point for what investment can be made in a CIF.

The table below provides a guide for deciding what is mandated and not included in a CIF and those that would be suitable for inclusion in a CIF. This list is not exhaustive but indicative.

	Mandated activities	Community Investment Fund	
		Non-Mandated 80%*	Optional Charity 20%*
Driver	Reporting obligations	ROI for community and funder	No expected ROI
Activities / Strategies	<ul style="list-style-type: none"> Legislated Requirements e.g. Community Development Agreements under Australia's Native Title Act 1996, Conditions of Consent ESIMP 	<ul style="list-style-type: none"> Mitigation and enhancement strategies identified by community during ESIA but not included or mandated. Programs / initiatives that address community needs 	<ul style="list-style-type: none"> Sporting uniforms Community gardens One off community events
Linkages	<ul style="list-style-type: none"> ESIA Legislation and or regulatory requirements 	<ul style="list-style-type: none"> ESIA and Community Needs Shared Value 	Community needs OR Corporate values

*Percentages are proposed and may vary. The proposed percentages encourage strategic investment while allowing for charitable giving.

The diagram below illustrates the proposed CIF model. It shows the components of SIA that inform a business case for a CIF, considers the need to demonstrate a ROI and social performance, process to support successful delivery and outcomes, with community and stakeholder engagement as a critical underpinning.



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