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Pioneering New Approaches in Support of Sustainable Development in the Extractive Sector:

GUIDELINES FOR SUSTAINABLE DEVELOPMENT ASSESSMENTS

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Glossary

Community Development Plan – a plan developed as an outcome of conducting the assessment process. The community development plan focuses on specific needs and development priorities of local communities adjacent to mining operations. In many regions, this plan is synonymous with the Social Plan but is referred to as a Community Development Plan due to the strong focus on external development needs.

Environmental Impact Assessment (EIA) – the process by which environmental impacts of a planned, new, or existing development are assessed and recommendations made in order to mitigate negative impacts and enhance positive ones.

Local Economic Development (LED) – economic development planning processes used by local authorities in some regions.

Mining, Minerals and Sustainable Development (MMSD) Project – a two-year review of the mining and minerals sector from the perspective of sustainable development, undertaken with the support and engagement of mining companies, mining communities, labour, the research community, and a broad range of other stakeholders.

Opportunity Assessments (OA) – a process that helps identify opportunities for social and economic development that meet the sustainable development criteria.

Social Plan or Social Development Plan – a social plan focuses on both the internal and external development priorities identified during an assessment process; The mining laws of some countries require the development of comprehensive social and labour plans in order to comply with permitting requirements and mining rights applications.

Social Impact Assessment (SIA) – a process of proactively assessing the impacts on various stakeholders of planned, new developments or existing ones and of accurately identifying and defining the means for the most suitable development option.

Sustainable Development (SD) – defined by the World Commission on Environment and Development as ‘meeting the needs of current generations while allowing future generations to meet their needs’ and now refined in the context of the extractive industry through the MMSD process.

Tri-Sector Partnerships – a partnership model and process used as an example of an initiative conducted in the extractive sector.

Preface

The *Guidelines for Sustainable Development Assessments* are the result of a process initiated by the World Bank and the International Council on Mining & Metals to pioneer new approaches in support of sustainable development in the extractive industries sector. They were prepared with a largely Southern African focus but can be used in a range of situations in other countries or regions.

The aim of the *Guidelines* is to extend the usefulness of such tools as social and environmental impact assessments in order to seek new opportunities for socio-economic development. These prospects are explored through the use of the Opportunity Assessment process described in the *Guidelines*.

The *Guidelines* are based on:

- interviews with social assessment and impact practitioners, mine general and operations management, development practitioners, trade union representatives, government officials, and community organizations that are affected by and involved with mining operations;
- a review of current practices within the social and environmental assessment community as well as emerging methodologies being proposed by a range of international organizations pertaining to socio-economic development opportunities as part of the social impact assessment process;
- input and debate with a group of practitioners from various parts of Southern Africa and further abroad; and
- reviews of initial drafts of a consolidated set of guidelines.

The case for sustainable development in the extractive sector is used as a base-line for developing these *Guidelines*. The document focuses on the current situation and accepted approaches to social impact assessment. The proposed *Guidelines* will enable assessment practitioners, mine business strategy, operation teams, local communities, and development practitioners to approach sustainable development in a more integrated way. This will lead to the identification of new opportunities that will contribute more effectively to local and regional socio-economic development.

1. Introduction

The extractive sector has been under close scrutiny for a substantial period of time, and the pressure to show a commitment to sustainable development, and in particular social sustainability, is increasing. The external and internal environments are changing more rapidly, and numerous stakeholders are demanding that mining and extraction be done in a way that enhances sustainable development and local economic development.

The 'licence to operate' is being questioned by growing numbers of stakeholders – from investors to local communities, financiers, governments in their role as key community representatives, and consumers. These stakeholders have the ability to influence a business's short-term success, operational continuity, and long-term future. The operating environment is becoming more complex, as are challenges within the organizations themselves.

Extractive sector organizations are being forced to demonstrate their contribution to local economic development and to increasingly integrate themselves into the local communities where they operate. Mining operators are increasingly finding themselves in conflict with local communities. Creating stability for the operators, local communities, and governmental and non-governmental agencies is crucial to the process of local economic development.

What Is the Relationship Between Social Impact Assessments, Sustainable Development, and Macro-economic Assessments?

Social impact assessment (SIA) is a process traditionally used to identify and mitigate the negative impacts of a proposed mining development. Thus the SIA process has been largely reactive, often conducted based more on government requirements for various permitting processes.

These *Guidelines* attempt to expand on SIAs and other assessment tools, such as environmental impact assessments (EIAs) and macro-economic planning processes conducted by government (local economic development planning), to develop a more comprehensive set of guidelines that examine positive impacts as well as opportunities for enhancing socio-economic development around the proposed development. The resulting assessment contributes to the development of social plans or community development plans.

Social impact assessments and related development plans are critical to the achievement of the goals of sustainable development, namely the attainment of an equilibrium between the use of natural resources and the social and environmental capital affected in that process.

Social impact assessments and development plans therefore cannot be looked at in isolation. The context of the SIA or EIA is critical, and this entails conducting a macro-economic impact assessment (and, where relevant, devising a development plan) of the mining activities within the social and environmental context. This will contribute substantially to the success of the SIA in achieving its goals and objectives. A comprehensive and accurate macro-economic assessment will also help integrate the SIA with core business as well as community development and regional economic development objectives and should therefore give considerable assistance to obtaining executive, community, and government buy-in to the overall process.

This is a bold move away from community dependence on a mine and requires a sound understanding of the medium- and long-term impacts. The communication and stakeholder engagement processes are extensive and comprehensive, as is the understanding of the macro-economic priorities and initiatives.

What Are the Benefits of Social Sustainable Development?

Demonstrating a commitment to sustainable development has becoming essential. Integrating the company operations into the local community and economy is even more critical given the stakeholder pressures. This, in turn, has to be balanced with the organizational and operational internal requirements.

Many organizations have recognized the implications of not embarking on programmes that help develop social sustainability and assist local communities in social and economic development. Some have undertaken programmes to address these community needs and have also participated extensively in the Global Mining Initiative and the Mining, Minerals and Sustainable Development (MMSD) Project. The organizations that have participated in these and that have launched sustainable development and social development programmes have recognized the benefits of and opportunities presented by effective social sustainable development programmes:

- integration with local community;
- development of diversified economies alleviating pressure on mine operators;
- effective stakeholder and community engagement;
- effective and enhanced local economic development;
- enhanced brand image and positioning; and
- better communication with stakeholders.

What Do We Wish to Achieve by Using the Sustainable Development and Opportunity Assessments?

While SIAs have become more and more part of the development process in the extractive sector, there are a range of criticisms regarding their application and use. The objective of these *Guidelines on Sustainable Development Assessments* (SDAs) is to ensure that the information gathered during the various planning and assessment processes can be used more meaningfully to identify and develop opportunities for economic and social development by the mining operation as well as the local community.

The key objective is to develop a more pro-active approach to the assessment and planning process that will allow operators to anticipate and plan for a range of potential outcomes.

Building on the experiences of a wide range of mining and metals organizations and the work of the MMSD Project, the *Guidelines* aim to highlight why SIAs and social sustainability are key to the long-term benefit of all stakeholders in the extractive sector and how organizations can identify opportunities for effective local economic development in cooperation with local communities.

The *Guidelines* help practitioners identify the business activities that have a significant impact on the social sustainability and local economic development of their operations.

The objective is to give step-by-step guidance for conducting social SDAs and opportunity assessments (OAs) with a view to creating opportunities for local economic development

that are sustainable in their own right. The goal is also to provide a framework for management practices that will:

- help avoid risks associated with not conducting social impacts assessments;
- improve governance practices and foster more effective dialogue between mine operators, government, and affected communities;
- develop comprehensive social plans or community development plans based on the needs of all parties;
- improve effective stakeholder engagement processes and partnerships with a view to effective local development; and
- realize new economic development opportunities in support of community development and local economic development.

The *Guidelines* do not aim to replace existing tools, frameworks, and methods being used by various practitioners or developed by other organizations. Rather, they aim to create an integrated approach and process within which all these assessment tools can be used in order to produce effective economic development plans and opportunities.

The aim is also to integrate the information gathered into the overall operational and strategic decision-making of the business. These *Guidelines* should thus be read in conjunction with the *A Guide for the Design of Public Participation Processes* as well as the *Guidelines for Corporate Strategic Planning Frameworks for Community Development* that are both also part of this project on Pioneering New Approaches in Support of Sustainable Development in the Extractive Sector.

Figure 1 illustrates the Sustainable Development Assessment process that is described in detail in Chapter 3.

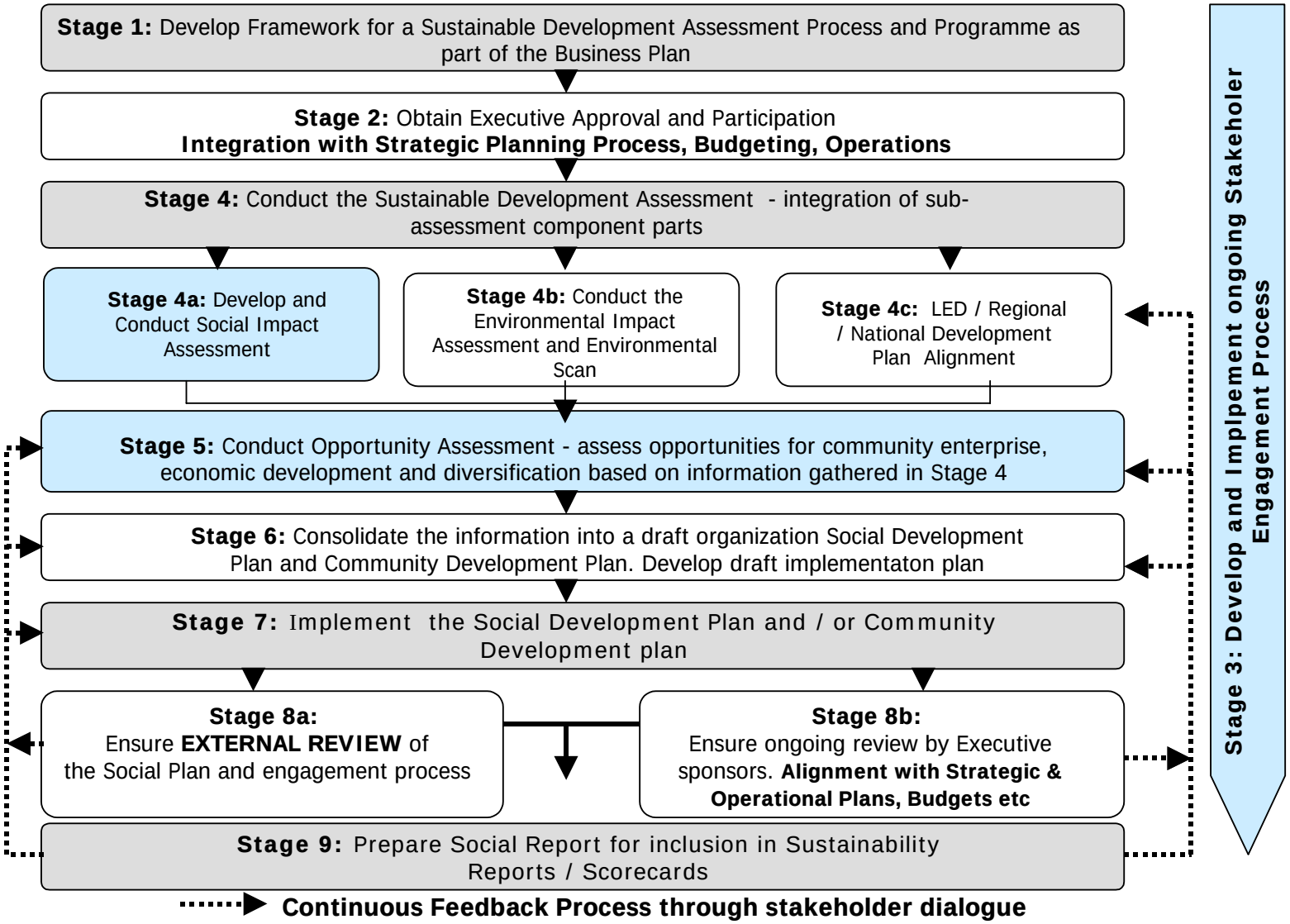


Figure 1: Key stages in the Sustainable Development Assessment Process

2. Overall Guidelines for Conducting Sustainable Development Assessments

Process Overview and Putting Together the Team

A successful Sustainable Development Assessment is one that commences at the beginning of the business planning cycle and is part of the pre-feasibility or pre-exploration phase (for new or envisaged mines or operations).

If the assessment is being conducted for an existing operation, it can be integrated into current business cycles. A principal objective is to pull the social and environmental assessment process into the business strategy and operations process. (See also the *Guidelines for Corporate Strategic Planning Frameworks for Community Development*). Key components of this include:

- aligning with strategic planning requirements and business planning;
- ensuring senior-level and executive commitment to and participation in the SDA, with an understanding of the benefits to the organization;
- developing a convincing business case for social and sustainable development;
- allowing for effective and relevant engagement and dialogue with key stakeholders and communities; and
- aligning with budgeting and operational requirements, priorities, and processes.

The business planning team will need to include people from various disciplines and organizational levels in order to ensure buy-in at the right levels of the organization. The team should ideally include:

- senior executives responsible for the overall strategy, delivery, and success of the project;
- engineering and design staff;
- economics and finance personnel;
- social and environmental assessment and management personnel;
- community and labour representatives; and
- independent assessment practitioners who are well versed in the dynamics of the local area.

The development of a multidisciplinary team able to contribute to the development of an integrated plan will ensure success of the initiative and also ensure meaningful dialogue with additional stakeholders.

Team roles and responsibilities are key to the development of an effective process. Table 1 acts as a guideline on these roles, which should be augmented with clear terms of reference for each.

Table 1: Composition and Role of SDA Team

Team	Responsibilities
Internal: key line management; planners and social and environmental management team; labour	• Develop terms of reference for the assessment process and develop overall engagement process and planning • Develop SSDA framework and ensure alignment with business development processes and plans • Create structures for effective communication and dialogue during the planning and implementation stages • Create environment conducive to effective and constructive stakeholder dialogue
External: independent advisors; local community representatives; local and national government	• Provide strategic and operational input into the planning and review process (ongoing) • Advisors provide strategic guidance and assist with conducting business planning, SIA, EIA, OA • Provide input regarding compliance with government planning and licensing processes • Provide key data for input into assessment processes and provide guidance in implementation
Independent social assessment team	• Audit and verify the engagement process and outcomes • Provide independent, third-party overview to input and assist with developing reporting processes • Provide ongoing monitoring and evaluation

Planning the Sustainable Development Assessment Process

The goal is to identify strategic social impacts and opportunities by using the expanded SIA process and other tools such as EIAs. These are then used in conjunction with information gathered from macro-economic plans. The resultant profile forms the backbone for comprehensive assessment and opportunity identification that is referred to here as a sustainable development assessment. The SDA process must be integrated into the overall business planning process in order to align priorities across operations at all levels and to ensure commitments of time, resources, and executive participation.

Once the business planning team has completed the assessment phase (EIAs, SIAs, and macro-economic review), they will have material needed for the opportunity assessment. This information will then be used to develop social development plans or community development plans. The framework should not be developed in isolation but should be integrated into the overall life cycle plans as well as the supporting processes within the organization.

In order to develop and conduct the SDA process together with a workable social plan or community development plan, it is important to have the following in place:

- an understanding of the environmental and social impacts of the proposed or current operation (see the International Finance Corporation's *Addressing the Social Dimensions of Private Sector Projects* as an example);

- appropriate planning capacity and expertise to conduct the necessary assessments (using independent advisors);
- a clear definition of the business, economic, social, and sustainable development objectives of the organization; and
- a clear understanding of the concerns of all stakeholders and the potential opportunities for economic development that exist within the broader environment.

As noted earlier, executive-level commitment to and involvement in the social plan and engagement process is another important prerequisite.

Building an effective assessment process that will lead to the social plan is best done in a series of stages that incorporate a management process and feedback and reporting cycles. The stages are presented as part of these *Guidelines*.

The key components of the assessment process and resultant Social Plan should be aligned with internationally accepted guidelines for social assessment (such as the Global Reporting Initiative). The structure and process developed will be unique to each organization, taking into account:

- company strategic planning processes;
- geographic location;
- regulatory requirements and initiatives (such as National Environmental Action Plans and Integrated Development Plans);
- existing organizational structures;
- existing priorities and commitments; and
- community dynamics and social development priorities (local economic development priorities, Integrated Development Plans, macro-economic planning processes, and the objectives for a particular country or region).

Phasing in Assessment, Implementation, and Development

Successful organizations develop a clear plan for the rollout of the assessment and management programme. An integrated plan that is aligned with the company's various life-cycle stages should be developed in order to have the desired impact. Determining the most desirable assessment and implementation plan requires consideration of:

- business development and company strategy – ensuring assessments are integrated with the pre-feasibility and exploration planning;
- integration of environmental and social impacts and scans;
- a well-crafted and ongoing stakeholder engagement and partnership process that is integrated into the overall planning processes as early as possible; and
- ongoing identification of opportunities for sustainable community development.

Business development and company strategy

The *Guidelines* can be applied to selected operations or projects or across a particular group, and they can be considered at all stages along the life cycle of the operation:

- planned new exploration activities (pre-feasibility and/or pre-exploration);
- ongoing exploration and the application for mining rights or permits;
- normal operation of the mine (to continually assess opportunities as part of the company planning and review processes);
- planned extension of mining or metals operations; and

- mine closure and rehabilitation.

Key planning aspects to consider are:

- ensuring that the SDA planning takes place early in the project development cycle – pre-feasibility or pre-exploration;
- ensuring that the right team is in place at the onset of the planning and the pre-exploration or feasibility phases, including senior executives, planners, operations staff, economics and financial planners, and the SIA/EIA team;
- developing a clear business case to link sustainable development priorities with the business planning and rollout process.

The key objective is to integrate social sustainability assessments into all operations as early in the development cycle as soon as possible. This is done in order to facilitate effective social sustainability interventions and programmes on the part of the company, in partnership with its stakeholders and the local community.

The process should focus on the part of the business that has the potential for the most significant positive economic and social impacts, represents a significant portion of the business, and stands to benefit significantly from conducting the social impact and opportunity assessments, with a view to developing an effective social development plan.

Integration of EIAs, SIAs, and scans

The assessment process should attempt to identify and address most social, environmental, and economic impacts and benefits as soon as possible. Priority should be given to areas where the impacts may be most severe and where there are opportunities for development of creative solutions in resolving any anticipated problems. The significance of the impacts and the priorities established will be determined by each organization's needs as well as by external factors such as regulatory requirements or community needs and interventions.

The criteria for setting priorities can include the following questions:

- What are the major social, economic, and environmental impacts experienced by the mine and the community?
- What level of risk does the impact present to the stakeholders in both the short and the long term?
- What is the scale and severity of the associated social impact? Will it cause loss of livelihood and greater dependence on the mine for ongoing economic activity – that is, development of sole dependence on the mine as a source of income?
- How will the local community benefit from the development taking place, and can this be quantified both positively and negatively?
- What are the opportunities for social and economic improvement that can be identified from all the information gathered during the impact assessment process?
- What resources are needed and can be committed to realizing the identified opportunities? And are these economically viable?

Implementation time frames often affect the success of the interventions. Time frames can be either immediate, medium-term, or long-term (often being delayed for a number of years), depending on the pressures facing the company. The issuing or granting of mining rights might rest, for example, on the completion of various impact assessments and the

development of a social and labour plan. Factors to be taken into account when considering the implementation time frame include:

- pressures from various stakeholders;
- legal or regulatory requirements, whether local, regional, or international;
- competitor developments;
- the potential for conflict and the cost of not implementing a particular recommendation, programme, or plan of action;
- industry best practice and frameworks agreed with industry bodies such as national or regional Chambers of Commerce; and
- the resources available.

Whatever overall time frame is followed, conducting an effective sustainable development assessment and building the required social development or community development plans (whether mandatory or voluntary) should be started as early in the project as possible.

A well-crafted and ongoing stakeholder engagement and partnership process

The stakeholder engagement process is critical to the success of developing an effective social plan, social investment strategy, or community development programme. While SIAs and stakeholder engagement are not mandatory in many regions, particularly in developing countries that are hard pressed to expedite mining or processing projects in order to attract foreign direct investment, the failure to engage effectively with stakeholders and communities will ultimately hamper the overall business objectives of the organization. Many examples of this exist, even at the exploration phase.

The *Guide for the Design of Public Participation Processes* forms an integral part of stakeholder engagement processes. Other models, such as the Tri-Sector Partnership model (see Appendix), can also be used as a reference point for the development of an engagement strategy. Developing effective partnerships between mine operators and the local community is essential to realizing the opportunities identified in the assessment process. The objective is to convert the wealth generated by the extractive operations into sustainable local development.

Identification of opportunities for sustainable community development

The approach taken in these *Guidelines* is to use the opportunity assessment framework to identify chances for community development in areas surrounding a mine as well as in the distant communities that are affected by it (such as migrant labourers from neighbouring states or provinces). The opportunity assessment approach aims to help develop enterprises (including small, medium-sized, and micro-enterprises) within communities that are directly affected by mining activity.

The opportunity assessment uses the ongoing data collected in the SIA, EIA, and scanning processes, as well as in the community engagement process, to identify opportunities for the diversification of the local economy.

Using the Sustainable Development Assessment Guidelines

A number of fundamental steps must be taken in conducting a sustainable development assessment. The most important aspect is the collection of data that is factual and quantifiable. Information, both qualitative as well as quantitative, is necessary for the

development of an effective and convincing business case and programme of action for Board or executive-level approval.

Gaining a commitment from all stakeholders is crucial to the success or efficiency of any social development plan or programme. A commitment from the operating units to the assessment and development process is the next critical step. The success of the process will be determined by the level of participation in it. Establishing communication and feedback mechanisms will be crucial in engaging with all stakeholders and developing the levels of commitment necessary to ensure a robust process and successful result.

3. Detailed Assessment Activity Guidelines

Each stage of the sustainable development process is described in this chapter to demonstrate the inter-linkages, but particular attention is given to the SIA process (Stage 4a) and the sustainable development opportunity assessments (Stage 5).

STAGE 1: Develop a Framework for a Sustainable Development Assessment Process and Programme

Objective:

The sustainable development assessment is a framework that allows the measurement and quantification of a range of potential impacts of a given project or development. The framework outlined here can be used and modified in light of the priorities identified.

Overview:

The overall objective is to assess the various impacts of key processes, some mandatory and others voluntary, depending on the regulatory framework in each country or region, such as SIAs and EIAs. With clearer and more detailed information on the impacts of proposed developments, project developers and operations management will be better equipped to develop strategies for mitigation and management. In addition, a plan must be developed, including a detailed business plan, that will take into account the need for a comprehensive SDA and its benefits.

The process then uses information gathering and development tools to gain information for a number of key tasks leading to the final outcome, which is either a social plan or a community development plan, depending on the needs of the organization or region. These tools allow for better integration between the company's objectives and local and regional economic development objectives.

The information-gathering process, as well as the ongoing stakeholder engagement process, then provides an opportunity to use this information to assess the opportunities for and feasibility of developing community-based enterprises or other non-mining-related commercial ventures. These are both internal opportunities (procurement or supply-chain-oriented) and external ones (such as farming, agriculture, secondary processing).

Who:

The SDA is part of the business planning process. The executive team takes overall responsibility for ensuring its effective development and rollout. An internal, multidisciplinary team led by senior management and key social development practitioners provides content input.

Tasks:

Key tasks include:

- Identifying a cross-functional, multidisciplinary team that will be custodians of the process and plan – obtaining the right levels of commitment to the proposed assessment process will help ensure that external stakeholders understand that the organization takes the assessment process and social development seriously.

- Identifying the right external advisors and resources to support and implement the process – experienced professionals will lend credence to the process and lessen the risk of adopting incorrect practices.
- Developing a business and benefits case for senior executive approval – this will ensure that senior executives understand and contribute to a plan that will bring benefits to all stakeholders.
- Identifying opportunities to integrate the framework with operational and strategic planning that may be taking place regarding the new development – integration is a key aspect in making sure that there are no last-minute surprises that upset or derail the process.
- Identifying, mapping, and setting priorities on key relationships with various stakeholders – building relationships with the right groups of stakeholders will ensure the foundations for a lasting process.

STAGE 2: Obtain Executive Support and Integrate with the Strategic Planning, Operations, and Budgeting Process

Objective:

The objective is to obtain executive-level approval and participation in the process leading up to the development of a social development plan and to ensure integration into the strategic planning process of the organization.

Overview:

In many countries and regions, the SIA and EIA processes are not mandatory and are often completed in a minimum period of time, if at all. Cursory assessments and a lack of effective stakeholder engagement have meant that many projects become weighed down by serious conflicts that have negative impacts for the organization and the project.

These issues have a large impact on corporate strategy, and it is therefore crucial that senior executives within the organization become central figures in driving this process and supporting the development of the social plans or community development plans, in terms of both good business practice and good corporate citizenship.

Who:

Key line management and social development practitioners who were responsible for the development of the Stage 1 draft framework.

Tasks and considerations:

Key tasks include:

- Developing a credible business case and benefits case for the SDA process – this will highlight the case for assessing the opportunities for better interactions between the company and the community.
- Looking at potential negative or positive impacts of not planning and engaging in time (conflict costs), at budgeting and resource availability for engagement and future allocation to potential projects, at commitment at the senior level, at who the key community players are, and at the need for a comprehensive engagement plan to identify and manage risks and future local development plans.
- Linking up with the *Corporate Strategic Planning Frameworks for Community Development*.

STAGE 3: Develop and Maintain the Stakeholder Engagement Process

Objective:

The stakeholder engagement process allows for effective engagement between the project proponents and the communities or stakeholders most affected by the proposed developments. The aim is to ensure an effective flow of information between parties and the timely identification of potential problem areas, conflicts, and opportunities for collaboration.

Overview:

To gather relevant, practical, and applicable data, both the social impact assessment and the opportunity assessment will rely heavily on interaction with all stakeholders. The process thus has a number of key benefits and objectives:

- the gathering of accurate and meaningful data;
- building trust and confidence between the various stakeholders;
- ensuring the needs and voices of diverse groups from the community are heard; and
- ensuring that the overall planning processes include relevant and timely data that take into account the needs of all stakeholders.

Various models are used for stakeholder engagement processes, but organizations are encouraged to develop their own using the *Guide for the Design of Public Participation Processes*.

STAGE 4: Conduct the Sustainable Development Assessment

Objective:

This stage focuses on conducting the various assessments and information-gathering exercises and processes during which information will be gathered in order to conduct the opportunity assessment. This in turn will be used to help develop a social plan or community development plan.

Overview:

The individual assessment processes and information-gathering exercises will allow the development of an integrated approach to sustainable development planning. This will also ensure that the organization is attuned to ongoing developments in its internal and external environment in order to facilitate effective interaction with various authorities and stakeholders, that the final outcomes meet the local needs as well as the company's objectives, and that they are viable.

Who:

The SDA project team, consisting of a core of internal professionals and line managers, as well as appointed social, economic, and environmental assessment practitioners.

Tasks and considerations:

Key tasks include:

- Ensuring that there are experienced people in the core team who can manage integration between the sub-components effectively.
- Using appropriate risk assessment tools to build the business case, taking into consideration economic as well as social and environmental considerations.
- Consulting the various frameworks for guidance on issues to take into account in developing the integration plan, such as the International Finance Corporation's

Environmental and Social Impact Assessment (ESIA) Guidelines and the IUCN–World Conservation Union's *Assessment Guidelines*.

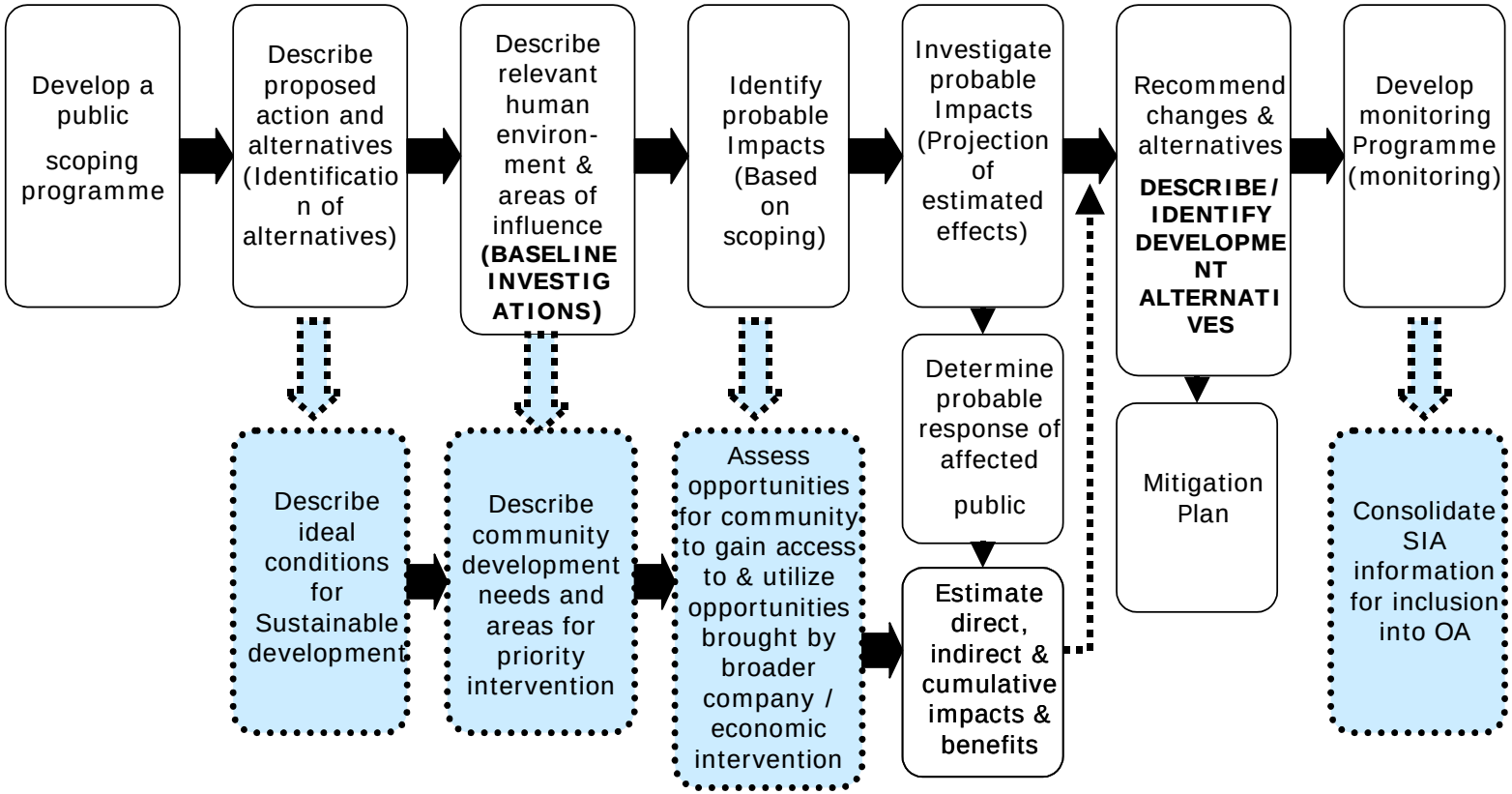
4A: Develop and Conduct Social Impact Assessment

Objective:

The social impact assessment is an effective and useful tool that will provide key information of a socio-economic nature (impacts on employment, services, etc.) as well as a socio-cultural nature (such as norms and values in a particular community). The objective is to focus on the human dimension of the environment and to gather both qualitative and quantitative data in order to contribute towards better decision-making that balances social, economic, and biophysical environmental objectives.

Figure 2 illustrates the process for carrying out an SIA but includes amendments to the original model in order to show opportunities for broader socio-economic development. These assessments and information are fed into the opportunity assessment process.

Figure 2: Amended Social Impact Assessment process (Interorganizational Committee on Guidelines & Principles for Social Impact Assessment, 1994)



The highlighted areas indicate how to include more widely encompassing and detailed social assessments into the opportunity assessment process.

Overview:

Different approaches to the implementation of EIAs and SIAs are evident within various countries. In those hard pressed to encourage foreign direct investment, these processes are not well-regulated or enforced. While most countries recognize the need for various levels of environmental protection and social development, the EIA and SIA processes are seen as bureaucratic and costly, so enforcement often becomes a problem. It is incumbent on the mine operations and local communities to find a means or vehicle through which their mutual needs may be met.

The varying nature of social impact assessments leads to the inclusion or exclusion of various social indicators. As many social development indicators are less tangible or quantifiable, these tend to be excluded from the mine planning process, and thus most 'sustainable development' plans have a clear economic or environmental focus but tend to struggle with the natural social issues and how to develop suitable programmes to deal with any social problems that arise.

A number of factors have limited the effectiveness of SIAs in the past, and the intention here is to address this through a more extensive process. There are two clear cases that highlight the need for a more exhaustive process:

- In less-regulated and unsophisticated environments, there is less of a guideline as to what parameters and factors should be considered in SIAs, and thus these are left largely to the discretion of the individuals doing the assessment. Examples are the cultural and historical issues that are most often overlooked by organizations and are only dealt with when a conflict arises.
- In unregulated environments, the process of engagement with communities involves assessing the impacts of already decided on activities that revolve largely around the set-up and operation of the mine or processing facility. The SIA is largely not used as a means to identify opportunities for broader economic development within a region but, again, focuses on the reactive elements of a particular project development process.

The SIA is therefore intended to be a more dynamic assessment tool that is used as part of the overall corporate planning process and integrated into the management planning and information systems of the organization.

The mining sector can have social impacts at all stages of the mine life cycle. The nature of the impacts can vary significantly, depending on whether the project is a new mine or an existing operation, for instance, or whether the operation is in a rural area or the redevelopment of a facility (processing plant) closer to an urban area. The MMSD Project highlighted some of the key factors as:

- the pre-existing situation;
- the process of community engagement and capacity building;
- the design of the development process and the mine;
- the role of government, local authorities (both traditional and regulatory), and the mining company; and
- other processes of social change that already exist or that may develop as a result of the mine.

The social impacts are classified as being direct, indirect, or induced. (See Table 2.) Understanding the nature of the impact and when it is likely to occur is essential for management planning.

Table 2: Levels of Social Impact

Causation	Significance
Direct	Resulting from a specific project-related activity: resettlement, loss of land due to mining activity, employment or unemployment, construction
Indirect	Indirect actions: increased income as a result of new work opportunities
Induced/Cumulative	The cause is several times removed from direct project actions, such as loss of access to land by local squatters due to land speculation, or health issues caused by environmental impacts

Source: Vancalay 2000.

The social impacts and resultant issues that need to be considered in more detail are as follows (see also the ESIA of the International Finance Corporation):

- Health and social welfare

  Impact of influx of people into a new area; ability of infrastructure of cope with the influx; potential for health hazards to develop; infant mortality rates in a given area; health infrastructure and availability; impacts on unemployed people; impacts on groups such as squatters; noise levels during development and operation of the mine/facility

- Cultural /historical impacts

  Impact on local culture of new ways of economic activity; potential for social ills such as alcoholism; introduction of new value systems and rituals; the changing nature of relationships between groups and genders; disruption to sites of cultural, religious, or archaeological value

- Land use and natural resources

  Impact of loss of land by local community; level of community reliance on natural resources for traditional income generation and livelihoods (farming, fishing, etc.); opportunities for new use of existing land; continued access to vital resources (land, water)

- Economic and labour issues

  Competition for jobs; rising conflict due to employment and unemployment; nature of employment (permanent or temporary); conflicts between local contractors during procurement of local services; impact on land tenure and income generation; equity and access to job opportunities; impact of closure of operation on social and labour market in the area; negative impact of new style economy on local trading regimes, income generation and costs of goods and services; relationships between traditional leaders or informal leaders and organized labour

- Institutional arrangements

  Existence of local civic structures; impact on traditional societal structures (church, informal leadership, clan or family leadership); impact on vulnerable indigenous groupings; local government stability and acceptability; presence of non-governmental

organizations (NGOs) or community-based groups; impact on community decision-making processes and structures

- Infrastructural considerations

  Ability to service new demands on infrastructure in the area: new housing; water supply and sanitation, waste removal, electricity supply, health care facilities, and services for an expanding population with a potential for new illnesses; future education needs and facilities; transportation infrastructure, both currently and after the development

Who:
The SDA project team (including executives responsible for the overall project development), together with external SIA consultants appointed to conduct the SIA process.

Tasks and considerations:

The SIA process should not be seen as a sub-set of an EIA but rather as a mechanism and means for continual dialogue to test assumptions, gather and share information, and assess needs on an ongoing basis. A number of assessment techniques and tools are available.

Key considerations include:

- Designing a process that ensures regular assessment and feedback with stakeholders.
- Drawing on best practice or best of breed solutions (those customized or developed for specific local circumstances, such as SIAs in other countries in the region) in order to develop appropriate practices.
- Ensuring that the information drawn for the SIA can also be used to support opportunity assessments.
- Using guidelines from other processes, such as the International Finance Corporation's *Good Practice Note on the Dimensions of Social Assessment*.

4B: Conduct Environmental Impact Assessment and Scan

Objective:

The objective is to ensure that extensive and sufficient assessments are conducted and data are collected that will enable the team to complete an extensive EIA and mitigation plan. Using the information gathered to perform an environmental scan as well will mean using the data to explore potential opportunities rather than simply having the EIA be a static assessment tool.

Overview:

The environmental impact assessment is largely a compliance-driven tool and process in many parts of the world. In less regulated regions or countries, there are a multitude of legislative mandates, but these do not often require extensive EIA processes for permitting applications. In countries where EIAs are used more extensively, the regulatory frameworks often support this as a requirement for licences or permits.

In regions where EIAs are not mandatory or are not frequently used, the EIA tool and process is a valuable means of collecting data that can be used to explore opportunities for further development in an affected area. Other uses of the natural resource base to enhance economic development within an area often come to the fore during the EIA and scanning process. Examples of this include:

- the identification of rare species, leading to the development of potential tourism opportunities and informing eco-tourism development opportunities;
- soil assessments and the assessment of water supply in certain catchment areas, which can lead to community-based agricultural initiatives; and
- the alignment of strategies by mining houses in the same region as they seek alternatives for environmentally based commercial initiatives that promote sustainable development.

In-depth processes such as IUCN's *Assessment Guidelines* provide a more comprehensive scan of the macro and micro environments than standard EIAs do.

4C: Align with Local Economic Development and with Regional and National Development Plan

Objective:

The objective is to ensure alignment between the proposed social development plan and the various economic development initiatives within the region. The various assessment tools (EIA, SIA, ESIA) should ensure that they provide information that can be used in the further development and implementation of local economic development plans.

Overview:

During a sustainable development assessment, information will be gathered that will allow both the mine and the community to play a meaningful role in the development of the regional economy and to align its initiatives and goals in support of those initiated and implemented by local, regional, and national government.

The interrelationship between SIAs and macro-economic assessments is key to developing successful initiatives and programmes that will lead to broader socio-economic development within the region or area where a mine operates. This will also aid in developing potential partnerships with multilateral or bilateral development agencies and with NGOs, which are often engaged in the development of country strategies relating to geographically specific multisectoral projects and programmes.

Who:

The SDA project team (which includes the SIA and EIA practitioners), together with government officials and local economic development practitioners. Resource economists can help broaden the insights of other team members into economic plans and opportunity assessment.

Tasks and considerations:

In most cases there is a lack of integration between a company's business objectives and the regional or local government's development priorities. Creating a platform for sharing and understanding these objectives between all stakeholders will allow the SDA team to develop an effective and realistic plan, as well as allow senior management to understand key areas of conflict or priority differences.

Key considerations include:

- Aligning terms of reference with the various sub-components and overall SDA objectives, not just the organization's business objectives.
- Identifying opportunities (both macro and micro) to work with and potentially invest in local development programmes: infrastructure development (hospitals, schools),

economic and job creation programmes, resource management initiatives, teacher skills upgrading programmes, new industries and enterprises.

- Liaising with regional economic planning agencies, NGOs, and government officials and teams to improve understanding and integration of economic development priorities and objectives between all the key stakeholders.

STAGE 5: Conduct Sustainable Development Opportunity Assessment

Objective:

The sustainable development opportunity assessment collates the information gathered during the various assessments conducted in Stage 4 with a view to identifying opportunities for economic development and commercial activity in areas adjacent to the mine operation, known as sustainable development opportunities. The key objective is sustainable economic development and diversification that is not reliant on the mine.

Overview:

Sustainable Development OAs are effective mechanisms for consolidating information and conducting scans to assess the potential for developing a range of opportunities. The OA takes into account the information gathered in the previous phases and matches it to the needs and expectations of various stakeholders. It identifies opportunities for further assessment, ranks them in order of desirability and probability for success, and assists in making a case for further development and investment by the mining operation. The process is an intensive one aimed at rapidly consolidating information and generating a number of alternatives that must be vetted and either adopted or rejected.

Based on prevailing economic conditions in the region, on governmental and inter-governmental economic development programmes and initiatives, and on the resources available, various potential projects are identified based on criteria determined by the stakeholders involved. The overall objective is the development of enterprises and initiatives that will provide more economic development opportunities within the region. These may be internal to the organization (service provision and procurement practices) as well as external (demand for produce and services not related to mining activity).

A key goal is finding ways to reduce the local community's dependence on the mine as the sole source of economic livelihood. This is crucial when considering longer-term closure plans and what might happen in a community post-closure. It will also guide financial planners in making proper provisions for post-closure activities beyond simple remediation exercises.

Who:

Line management, the internal SDA project team, and community leaders, supported by external advisors and OA specialists. Developing a multidisciplinary team who will conduct the OA and consolidate the relevant information is a key to a successful assessment.

Tasks and considerations:

The team will need to be strongly supported by people who have the ability to draw together complex sets of information and create a framework for screening and assessing viable opportunities. Local community participation will be a key component in order to understand the local market or economy, if one exists.

Key tasks include:

- Developing a multidisciplinary team that is supported by experienced integration practitioners.
- Creating a framework and criteria to assess, rank, and set priorities on the opportunities identified in the various sub-components.
- Performing a viability assessment and financial feasibility assessment.

There are four distinct stages in the sustainable development opportunity assessment process:

- Potential opportunities for economic development are collated from the SIA and EIA process, which provides sound base-line information (projects can be based on the pro-active identification of opportunities or those based on mitigation plans).
- A consolidated list of opportunities can then be developed considering the following areas:

  Direct project opportunities arising out of the various project phases, from exploration through construction and finally rehabilitation – The company can also use these secured opportunities (service provision by locals, skills development, credit provision, establishment of small enterprises) to provide skills, which may be useful in other locations once the project life is over. This form of direct human capital development will support the community in both the short and the long term.

  Procurement opportunities – These may be linked to direct sourcing by giving preference to local suppliers or may take the form of the developer requiring suppliers to employ a certain percentage of people from local communities. The company may also assist in the set-up, training, and development of smaller enterprises, with the longer-term goals of developing skills and services that are marketable elsewhere in the region or town. A supply chain assessment may be of value in identifying these opportunities.

  New products or services based on the natural resource base in the area – Excess, unused, or marginal land may be used for new high-value crops (hemp grown for car seats for the automotive industry, for instance) that create links to other industries where markets exist. There may also be opportunities for enterprises that can provide service to be used in the rehabilitation phase but that may have applicability to other industries in the shorter term, such as the establishment of nurseries and development of afforestation programmes linked to energy generation projects.

  Market expansion and support opportunities – In remote areas of largely subsistence economies, opportunities exist for the expansion of local capability to service new markets. This will require that local people be helped both technically (management and technical skills development) and financially (access to loans, small grants, finance and business skills development). It may also mean the provision of capital to buy equipment that can help start a new enterprise or boost productivity of existing enterprises.

  Capacity development and institution building – Opportunities may exist to work with local government in the establishment or strengthening of local business associations or other institutions and projects aimed at fostering economic development. The EIA and SIA base-line information will identify these areas and projects for collaboration and provide information on the resources available and those needed.

Social welfare services and infrastructure – Working with the community and local government, projects may be identified that will help develop schools, health care facilities and infrastructure, roads, water supply, sanitation, and electricity or energy provision. Assessing the long-term sustainability of such capital-intensive projects and linking them to the income-generating projects is crucial to ensure that the infrastructure and services can be maintained post-closure.

- Opportunities may then be ranked according to their alignment with the needs and priorities of the community, the company, and the government. Ranking criteria may include economic feasibility, ability to address the needs identified during the impact assessment processes, capital intensity, scale of impact (some projects may cost very little but will have significant impact), available resources, and commitment to the project by all stakeholders.
- Priority projects are then selected and the processes of conducting more detailed costings and feasibility begins. This will result in giving priority to the most suitable project based on the strategic objectives of all stakeholders.

STAGE 6: Consolidate into Draft Social Development Plan or Community Development Plan

Objective:

The objective of this stage is to consolidate the information into a draft social development or community development plan, depending on the nature of the desired outcome.

Overview:

The draft plan is developed by consolidating the information gathered in the previous stages and testing it against the perceptions and needs of the various stakeholders. This requires extensive engagement with key stakeholders in order to test assumptions and validate the approach taken. It is also an important step in gaining the support and commitment of stakeholders to the future successful rollout and implementation of the plan.

At this stage the various opportunities for intervention can be classified into different categories based on the nature of investment required (see the International Finance Corporation's *ESIA Guidelines* for an example).

Who:

The SDA project team, which should include members of the local community, given that the plan is largely based on their needs. External advisors and Social Development Plan and SIA specialists may support this team. Developing a multidisciplinary team that has strong implementation and financial skills will benefit the implementation of the plan over time.

Tasks and considerations:

Developing an effective and credible plan that deals with the priorities and needs of the community is key. However, this plan must be fundable – if not directly through the operations of the mine, then through the potential to attract donor funding or private-sector investment.

Key tasks include:

- Developing a comprehensive and achievable plan that has the support of key leadership figures in the community as well as in the company boardroom.

- Considering the use of community leaders as part of the drafting team – under the Tri-Sector Partnership model or a similar one, this partnership framework will necessitate participation and adoption by key stakeholders.
- Clearly articulating in the Social Plan the benefits to all parties and the key areas for action and investment.
- Attempting to lay down achievable milestones and timelines.

STAGE 7: Implement the Social Development or Community Development Plan

Objective:

In this final stage, the goal is to design a master plan for the effective implementation of the programmes and actions contained within the Social Development Plan. Each of the participating parties should be willing to sign the plan and commit to its implementation with regard to their respective roles.

Overview:

The success of the implementation of the Social Development Plans depends on a number of key factors:

- support and commitment from the senior leadership of the company;
- a dedicated team with clear responsibilities and accountabilities for roll-out of each project or initiative;
- acceptance by the stakeholder groups;
- clear communication to all stakeholders regarding the initiatives and projects – the plan must clearly indicate and draw links between the issues identified for mitigation as well as the needs identified by the community, in order to allow stakeholders to monitor the achievement of the sustainable development goals;
- a clear roll-out plan with a concise timetable and allocated responsibilities that are accepted and agreed to by all stakeholders; and
- sufficient resources allocated to the various initiatives, such as capital expenditure and ongoing operating expenses.

In many cases, the failure of certain social development and investment programmes to deliver the promised results and benefits stems from a failure to address these important factors adequately.

Who:

The SDA project team and senior executives responsible for the overall business implementation. The implementation plan should carry the full support of the executive sponsor and should identify a champion who will be tasked with the delivery of the programme, as well as key members of the community who will benefit directly or indirectly from it.

Tasks and considerations:

Key tasks in finalizing the plan should include:

- Clearly articulating mission and objectives that are supported by the majority of stakeholders.
- Setting clear and identifiable milestones, delivery time frames, risks, and mitigating actions.
- Reporting regularly on progress and achievements.

- Having clear agreed rules and guidelines that each of the stakeholders subscribes to in order to manage conflict and disputes should these arise.

Monitoring of projects is critical in order to ensure problem areas are identified and corrective action can be taken. In environments where a number of projects may run simultaneously, some of them large or complex, access to information that may act as an early warning system about problems is important.

Monitoring should be tied back to the initial issues identified during the assessments in order to track performance and measure whether the interventions are addressing the predicted impact.

STAGE 8a: Ensure External Review of the Social Plan and Engagement Process

Objective:

To provide both an external and internal review of the social plan and engagement process to ensure that the plan is being rolled out as intended and to highlight any potential obstacles to the full achievement of benefits described in the plan.

Overview:

Ongoing stakeholder scrutiny and growing demands for greater corporate accountability and more stringent governance practices mean that organizations are being required to assess the impacts of their activities in a more concerted fashion. Programs such as the Global Reporting Initiative and the wide-scale application of reporting frameworks and standards mean that companies face more and more scrutiny of their operations and activities.

Over and above being a compliance-driven process, implementing an effective review process by external verification authorities will ensure that plans are robust and are aligned with best practice initiatives within the sector. This will also assist in gathering sufficient and relevant information that will make sustainability reports easier to prepare and more accurate.

STAGE 8b: Ensure Ongoing Review by Executive Team and Alignment with Strategy Planning, Operations, and Budgeting

Objective:

The objective of this stage is to ensure that there is ongoing feedback and interaction with the key executives and project sponsors accountable for the overall management of the operation.

Overview:

One of the key reasons cited for project failures is the lack of senior management commitment to an ongoing process. Obtaining this commitment and involvement from key project sponsors and line executives is vital to ensure that the programmes are developed and implemented in accordance with corporate objectives. Sustainable development projects should be continually monitored as part of the ongoing management planning function.

Interaction and feedback between the implementing team and the executive leadership will ensure that the programmes are continually aligned with overall corporate strategy and the community or social responsibility and investment strategy.

A core aspect is the ongoing alignment with other management systems and processes in the organization (such as annual budgeting and performance reviews), which will ensure that the programmes keep up with changes in the organization.

STAGE 9: Prepare Social Report for Inclusion in Sustainability Reports or Scorecards

Objective:

The social report is a way for a company to account for the programmes it has implemented and actions it has taken to address social development and investment challenges and priorities in a meaningful manner.

Overview:

The mining sector, as well as other sectors, is increasingly being held accountable for actions or lack of activities, particularly by key investors, market analysts, and financiers. An effective and focused social report, either on its own or integrated into a comprehensive Sustainability Report, will allow for ongoing communication with a wide range of stakeholders not directly involved in the project or particular initiative. Comprehensive reporting and verification guidelines have been developed through several initiatives such as the AA1000 reporting guidelines and by organizations such as Accountability and the Global Reporting Initiative.

4. Conclusion

The *Guidelines* contained in this document highlight the need to design and develop a sustainable development assessment process that is inclusive, that is developed from solid and detailed base-line information, and that is an integral part of the overall business planning and execution process of the company implementing the project. The community as well as the mine operator need to emphasize joint development in order to ensure ownership of any interventions.

While these *Guidelines* are designed for use by all stakeholders in the SDA process, a strong focus has been on use and implementation by the proponents of new developments, which in most cases will be the mining companies or processing operations. It is therefore intended that these *Guidelines* be used in conjunction with the *A Guide for the Design of Public Participation Processes* as well as the *Guidelines for Corporate Strategic Planning Frameworks for Community Development*.

The process integrates the information gathered during various sub-assessments (such as EIAs and SIAs) in a manner that encourages the mine, the community, and the government to participate in identifying and implementing the most desirable and effective interventions.

A number of follow-up steps should be implemented:

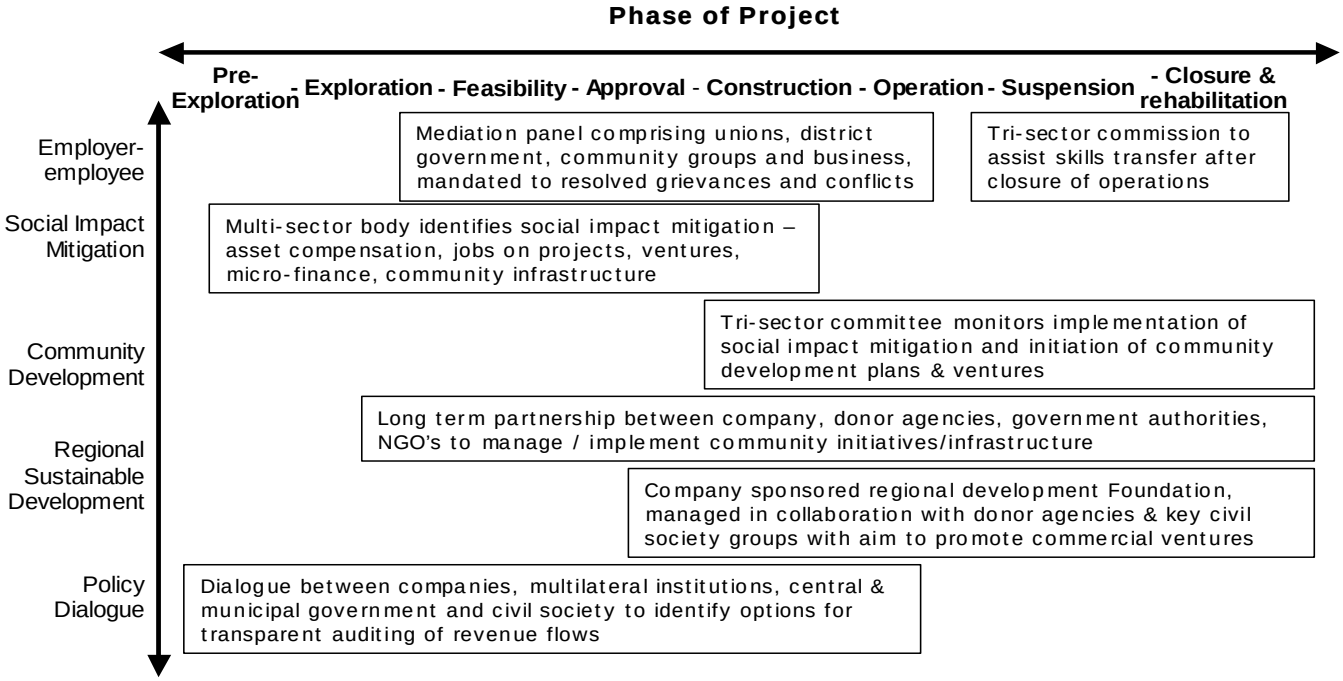
- Pilot projects should be established to implement the *Guidelines* and test their effectiveness.
- The *Guidelines* should be further refined based on ongoing developments in the sector, in particular with regard to the emerging trends of integrating social, environmental, and economic data for the development of a range of sustainable development interventions.
- A methodology for monitoring sustainable development, and in particular social sustainability, should be further developed and enhanced in order to help improve the success rate and impact of projects and interventions.

Appendix: The Tri-Sector Partnership Model

It is advisable to design engagement processes that are customized to the needs and context of an organization. The engagement process should also lead to the development of a stronger partnership between the mine operator and various stakeholders (see Figure), which has a number of benefits:

- Parties are able to identify their social investment and sustainable local development needs accurately.
- Measures can be put in to place to maintain and extend the flow of benefits over time.
- Parties jointly assess the risks, costs, and benefits of the proposed partnership.
- The manner in which the various partners communicate as well as make decisions and resolve grievances within the partnership as well as with the broader constituents can be better managed.

Tri-Sector Partnerships in Oil, Gas and Mining Sectors



The benefits to developing a partnership-oriented approach more often than not outweigh the perceived time-consuming processes, and all parties – including the company – benefit as a result. (See Business Partners for Development at www.bpd-naturalresources.org for more information on Tri-Sector Partnerships.)

Reference Visits and Interviews

MINE OPERTORS

BHPBilliton

Corporate Head Office: Andre van den Berg, Scott Lowe, Chirs Ellixsen

Klipspruit Mine: Roelof Hugo (Mine Manager), Willem Boshoff (Senior Manager, Human Resource and Sustainable Development)

Goldfields
Corporate Head Office: Terrence Goodlace, Rosemary Moffat

Kloof Mine, Westonaria: Gerrit Kennedy (VP and Head Operations), Frik Louw (Senior Technical Manager)

Geita Gold

Graeme McIlveen (Manager Safety, Health and Environment, by telephone)

AngloAmerican

Corporate Head Office: Karin Ireton, Peter Coombes

De Beers

Jeffrey Leaver (General Manager, Human Resources, Corporate Head Office)

Namdeb: Rob Smart-General Manager, Ben Rukamba (Manager Special Projects)

Kleinsee: Louis Munnik (General Manager)

Avmin

Teboho Mahuma

SOCIAL IMPACT ASSESSMENT PRACTITIONERS AND CONSULTANTS

SRK Consulting Engineers

Nic Boersma, Social Impact Analyst

Mac Consulting (a southern African consulting firm focusing on mine planning)

Les Wood (Partner)

Dr Neville Bews (SIA Practitioner and Lecturer in SIA, Rand Afrikaans University)

Sustainable Villages Africa – Sustainable Livelihoods Implementation Practitioners

Clive Norton and Uwe Kahl

SMME Training and Advisory Services

John Nkadimeng (Managing Director)

SOCIAL INVESTMENT COMPANIES AND FUNDS

Tshikululu Social Investments

Linda Lipparoni (Social Investment Analyst and Fund Manager)

Future Growth

Lisa Christodolou (Social Impact Analyst)

Investec

Lisa Kropman (Sustainability and Social Investment Coordinator)

GOVERNMENT

Tanzanian Government

Anna Maembe (Director of Information Communication and Outreach, National Environment Management Council)

Gauteng Government

Mary Metcalfe (MEC for Department Agriculture, Conservation, Environment and Land Affairs)

Dee Fischer and Sam Nkosi (Pollution Abatement and Remediation)

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