

# Greening economies by partnerships: does Impact Assessment have a role?

## An introduction paper to the Partnering and Impact Assessment session stream

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**Abstract:** *New ways of working between companies, governments, agencies and communities blur sectoral boundaries. Traditional sector solutions aren't addressing 'big' issues. IA-processes need to capture complex partnerships, while providing relevant and practical guidance. This becomes most evident during implementation, when parties not involved in the IA process do construction, provide goods and services or deliver social development initiatives. A key question is how to ensure commitments made during IA and decision-making phases.*

*This paper introduces a workshop series on partnering and IA. It discusses innovations to IA such as green procurement, social development and local content in supply chains. The IA-community should investigate adapting existing tools to meet new challenges. New procurement approaches may enlarge the scope of IA with environmental and social issues in the supply chain. How can partnerships revitalise and diversify economies, make them environmentally sustainable, create jobs, reduce poverty? What can governments and companies do to achieve this? How to link project development, implementation and operational stages? How to involve the public in procurement and contracting (transparency)? How to transfer environmental-social commitments in IA to the supplier's contract requirements? How to balance risks and opportunities between partners? How can supply of goods and services to projects and operations contribute to environmental quality and social development and address sustainability?*

**Keywords:** *Public private partnerships, green procurement, supply chain management, social development, corporate social responsibility, social and environmental impact assessment*

### Introduction

Much happens after impact assessment when proponents (government or private organizations) implement the proposed development and contract work, goods or services. This is the stage when other parties – often private parties such as (sub) contractors – become involved in project implementation, and most of the impacts on environment, economy and the social community are experienced. The important question is: How to deliver the commitments made during the environmental and social impact assessment process and decision-making? Governments, agencies, companies and communities are changing the way they cooperate in project development. There is a move towards new forms of partnerships (either public-public or public-private partnerships). These will influence social and environmental impact assessment. New ways of working between parties are blurring sectoral boundaries. Traditional sector solutions are deemed inadequate in addressing the 'big' issues. Moreover, strategies may be enhanced by borrowing and learning from other sectors. There is a need for impact assessment processes with the ability to capture the complexity of partnerships, while providing relevant and practical guidance to managers.

This paper introduces a series of workshops on the issue of partnering and impact assessment. It provides an overview of innovations to impact assessment involving integrating concepts such as green procurement, social development and local content in supply chains. It should be considered whether the impact assessment community should investigate adapting their existing tools to meet new challenges.

### Role of impact assessment in project development

Impact Assessment is a widely applied instrument used for informed decision-making. It aims to ensure that the social and environment impacts of proposed projects are considered. However, there are various weaknesses of IA including:

- IA is often a point-in time assessment focussed on project approval. Its contribution to decision-making and usefulness in project-implementation is frequently limited and IA ends up being just another regulatory requirement that must be met. The influence of IA on subsequent stages of detailed design, construction,

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operation and maintenance is usually limited. As a consequence, IA remains a passive, reactive and rather academic exercise.

- IA focuses all too often on acceptable impacts instead of optimising the project for environmental, social and community benefit. The added value to the design and implementation of the project is usually limited
- IA takes place early in the project cycle, and is not repeated. There is often a discrepancy between proposed mitigation and the real-life challenges of implementation and monitoring.
- IA involves different parties (government, NGOs, stakeholders, specialists) than those involved in the stages of project implementation (governmental commissioners, contractors/suppliers, sub-contractors, engineering consultants, project developers, banks etc). These implementation parties may not have insight in the IA process, and similarly, the IA practitioners may have limited insight in the role of the implementation agencies and therefore suggest unpractical mitigation.
- IA provides usually little or no safeguards for delivering on the commitments made during the environmental and social impact assessment process and decision-making.

One of the ways to meet these challenges is through partnering: collaboration between government, market and public. Partnering is a central component to ensure sustainable outcomes. It also relates to better linking project stages (assessment, construction, operation, maintenance), tools (impact assessment, procurement, contracting) and eventual desired outcomes. This involves more than just impact assessment. It requires looking at strategic partnerships to address local issues. For instance if several industries cause a large impact in an area, they should all work together to minimise the negative and optimise the positive impacts. Instead, in many instances a fragmented approach is followed where each industry only considers their own activities and tries to mitigate it in isolation. Combining resources would result in more sustainable solutions. IA should be approached from a strategic perspective and consider more than just the geographical footprint of any given activity, but also the combination of a number of activities in any geographical area. Moving beyond current regulatory-driven approaches and accepting the concept of partnerships may be difficult in a planning environment ruled by legislation rather than innovation and the pursuit of a social licence to operate.

### **Emerging importance of partnerships in project development**

Governments, agencies, companies and communities are changing the way they cooperate in project development and are moving towards new forms of partnerships (either public-public or public-private partnerships) (Ngowi, 2007, Bresnen and Marshall, 2000). IA happens independent of these evolving partnerships. However, these new partnerships will influence impact assessment and it may play a relevant role here. New ways of working between parties are blurring sectoral boundaries. Traditional sector solutions are deemed inadequate in addressing the 'big' issues. Strategies may be enhanced by borrowing and learning from other sectors. There is a need for impact assessment processes with the ability to capture the complexity of partnerships, while providing relevant and practical guidance to managers. This becomes most evident during the implementation stage of planned interventions, when other parties are involved in construction, provision of goods and services, and delivery of social development initiatives. A challenge is in ensuring that commitments –made during the impact assessment process and decision-making are actually delivered on.

### **Why should partnerships be pursued through IA processes?**

Partnering brings a number of benefits to project development. It can ensure effectiveness through greater access to resources, leveraging effects and greater reach, and increase transparency and legitimacy and therefore acceptance and support for the project within local communities and amongst other stakeholders. Sharing of risks and costs can encourage greater innovation in safeguarding environmental performance. By involving other sectors in the region in project development, community dependency on a particular industry or project can be minimised. Involving communities and local NGOs is crucial in meeting ever-increasing expectations amongst affected communities for opportunities to participate in the benefits associated with projects. Partnering approaches can assist in creating a lasting heritage independent of proponents by developing local capabilities that meet the needs of projects yet are transferable and attractive to other sectors in the area. The promotion of collaboration amongst the local community, NGOs, government and service providers can also strengthen democratic processes and empowerment at the local level, a fundamental principle underlying IA practice.

### **Important issues**

Some important questions for IA practice that arise from emerging partnership models are:

- How can partnerships help to revitalise and diversify economies, make them environmental sustainable, create jobs and market opportunities and reduce poverty?
- What can governments and the private sector do to achieve this?
- How to strengthen linkages between the various stages of project development, implementation and operation?

- How can partnering facilitate more effective impact assessment?
- How to involve the public (interest) better in procurement and contracting, making it more transparent?
- How to transfer environmental and social commitments made in impact assessment to the contract requirements of suppliers?
- What are the mechanisms for balancing risks and opportunities between partners?
- How can supply of goods and services to major projects and ongoing operations contribute to environmental quality and social development of affected areas, addressing the broader dimensions of sustainability?
- How can this contribute to the project's social license to operate in a region?
- How can impact assessment play a role in partnering and the transition towards a green economy?

New and innovative approaches are needed to address these issues. Some of these are outlined in the next section.

### **New approaches in partnering relevant to IA**

Relevant emerging approaches incorporating environmental and social issues in project development include:

#### *- Green procurement:*

Green procurement can play an important role in the implementation of IA-results and safeguarding environmental performance (Russel, 1998). The results of the IA process can form a basis for, and be transferred into, environmental requirements and thereby improve the environmental performance in the stages of construction and operation. Moreover, green procurement may challenge market parties to go further by optimising the design and by developing measures that result in environmental performance that goes beyond IA. Uttam et al. (2010) argue in their paper that the emergence of project planning with IA could change the role of EIA and also form a basis for integrating green procurement with EIA. Kerwick-Chrisp (2010) gives in his paper an example of how the Highway's Agency in the UK has developed an updated procurement strategy with priorities of sustainability at his heart. This involves the application of sustainable development principles, highlighting the role and status of sustainability in future contracts between the public and private sector. Following from this Arts and Faith-Ell (2010) suggest in their paper that green procurement may challenge market parties to go further by optimising the design and by developing measures that result in environmental performance that goes beyond the EIA.

#### *- Innovative contracts*

Environmental and social aspects should be included in contracting. This may initially cause resistance, but will assist with changing the behaviour of those who need to implement the decisions taken in an IA. It will also raise an awareness of the issues to consider. Innovative contracts are needed to deal with the broadened scope in issues and time as well as the increasing complexity. Here one can think of contracts integrating different project stages – such as DBFM (design, build, finance, maintain), BOT (build, operate, transfer) and contract forms that allow for more flexibility (alliances, concessions). There are several examples of how to work with IA in relation to these new, more collaborative contracts. Mutabazi (2010) gives an example of a new instrument in a developing country setting from Uganda. Duncan (2010) suggests in her paper that alliance models for infrastructure delivery in Australia have encouraged high levels of collaboration between different parties resulting in better outcomes for the environment and the community. Also, alliances promote the development of high performing teams aimed at achieving outstanding project and environmental outcomes instead of traditional approaches, which achieve minimum standards and use an adversarial approach between the parties. Nijsten et al. (2010) support this. They argue that by combining IA and procurement strong (procedural) links are created between economic, and environmental issues. In the ideal situation: "the best of both worlds/procedures are combined" and will lead to faster decision-making (and delivery) and more sustainable solutions.

#### *- Life-cycle approach linking multiple stages*

IA is only a small part of the life cycle of a project. There is a need to highlight social and environmental issues from the initiation stages of a project, and to conduct IA throughout the lifecycle of the project. This continuous assessment of impacts to feed adaptive management strategies should preferably link up – or be built in – in day-to-day operations of a project in close relationship with (local) stakeholders. The importance of linking different project stages is stressed in literature about (E)IA follow-up (see also Arts and Faith-Ell 2010). Although not always practical, it is useful to include stakeholders throughout the life cycle of a project. When interacting with stakeholders it is important to consider their value systems and the true value (versus only economic value) of the interaction between human and natural resources and how it is impacted on. This would assist in smoother implementation and social license to operate. Aucamp (2010) investigates the role IA can play in the identification of sustainable solutions, and the relationship between nature and society. She suggests that understanding the importance of value systems and human-nature interaction will assist industry

in obtaining social licence to operate and to identify sustainable partnership opportunities throughout the lifecycle of a project.

- *Supply chain management*

This relates to cooperation with local subcontractors in the supply chain. The use of local labour and supplies are usually highlighted in IA reports, however, the implementation of this aspect is often challenging. Large firms should assist, empower and educate local subcontractors to meet their standards and to ensure the benefits flow locally, and are sustainable and environmentally friendly. Esteves et al. (2009) and Esteves (2010) give an example of emerging good practice will be identified with regard to partnerships within the supply chain, and between industry and enterprise facilitation services, governments, development agencies and community organisations. Also, Godjevac (2010) presents a case that reveals issues of “changing the world through entrepreneurship” relating to the analysis that guides establishing micro-enterprise development programs; the multi-stakeholder partnering process; and the ongoing monitoring of actual impact.

- *Participation of the public and other stakeholders*

It is crucial that the local community feel as if they are an important role player and that their voices are getting heard. They can pose a significant risk to any project. In many instances they will be the long-term neighbours of an industry. It is therefore important to have a good relationship with them, and to ensure that there is a positive working relationship, which can be fostered through partnerships. Blake (2010) gives an example from Victoria Australia of cross-cutting partnerships, including within the impact assessment process, have emerged as a key strategy for delivering sustainable major projects and strategic initiatives. Viliani (2010) argues that the private sector, that is responsible for an important part of these resettlements programs, could benefit from lessons learned from the reconstruction experiences adopted in post conflict or natural disaster scenarios.

- *Social license to operate and concepts relating to corporate social responsibility*

Increasingly companies are becoming aware of the importance of receiving a “social license to operate” from affected communities to ensure successful implementation of their activities. This awareness has led to a move away from paternalistic ‘cheque-book philanthropy’ to corporate-community partnerships to implement solutions that are owned by communities. McGowan and Warren (2010) argue in their paper that planning, partnerships and patience can help mitigate some of the environmental and social consequences of a LNG project. Aucamp (2010) suggests that understanding the importance of value systems and human-nature interaction will assist industry in developing a CSR strategy, obtaining a social licence to operate and to identify sustainable partnership opportunities.

The papers in the session stream on partnering in relation to IA present a number of case studies illustrating collaborative arrangements between proponents, government, contractors/suppliers and local communities and NGOs. The papers demonstrate and consider practical measures to include in IAs in order to use partnerships to strengthen links between 1) assessment processes and recommendations, 2) strategies actually implemented, and 3) resultant local community and broader societal benefits. Example of such measures include:

- Assessment of proponent and partner capacity to implement IA commitments;
- Procurement policies which require green purchasing, local content, social investment to be included in quotation and tender evaluations;
- Assessment of lead contractor capacity to meet green purchasing, local content and social investment commitments;
- Agreement-making as an instrument to ensure projects are developed in a way that meets local community aspirations, and builds capability and broader regional development and competitiveness;
- Strategies to include in tendering processes that give preference to contractors and suppliers that are most aligned with meeting IA commitments;
- Incentives for major contractors to work with proponents to meet targets and commitments in IAs, for example, through pre-qualification evaluation criteria, threshold requirements in invitations to tender, Key Performance Indicators (KPIs), conditions of contract, and post-contract award monitoring;
- Public reporting and tracking of IA commitments, and community and stakeholder participation in the design and monitoring of reporting mechanisms.

## Conclusions

There are limitations in applying IA as a single point-in-time intervention. It is crucial for the environmental management process to be carried throughout the project life cycle of any activity. In order to contribute to sustainable development, this must go beyond the traditionally understood way of environmental management and include partnerships to ensure the multiple stages of a project are covered from both environmental and social-economic perspectives. The bio-physical, social and economic spheres are inter-related and need to

support each other. Impacts in one of these spheres will cause impacts in the other spheres as well. Investing in any given sphere will also have positive spin-offs in the other spheres.

Partnerships should be flexible and aimed at establishing long lasting cooperative relationships. By its nature, partnering should be a flexible process that can be adapted throughout the project cycle to ensure it remains relevant and the current needs of all the partners are met. The content of the partnerships, as well as the procedures to follow and the process must be considered. Here, partnering in the form of cooperation with local subcontractors in the supply chain is also relevant.

Partnerships should balance environmental, social and economic risks. They should also enhance opportunities. It is important that clear tasks and responsibilities are assigned to all the relevant parties. It can only work if all parties are aware of inherent power differences, made evident where rich powerful organisations are juxtaposed with poor subsistence communities. It is therefore important to clarify what value each partner will get out of collaborating, as well as the value systems and world views of the parties involved. Aspects like respect, equity, transparency, flexibility, inclusiveness and trust are all important in the successful execution of a partnership. Partnerships will require adaptive management strategies to ensure that the human factor is accounted for. Impact Assessment may play an important role here in identifying important social and environmental issues, providing objective information for all parties involved and assessing the outcomes of decisions and actions during the various stages of a project's life cycle. By IA (follow-up) enhances the adaptive capacity and enables learning from experience.

It must be acknowledged that partnerships may differ according to the societal context in which it takes place. Developing countries face other challenges than developed countries, and partnerships must be adapted accordingly. No society is either too sophisticated or under-developed for partnerships to be successful. What is important is that cultural aspects must be considered when initiating partnerships. Something that is acceptable in one society may be offensive to another. Politics, power play and competition for resources may all influence the successful implementation of a partnership. To change long-standing behaviour can be challenging, and the uncertainty associated with partnering relationships can be seen to add risk. There may also be tangible challenges, such as shortages of skills, illiteracy or historical perceptions about the ability of any given group. Despite all these challenges, these new organisational forms provide an ideal ground for improving IA to the challenges of 21<sup>st</sup> century, for learning new perspectives and modes of knowledge, and for dialogue and consensus-building, all of which are necessary vehicles for the journey to sustainable development.

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