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Gulakov, Ilya; Vanclay, Frank; Arts, Jos

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Modifying social impact assessment to enhance the effectiveness of company social investment strategies in contributing to local community development

Ilya Gulakov , Frank Vanclay  and Jos Arts 

Urban & Regional Studies Institute, Faculty of Spatial Sciences, University of Groningen, the Netherlands

ABSTRACT

Good practice social impact assessment (SIA) should lead to improved local community development outcomes. However, the social benefits alleged to flow from projects are often not as evident to affected communities as the project's adverse impacts. Projects still give inadequate attention to social issues and fail to achieve social development outcomes. Using a prominent gas project in Russia, the Nord Stream 2 project, as an illustrative example, we explore the potential of environmental and social impact assessment (ESIA) to enhance the effectiveness of project contributions to local community development. We analyse the main steps of the community development process for the Nord Stream 2 project, and consider how it benefitted from the SIA process. We also reflect on the potential further contribution of SIA to community development. Even though SIA and community development are interrelated, we conclude that SIA, as currently practiced, is constrained in its ability to contribute to community development outcomes. Adjustments to the SIA and corporate social investment frameworks are needed to make them more effective in achieving social development outcomes.

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Introduction

Social impact assessment (SIA) is a well-established field of research and practice that is essentially the process of assessing and managing the social impacts of development projects (Esteves et al. 2012, 2017; Vanclay et al. 2015). The international SIA discourse advocates that projects, and the SIAs undertaken for them, should assist in developing local affected communities and in enhancing the development opportunities arising from projects (Vanclay 2003; Esteves and Vanclay 2009; Vanclay et al. 2015; Vanclay and Hanna 2019). The International Principles for SIA (Vanclay 2003:6) declare that 'assisting communities and other stakeholders to identify development goals, and ensuring that positive outcomes are maximised, can be more important than minimising harm from negative impacts'. However, many of the benefits local communities expect to receive do not always eventuate. Even the two major benefits new projects are argued to bring – jobs and taxes – might not actually be experienced by project affected people (Ejdemo and Söderholm 2015; Söderholm and Svahn 2015). Local communities are often unable to provide the skilled or even semi-skilled workers needed for a project, especially in rural areas (Rowan and Streather 2011). Providing local employment can be complex in that the project proponent often has limited control over the hiring practices of contractors (Esteves et al. 2016). In some countries there may be legal restrictions that

prohibit employment preference on the basis of place of residence, including Russia (Russian Federation 2001, art. 3). Limited employment opportunities for local people mean that there will likely be community dissatisfaction with the project (Esteves and Barclay 2011; Hanna et al. 2016a; Vanclay and Hanna 2019).

Taxes and other remittances might not necessarily provide social benefits, especially as perceived at the local level (van der Voort and Vanclay 2015). The unfortunate reality is that often only a limited share of project remittances are returned to the local region, and these funds might not be effectively used by local administrations and/or might not bring tangible benefits to the people affected by the project (Ogwang et al. 2018, 2019). In addition to creating jobs and generating taxation revenue, a project proponent would normally be expected to contribute to local development as part of its Corporate Social Responsibility (CSR) strategy, usually through a social investment programme (Esteves and Vanclay 2009; Vanclay 2017a; Vanclay and Hanna 2019). However, it is uncertain whether social investment activities will be implemented or not, and even if they are undertaken, whether they will be effective and/or focused on the needs of local communities (IFC 2010). Local people will always feel the project's adverse impacts, even when there is an attempt to mitigate them (Hanna et al. 2016b). Experience suggests there is a low likelihood of affected communities receiving benefits from projects (Cernea 1997; Smyth and Vanclay 2017). It is therefore desirable to explore the potential of

CONTACT Ilya Gulakov  gulakov.ilya@gmail.com  Urban & Regional Studies Institute, Faculty of Spatial Sciences, University of Groningen, PO Box 800, 9700 AV Groningen, the Netherlands

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SIA to contribute to community development in project affected communities and to incorporate social investment strategies (João et al. 2011; Aucamp and Lombard 2018; Vanclay and Hanna 2019).

In this paper, we analyse the similarities and differences in the project-based processes of SIA and social investment/community development planning. We consider how SIA and social investment might be aligned to enhance the development outcomes from projects. We examine how social investment was considered in the Nord Stream 2 project, a prominent gas pipeline project in Europe, specifically looking at the pipeline's landfall area in Russia. We outline the project's SIA process and consider how it interacted with social investment planning and intended community development activities. We draw conclusions on the potential and limits of SIA to contribute to social investment, and reflect on how SIA and social investment can be better implemented in projects to facilitate better development outcomes.

Current understanding of Social Impact Assessment

SIA originally developed alongside environmental impact assessment (EIA) as regulatory tool, but is now well-elaborated as a separate, albeit related, discourse and process that primarily assists projects in the management of social issues (Esteves et al. 2012; Vanclay et al. 2015). SIA is fundamentally rooted in civil society and democracy (Vanclay 2003; Gulakov and Vanclay 2018, 2019). There are international principles (Vanclay 2003) and guidelines (Vanclay et al. 2015) endorsed by the International Association for Impact Assessment that codify the field of SIA. SIA is a requirement of the International Finance Corporation (IFC) and the Equator Principles, and has become standard industry practice (IFC 2012; Vanclay and Hanna 2019).

The SIA discourse embodies discussion of many concepts and issues including: social license to operate (Dare et al. 2014; Jijelava and Vanclay 2017, 2018); social performance (Smyth and Vanclay 2017); public participation and community engagement (O'Faircheallaigh 2010; Hartz-Karp and Pope 2011; Glucker et al. 2013; Gulakov and Vanclay 2019); human rights issues (Kemp and Vanclay 2013; Götzmann et al., 2016; Esteves et al. 2017; van der Ploeg and Vanclay 2017, 2018); project induced displacement and resettlement (Vanclay 2017a; Smyth and Vanclay 2018); livelihood restoration (Smyth et al. 2015; Rowan 2017); cultural heritage (Patiwael et al. 2019, 2020); corporate social investment (Esteves 2008; Esteves and Vanclay 2009); and benefit sharing (Vanclay 2017b). Contemporary good practice suggests that SIA and projects should contribute to social development and community empowerment (Esteves et al. 2012; Vanclay et al. 2015). There are three main

ways by which this is achieved: the participation of affected people in decision making; effective mitigation of negative impacts; and enhancement of benefits (João et al. 2011; Vanclay and Hanna 2019). It is this third aspect that is the primary subject of this paper.

Community capacity building and empowerment can only be realized by involving communities in the decision-making that affects their lives, and by giving voice to marginalized and vulnerable people (Vanclay 2003; Hartz-Karp and Pope 2011). In this respect, SIA can be seen as helping people to develop their capacities as citizens (O'Faircheallaigh 2010; Glucker et al. 2013; Aucamp and Lombard 2018). Some researchers see SIA as being a means to change the political power-balance within communities (e.g. O'Faircheallaigh 2010). Along with mitigating adverse impacts, SIA should not seek only to restore affected livelihoods, but to improve them (IFC 2012; Vanclay 2017a). In projects, this is typically done by developing social investment strategies in which community development activities are negotiated. This is especially the case in the extractives sector, where it is widely accepted that there should be project benefit sharing schemes (Esteves and Vanclay 2009; ICMM 2012; Owen and Kemp 2012; Dupuy 2014; Martinez and Franks 2014; IPIECA 2017). Promoting community development is associated with realizing the full potential of SIA to contribute to the achievement of the United Nations Sustainable Development Goals (Vanclay et al. 2015; Smyth and Vanclay 2017). As discussed by the SIA International Principles, 'the primary focus of all development should be positive outcomes, such as capacity building, empowerment and realisation of human and social potential' (Vanclay 2003: 9).

In practice, of course, project proponents do not always fully share or commit to this conceptual stance on social development and they may undertake SIA only in order to meet the minimum regulatory expectations (Gulakov and Vanclay 2018). Over time, this will be moderated by increasing expectations in formal requirements for SIA, as well as by improved normal practice understandings within the SIA community of practice. The need for projects to meet the expectations of project finance institutions make proponents not only more tolerant of SIA expectations, but also leads them to become more positive about SIA (Vanclay and Hanna 2019). In this paper, we seek to explore the potential of SIA, which means that we go beyond current normal practice conventions. Given that we presume there will be improvement over time, in this paper we make an assumption that project proponents will be interested in performing good-quality SIA and share a commitment to community empowerment.

Community Development as part of Corporate Social Investment

The field of community development predates SIA, and has evolved as a distinct practice and discourse (Phillips

and Pittman 2009; Cavaye and Ross 2019) separate to SIA (Smyth and Vanclay 2017), although there are examples of integration being suggested (Imperiale and Vanclay 2016a). The United Nations Global Compact defines social investment as ‘the practice of making voluntary financial and non-financial contributions that demonstrably help local communities and broader societies to address their development priorities’ (UNGC 2010, p.1). Some key principles are that responsible social investment should be purposeful, accountable, respectful and ethical (UNGC 2010). The IFC defines strategic community or social investment as ‘voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of opportunities created by private investment – in ways that are sustainable and support business objectives’ (IFC 2010: i). The IFC (2010) indicate that social investment should be strategic, aligned, multi-stakeholder driven, sustainable and measurable. Ideally, these efforts should be adapted to local community needs and aligned to the company’s operations or business strategy, when it is called Strategic Social Investment (Fossgard-Moser 2005; IFC 2010).

There are various reasons why companies engage in social investment, including: improving company reputation (Hedin and Ranängen 2017); maintaining good relationships with nearby communities, i.e. obtaining a ‘social license to operate’ (Jijelava and Vanclay 2017, 2018); and running the business in an environmentally and socially sustainable manner (IFC 2010). Many companies, especially those at risk of having problems with host communities, seek remediation of tension by undertaking social investment activities (Esteves et al. 2017; Pasaribu et al. 2020). Sometimes social investment might be required by project lenders (Vanclay and Hanna 2019).

Social investment activities vary in content and how they are implemented (IFC 2010). Companies can be proactive or reactive, and may invest in education, capacity building, rural development, cultural development and so on (IFC 2010). Some companies undertake their own social investment activities, whereas others outsource this to external organizations, often NGOs. The way a company performs social investment depends on the social context, the community’s strengths and needs, the nature of the company’s activities, and its ability to cooperate with project stakeholders (Esteves and Vanclay 2009).

There is confusion about the use and meanings of ‘social investment’, ‘community investment’ and ‘community development’. For example, for largely similar activities, the IFC used ‘community development’ in 2000 (IFC 2000) but ‘community investment’ in 2010 (IFC 2010). Citing the IFC guidelines, ICMM (2012) used ‘community development’ in its guidance. We consider ‘social investment’ and ‘community investment’ to be synonyms. Some scholars associate the emergence of

‘community development’ with work on poverty reduction and housing development in rural America in the 1950s (Phillips and Pittman 2009). Today, the discourse of community development is broader, relating to improvement in all the multiple aspects of community wellbeing. Community development is about people coming together to identify and articulate their needs, to solve common problems, and to influence the decisions that affect their lives. As a collective action, it inherently implies the building of social capital and improving the quality of life (Frank and Smith 1999; Phillips and Pittman 2009; Robinson and Green 2011). Many actors, including governments, NGOs, developers, and professional associations contribute to community development. In this paper, we argue that community development should receive greater consideration in the corporate social investment actions of large projects.

Frameworks to assist in developing Corporate Social Investment programmes

There are three frameworks that are particularly useful in understanding the dynamics of a community, and that can be used to inform a community development strategy: the Sustainable Livelihoods Approach; Asset Based Community Development; and the Social Framework for Projects.

The Sustainable Livelihoods Approach (SLA) emerged in the 1990 s, drawing on the concept of sustainable development (Scoones 1998, 2009; Carney 2002). SLA was an operational tool to assist development cooperation work especially on poverty reduction, and for a time was championed by the UK Department for International Development (Smyth and Vanclay 2017). It argues that poverty should be understood broadly, and regards livelihoods and wellbeing as more important than ‘level of income’ or ‘standard of living’. Greater awareness of the wide range of assets in a community led to thinking about ‘capital’ in multiple ways, including social, natural, financial, physical and human capital (Gutierrez-Montes et al. 2009). Analysing how people manage their livelihoods strategies using these assets within the political, institutional and environmental context lies at the heart of the SLA approach. Despite several critiques (Arce 2003; Brocklesby and Fisher 2003; Moser and Dani 2008; Owen and Kemp 2012; Smyth and Vanclay 2017), SLA was significant in promoting a shift in development practice from needs-based, resource-centered solutions to a focus on people and their capacity to initiate and sustain positive change (Brocklesby and Fisher 2003).

Asset Based Community Development (ABCD) seeks to build on a community’s capacities or assets rather than focus on its problems (Kretzmann and McKnight 1993a, 1993b, 2005; Mathie and Cunningham 2003;

McKnight 2013; INRC 2016). ABCD elaborates the different assets within a community, including those related to individuals, associations and institutions (McKnight 2013; INRC 2016). The various assets are interlinked, and the more assets and capacities people and communities have, the less vulnerable they are. Thus creating links between community members and building social capital is essential (McKnight 2013; INRC 2016). The ABCD approach has been criticized not being specific, being difficult to implement in practice, and for subjectivity in the definition and determination of community assets (Smyth and Vanclay 2017).

To address the deficiencies in the SLA and ABCD approaches, Smyth and Vanclay (2017) proposed the Social Framework for Projects, which features the eight key social issues that contribute to people's well-being:

- People's capacities, abilities and freedoms to achieve their goals;
- Community/social supports and political context;
- Culture and religion;
- Livelihood assets and activities;
- Infrastructure and services;
- Housing and business structures;
- The living environment; and
- Land and natural resources.

The Social Framework for Projects is meant to ensure that all key issues relevant to community development and SIA are considered in projects. It is meant to be user-friendly for experts and lay people. The benefit of this framework is that it is easily applied to the SIA context as it uses similar language.

Comparing SIA and Community Development Practice

As discussed above, social investment and SIA are interrelated concepts. They share key underlying values and have a common position regarding capacity building and community empowerment. To analyse the interrelations between them and explore the potential of SIA to contribute to social investment, in Figure 1 we outline their respective processes, drawing on Vanclay et al. (2015) for the SIA process, and IFC (2010) for the social investment process.

The SIA and social investment processes both begin with community profiling and a social baseline survey. This is done to understand the area where the project is being implemented, to define the project area of influence, and consider the scope of the social investment process. Then, the SIA process follows with identification and elaboration of the project's potential impacts. Since SIA is inherently participatory (Vanclay 2003; Vanclay et al. 2015), it requires stakeholder analysis and community engagement (IFC 2012; EBRD 2014). When a project's potential impacts and enhancement and mitigation measures have been determined, discussed with communities and other stakeholders, and implemented, monitoring and reporting processes should also be established.

Following the community profiling and social baseline survey steps, the social investment process requires an analysis of relevant government development plans to make corporate social investment contextualised and more effective. Obviously, many documents will be the same as those collected and analysed as part of the social baseline survey. However, analysis of development plans is a distinct part of the social investment process that is worth considering separately. After that, consultations with the affected communities and/or a community needs

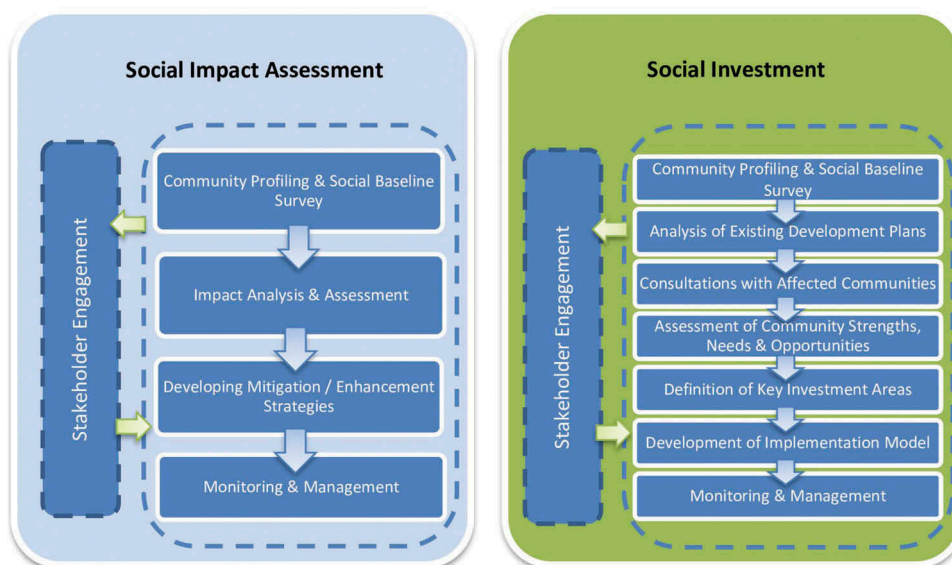


Figure 1. SIA and Social Investment Processes.

Source: authors adapted from Vanclay et al. (2015) and IFC (2010)

assessment should be performed. Social investment is a participatory process that requires stakeholder engagement, since it is the communities not the third parties who best know their strengths, areas to be improved, and potentially the specific measures that should be implemented (Imperiale and Vanclay 2016b). Following this, the social investment process continues with an analysis of the strengths, weaknesses, opportunities and threats of the community, as well as a description of the potential options for social investment. After that, focus investment areas should be defined, and a specific implementation plan should be developed.

Methodology

To consider the potential of SIA to contribute to community development, we used the Nord Stream 2 project as an illustrative example. The Nord Stream 2 project is the duplication of a gas pipeline running from Russia to Germany. Intended to increase the delivery of Russian natural gas to Europe, at the time of writing it was a prominent project in Europe. For the purpose of this paper, we focus on the SIA and social investment activities associated with the landfall section of the project in the North-West of Russia. We analysed the project's SIA documentation and its initial community investment documents. Below, we analyse the main steps of the company's community investment process as described by the relevant documents and consider how they did and/or could have benefitted more from the SIA process.

The SIA document was developed in 2016–2017 using information collected from a number of sources, including from the relevant branches of the Russian statistics service, local and district administrations, educational and health-care institutions, local businesses, hunting, forestry and fishery organisations, etc. Meetings with local stakeholders were conducted to collect primary data, and to ground-truth any secondary data being utilised. For preparation of the draft SIA, three site visits were conducted by the SIA team, which included the lead author of this paper.

The Community Investment Framework was an initial step in the company's social investment process. It was developed based on the SIA materials and information collected during its preparation. No additional data or consultations with affected communities were performed as part of development of the Community Investment Framework, however it was expected that they would be done in the future.

We note that the lead author, a Russian national, worked for Branan Environment, a Russian consultancy, which, in collaboration with the UK-based consultancy, ERM, undertook the SIA for the Nord Stream 2 project in Russia. Branan Environment developed a Community Investment Framework for the project in collaboration with Community Insights Group. As such, this paper is something of a personal professional reflection.

The Nord Stream 2 Project

The Nord Stream 2 project is a pipeline system across the Baltic Sea that will deliver natural gas from Russia to the European Union gas market. Nord Stream 2 is a duplication of the initial project, which was completed in 2011. Both Nord Stream 1 and Nord Stream 2 are twin subsea pipelines. Completion of Nord Stream 2 will increase capacity from 55 billion cubic metres of gas per year to 110 billion cubic metres Nord Stream 2 (2017a). At over 1,200 km in length, the Nord Stream 2 pipeline will travel from the coast of Russia, through the Baltic Sea, reaching landfall near Greifswald in Germany (see Figure 2). The pipeline route crosses the territorial waters of Russia, Finland, Sweden, Denmark, and Germany Nord Stream 2 (2019a). As at early 2020, construction was expected to be completed by the end of 2020 and to have a service life of at least 50 years.

Nord Stream 2 will connect into the existing systems of pipelines in Russia and Germany. The 'project' being considered for this paper is a segment of the larger project, and only comprises the Russian section of the Nord Stream 2 project. The Russian segment includes an onshore section of approximately 4 km, an offshore section of approximately 114 km (from the shoreline to the border of the Finnish Exclusive Economic Zone), and a Pig Trap Area (the location of the facilities for cleaning the pipelines) (see Figure 3).

The onshore section of the project lies alongside the Gulf of Finland in an area of Russia near the border with Estonia. The surrounding area is rural and includes forests, agricultural land, and small communities. The population varies seasonally as most local housing is intended for weekend or holiday use. The closest residential building of the nearby community, Khanike, is less than 500 metres from the project's onshore facilities Nord Stream 2 (2019c). Part of the land required for the onshore section is within the Kurgalsky Nature Reserve Nord Stream 2 (2017b).

Discussion of the SIA and Community Development processes for the Nord Stream 2 project

This section reviews the development of the Community Investment Framework for the Russian section of the Nord Stream 2 project and considers its relationship to the SIA process that was previously performed. In addition to some general aspects, the review considers the key elements of the social investment process: namely community profiling and social baseline survey; analysis of the development plans of authorities; assessment of community strengths, needs and development opportunities; and stakeholder engagement. Although this section focuses on the Nord Stream 2 project as an illustrative example, it also includes general discussions about SIA and the social investment process.

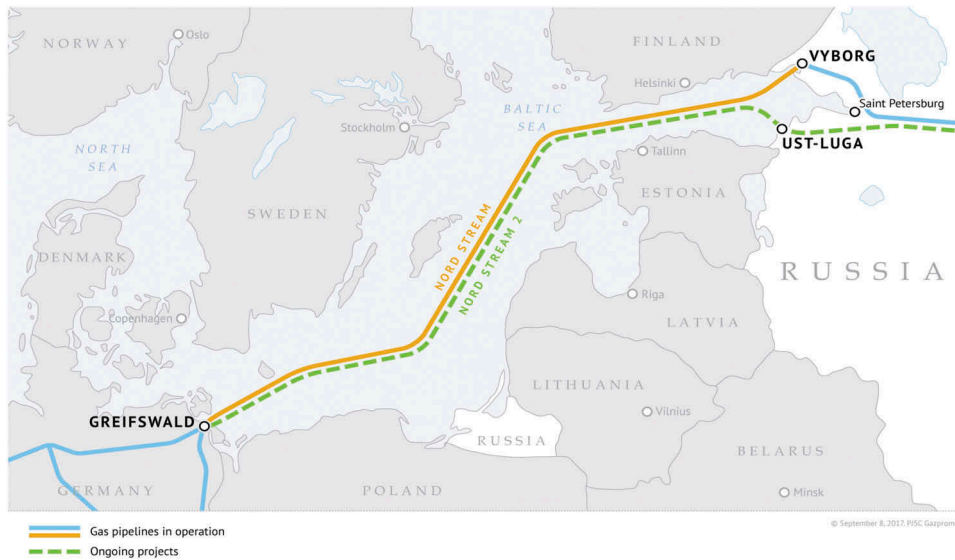


Figure 2. Routes of the Nord Stream and Nord Stream 2 projects.

Source: Gazprom, Viewed 25 January 2020, from <http://www.gazprom.com/about/production/projects/pipelines/built/nord-stream2/>.

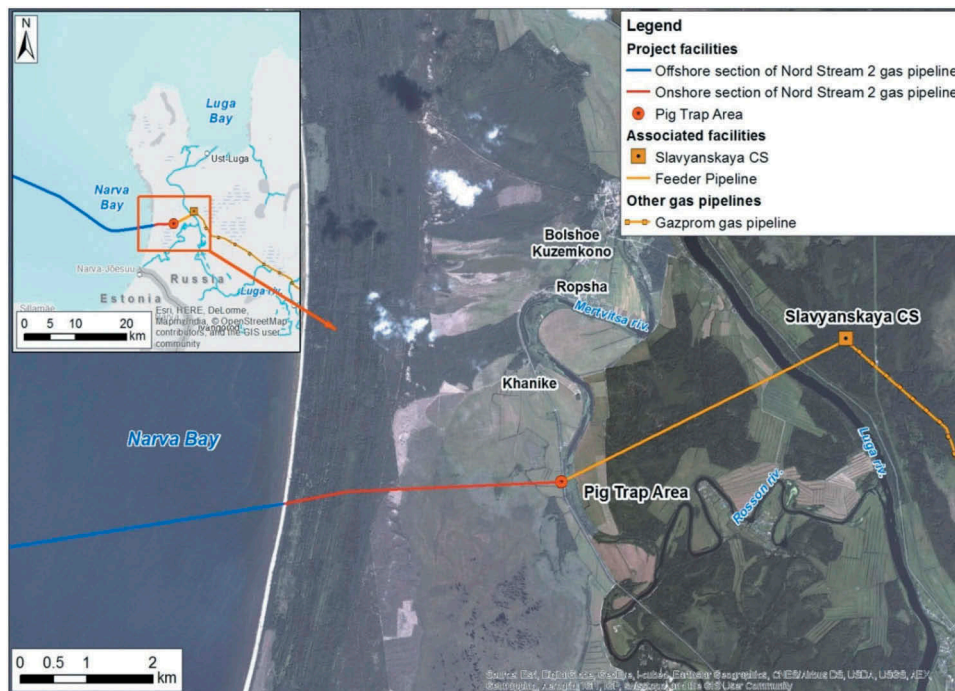


Figure 3. Nord Stream 2 Russian Onshore Section.

Source: Nord Stream 2 (2019b).

Community profiling and social baseline survey

Community development, as well as SIA, should be based on local knowledge and data (IFC 2010). In undertaking the social investment process, the first thing is to sketch the characteristics of the project area and determine the scope of the social investment process. Therefore, the first task is to gain an understanding of the project area and identify those communities that fall within the area of project operations, and those that don't.

The social investment process for the project was focused on the project area of influence as defined in the SIA Nord Stream 2 (2017b). A total of 18 communities were identified as being project affected. Five communities were located near the project site, including three that might be affected by construction. The other potentially affected communities were located along the two access routes that will be used to transport construction materials and equipment from the port in Ust-Luga. These include the seven villages that comprise the Kuzemkinskoe Rural Settlement, as well

as the villages comprising the Bolshelutskoe and Ust-Luzhskoe rural settlements (see Figure 4). Most project affected communities are small, with the exception of two administrative centres that might be affected by project traffic, which have approximately 1,000 residents (Bol'shoie Kuzemkino) and 2,500 residents (Ust'-Luga).

The SIA described each affected community and key issues, including demographics, economics and labour market, land ownership and land use, social infrastructure and services, tourism and recreation, traffic, etc. This information was collected using a range of sources. The SIA also identified vulnerable groups. The community profiling and socio-economic survey provided a good basis for the company's social investment process. Along with provision of sufficient information, the survey linked the potential social investment process to

the project and its impacts, and focused on those communities that would potentially be affected.

A social investment process that is not based on the SIA is likely to be inadequate. For example, some communities that experience negative impacts from a project might deliberately or accidentally be excluded from the list of communities that are to receive project benefits (Vanclay 2017a). In contrast, the Nord Stream 2 project was a good example of an adequate approach to integrating SIA and social investment. Potentially, if the social investment process for Nord Stream 2 was not based on the SIA, it might have only focused on the administrative locality of Kuzemkinskoe Rural Settlement, in which the project facilities for Nord Stream 2 were located (see Figure 4). However, there are several communities along the project access roads that will also be potentially affected by project traffic, especially during

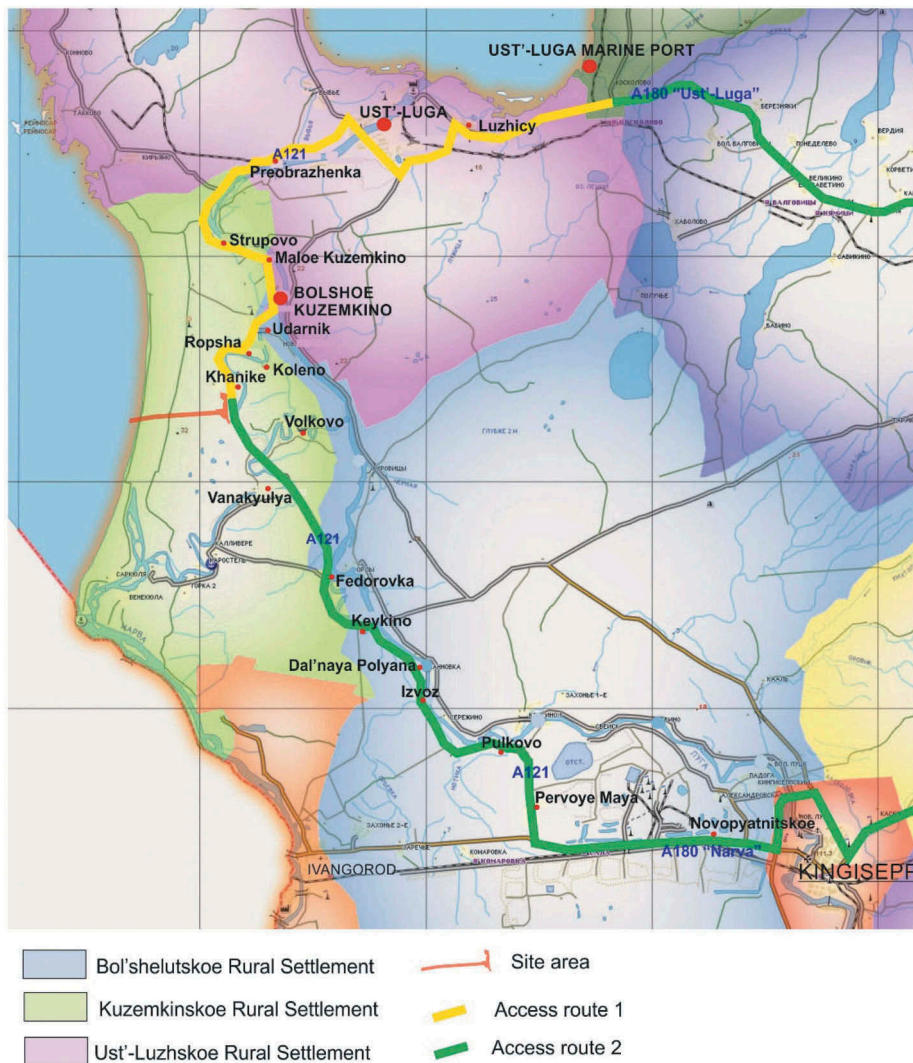


Figure 4. Project affected communities and site access routes.

Source: Nord Stream 2 (2017a). Russian Social Impact Assessment. London: Environmental Resources Management Limited.

construction. As these are located a considerable distance from the project site, the impacts on them would not be immediately evident. Without the SIA, these communities might not have been included in the company's social investment process.

Despite SIA being able to provide community profile information for the social investment process, there are some things worth mentioning for the analysis of SIA and social investment processes in general. SIA and social investment have different foci. The primary goal of SIA is to identify project impacts in order to avoid or manage them. Therefore, the social baseline survey as part of the SIA tends to be focused only on those issues that relate to potential impacts. Some other information is included in the baseline survey only to provide a general overview of the project area. However, even if other information is collected, it is usually not fully addressed in the SIA materials. The SIA materials for Nord Stream 2, for example, only briefly described information relating to access to public utilities in the affected communities as the project would not affect it, even though this is a key dimension of community wellbeing. Conversely, the SIA materials provided detailed information on traffic since traffic impacts were a major concern for the project. Data collection as part of social investment should collect information on all key aspects of community wellbeing. Clearly, SIA needs to rethink the information that is normally collected to realise its potential to contribute to social investment.

This raises the issue that the frameworks for SIA and social investment need to be adjusted. Although SIA is a well-developed concept, the procedures for its implementation are non-specific. According to the International Principles for SIA, 'all issues that affect people, directly or indirectly, are pertinent to social impact assessment' (Vanclay 2003: 8). However, there are certain key points that must always be considered, because they are relevant to almost every project, or because they have potential to be a significant risk. The IFC, for example, requires that attention always be paid to issues such as gender, labour issues, community health and safety, land acquisition and resettlement, Indigenous peoples, and cultural heritage (IFC 2012). Although social investment practice needs to have a holistic view of a community, it is helpful to have a useful framework to assist in its implementation, such as that provided by the Social Framework for Projects (Smyth and Vanclay 2017). Using a framework like this ensures that all key aspects of community wellbeing are considered and no important ones are missed.

Despite the usefulness of frameworks, social investment priorities should be determined by local people themselves rather than being imposed by pre-existing ideas or pre-determined an analytical framework. The social investment process will require effective

facilitation and analysis. It is important to realise that communities can sometimes become pre-occupied by pet projects (Esteves 2008; Esteves and Vanclay 2009), and may need to be reminded of other key topics that would be worth considering. To ensure that no important issues are left out of consideration, it is wise to start with a wide scope, discuss each potential social investment project, and then come to a short list for detailed assessment.

The SIA documents for Nord Stream 2 project were developed in accordance with the IFC requirements. However, the IFC framework primarily focuses on impacts and does not provide a holistic approach to community wellbeing that is needed for the social investment process. Therefore, although the results of the social baseline survey provided by the SIA were sufficient for the initial stage of social investment, another approach was employed to ensure that the social investment process proceeded.

Analysis of existing development plans

A social investment process is likely only to be effective when it is aligned with existing development plans for the project area. Therefore, another key component of social investment is analysis of any development plans of local administrations and development agencies. Knowledge of the content of these plans can provide a basis for collaboration between a company and project stakeholders. Collaboration is important to ensure that the company is just one contributor to the development process, and to avoid dependency of the community on the company (IFC 2010).

In the Nord Stream 2 project, various regional planning documents were assessed, including the *Concept of Socio-Economic Development* for the district, the *Spatial Planning Scheme* and other municipal development programs of the district administration. From these documents, various development projects relevant to the project affected communities and the district administrative centre (Kingisepp) were identified. The projects considered in Kingisepp related to facilities being used by the whole district, including health care, sports and cultural activities. It should be noted that analysis of Kuzemkinskoe Master Plan and other planning documents was also performed as part of the SIA process. However, in the social investment process, the analysis was much more detailed, and related to how projects might be developed to enhance community wellbeing.

Assessment of community strengths, needs and development opportunities

The next step of the Nord Stream 2 social investment process was to assess community strengths, needs and development opportunities. As indicated above, the company's social investment process did not include

a separate socio-economic survey but used the SIA. The SIA materials for the Nord Stream 2 project were developed in accordance with the IFC framework that primarily focuses on impacts and does not provide the holistic approach to community wellbeing that is necessary for the social investment process. Therefore, an approach more appropriate for social investment purposes was adopted, being an adaptation of the Social Framework for Projects (Smyth and Vanclay 2017).

Except for the categories 'environment' and 'natural resources' (because they were the subject of another company programme), the 6 other dimensions of the Social Framework were elaborated in the course of the social investment process (see Table 1). Each dimension was described drawing on the results of the SIA social baseline survey. This was complemented by information on the project's potential impacts and relevant mitigation measures, and information about the community needs, which were identified in the data collection for the SIA process, in meetings with stakeholders, and from visual observation of the project area. Much information was taken from the SIA materials, however, it was restructured so that it would be more suitable for social investment purposes. The information was supplemented by description of the specific development projects relevant to each dimension of community wellbeing. This led to potential opportunities for company social investment being tentatively identified. The opportunities were tentative because community needs, development areas and specific development projects still had to be developed by the communities themselves. To sum up, such an important aspect as 'assessment of community strengths, needs and development opportunities' was not covered by the SIA process.

Table 1. Table for Assessment/Analysis of Community Strengths, Needs and Potential Opportunities for Community Development.

Current Context	Potential Social Impacts and Mitigation Measures	Community Needs	Planned Development Projects	Potential Opportunities for Community Development
PEOPLE'S CAPACITY AND ABILITY				

Source: Nord Stream 2 (2017b). Community Investment Framework – Russia.

Stakeholder engagement

The preliminary analysis of community needs and development opportunities was performed using desktop activities. This supported and prepared the next step of the social investment process, identification of community needs and development opportunities as determined by the residents of the affected communities and local stakeholders (i.e. a Community

Needs Assessment). The absence of this step would undermine the participatory nature of the social investment process and would make it 'top-down' and 'expert-driven'. A development process initiated by a company without meaningful community participation should be regarded as philanthropy, CSR or sponsorship activities, not as 'social investment'.

The SIA process informed the planning of stakeholder engagement activities for the social investment process in that the key stakeholders had already been identified and initial contacts were already established. Although for various reasons it was not actually implemented as part of the initial social investment process, the SIA consultant for the Nord Stream 2 project proposed that a set of focus groups be undertaken for the community needs assessment. This method was chosen because it provides an opportunity to collect meaningful qualitative information on community needs and development opportunities directly from local residents. In addition, follow-up discussions with targeted stakeholders and community representatives were intended so that any issues or suggestions raised could be investigated further. Participants in each focus group were intended to discuss the key strengths and capacities of their communities, as well as their community's needs, and the reasons for these needs. The participants would also be able to consider what could be done to meet these needs. The proposed framework describing key dimensions of community wellbeing would have underpinned the discussion. After the discussion, the dimensions of community wellbeing were to be prioritised with respect to the envisaged development process.

Generally speaking, an issue that commonly arises while implementing social investment and SIA processes is whether they could be combined. Both processes are participatory, and arranging separate consultations requires considerable effort from a company as well as extra burden on the community. Potentially, the issues related to community needs could be discussed in the SIA consultations, especially given that they are often raised during SIA consultations. Although there is a strong rationale for combining the processes, we suggest this is difficult. SIA consultations are a specific exercise aimed at provision of information in relation to an envisaged project and its impacts, as well as at discussion of relevant issues with local communities. These are usually performed by public meetings, although best practice suggests using a variety of methods (Hartz-Karp and Pope 2011).

One purpose of the social investment consultations is to identify the capacities and needs of the communities, and to identify potential ways to address the needs and utilise local capacities. That is why focus groups are appropriate for this type of consultation; they provide a reasonable amount of time to collect meaningful qualitative information on various aspects

of community wellbeing. Focus groups offer the opportunity to listen to all participants (not only to vocal people or those who are experienced in public speaking). Having several focus groups provides the opportunity to collect information from different groups, for example, young, aged, and in certain circumstances, women only. The intended deliberativeness of the SIA consultations is not applicable for these purposes. Since the SIA consultations are open to all people, their representativeness might be questionable, as one part of the community can be over-represented compared to others. Ideally, SIA and social investment consultations should be aligned, but they are two different processes.

Assessment of investment areas

When the strengths and needs of communities are identified and potential development opportunities are sketched, it is important to determine the focus areas the company will develop. Social investment is most effective when it is focused on a few key areas relevant to the company’s business (IFC 2010). The focus investment areas for the Nord Stream 2 project were identified using a methodology that considered three factors: socio-economic feasibility, level of

support, and alignment with the company’s business objectives. The socio-economic feasibility should be established by analysis of the SIA results, development planning documents, and information obtained during meetings with local stakeholders during the SIA process. The level of support should be determined by the residents of the affected communities and other stakeholders during the community needs assessment described above. The level of support is a subjective value communities give to the potential investment area, and whether they support or give priority to the potential investment area compared to the other areas. The combination of the expert-defined ‘socio-economic feasibility’ with the ‘level of support’ by residents shows the ‘investment area importance’, or whether it makes sense to participate in its development.

The remaining point is to assess whether the considered investment area is aligned with the company’s business objectives. This is based on the project description, project implementation schedule, as well as other project features. Consideration of the ‘investment area importance’ and ‘alignment with company’s business objectives’ gives the ‘investment area priority’. An overview of the investment area assessment process is provided in Figure 5.

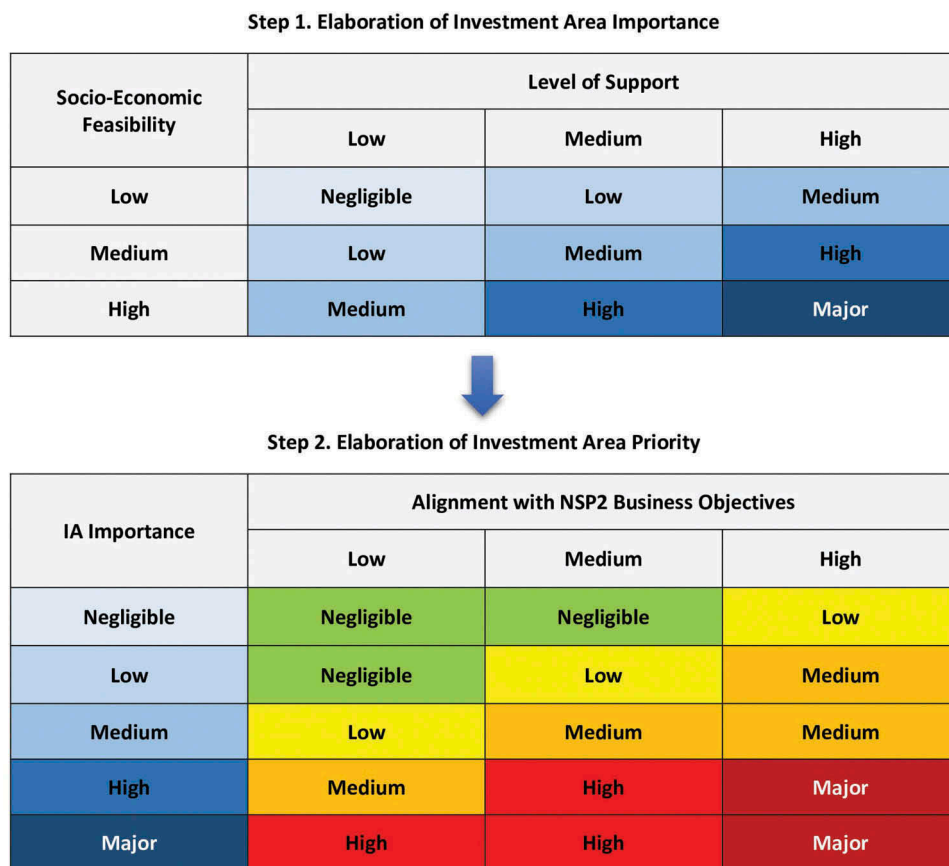


Figure 5. Development Area Assessment Methodology.
 Source: Nord Stream 2 (2017b). Community Investment Framework – Russia.

The intention of this methodology was to avoid subjectivity in determining the focus investment areas and to make the process simple and transparent. The process can be revised or updated in the course of the company's social investment process or project implementation. This methodology was developed specifically for the company's social investment process and was not covered by the SIA materials.

Implementation plan

It is important to not only determine community needs and development opportunities in a participatory manner, but to establish a participatory plan to implement the investment process. Traditionally, there are two main approaches to implementation of investment projects: proactive and reactive (Skinner and Mersham 2008). The proactive approach emphasizes partnering, leveraging resources, capacity building, etc. and has a longer-term agenda. In contrast, the reactive approach is primarily associated with responding to current immediate needs and waits for proposals. The Nord Stream 2 project used both approaches for its social investment process.

The proactive approach was planned to be implemented via a framework cooperation agreement to be concluded between the company and the regional government. The agreement would regulate key aspects of the collaboration between the company and authorities. A working group was to be established, including representatives of regional, district and local authorities, various experts and company representatives. The working group would hold bi-annual meetings to decide on the community development projects to be implemented. Residents of the affected communities will not participate directly in these meetings but will be represented by their authorities. However, since the development projects are to be implemented within the project area of influence and within the key focus investment areas determined in collaboration with the residents of affected communities, such a method is valid and appropriate for social investment purposes.

As part of the reactive approach to social investment, the company will implement a small grants programme to support activities initiated by the affected communities or local stakeholders. The suitability of the proposed initiatives will be assessed using criteria that consider the long-term beneficial effect on the communities and other matters. The investment initiatives should be focused on the affected communities and fall within the defined focus investment areas. A committee will be established to manage implementation of the small grants programme. Local residents and stakeholders will be engaged in

assessment and evaluation of proposed initiatives, as well as in monitoring their implementation. These residents will be identified using the stakeholder list developed as part of the Stakeholder Engagement Plan as part of the ESIA process.

The proposed implementation model was developed specifically for the social investment process. It was not covered within, and did not naturally flow from, the SIA materials developed for the project. However, the Stakeholder Engagement Plan from the ESIA will be used to engage local residents and stakeholders in the implementation of the social investment process.

Increasing the potential of SIA to contribute to local community development

The first tasks of the SIA process performed for the Nord Stream 2 project, community profiling and social baseline survey, provided to be very useful for the social investment process. They presented an understanding of the project area and defined the scope of the social investment process. When based on SIA results, the social investment process can be linked with project impacts. Neglecting this link may lead to a disproportionate distribution of project benefits and related risks to a project. The results of the SIA process for the Nord Stream 2 project has informed planning of stakeholder engagement activities as part of project social investment. However, when performing SIA and social investment processes for a project, the issue of aligning SIA and social investment frameworks arises. The SIA framework focuses primarily on the project's potential impacts, whereas the social investment framework is interested in all key aspects of community wellbeing. This leads to differences in collecting and structuring the data during social baseline surveys for the SIA and social investment processes. To implement both processes in a project, or for a development-oriented SIA, an aligned framework should be utilised from the beginning.

An important step in the social investment process, analysis of existing development plans, is not covered by the SIA process. Although the SIA process collects and analyses these planning documents, it is focused on project impacts and only briefly considers other issues. In contrast, the social investment process needs to consider all key dimensions of community wellbeing in sufficient detail.

The other key aspect of the social investment process is assessment of community strengths, needs and opportunities. This is not covered by the SIA process. This assessment is performed as a distinct part of the social investment process, although it should consider project impacts and mitigation measures as determined by SIA. This assessment should be performed in collaboration with the local communities. Acknowledging that there are no universal solutions,

we consider that SIA and social investment stakeholder engagement activities should be aligned but run separately. The SIA and social investment stakeholder engagement have different purposes. The aim of SIA-related stakeholder engagement is to provide information on a project and to discuss its impacts and related issues. This implies relevant methods to facilitate this discussion. The purpose of social investment stakeholder engagement is to identify the capacities and needs of the communities, as well as to identify potential investment opportunities. This purpose implies using appropriate research methods, e.g. focus groups.

The methodology used by the social investment process for assessing the development areas is different from the one used by the SIA process for assessing project impacts. The development priorities might be determined based on socio-economic feasibility, level of support, an alignment with company operations. These are determined specifically for the social investment process and are not covered by SIA, although they consider the SIA results. Establishing an adequate implementation plan is a distinct part of the social investment process that does not naturally flow from the SIA process. However, the results of the SIA-related stakeholder engagement are useful for engaging local residents and stakeholders while implementing the social investment process.

Conclusion

Social impact assessment and corporate social investment are interrelated concepts, sharing key values and a commitment to capacity building and community empowerment. Thus, a social investment process could and should be seen as a natural component of the broader SIA process (Vanclay et al. 2015). The social investment process can benefit much from SIA. For example, the baseline survey and community profile can be very useful. Using the results of the SIA is important to focus the company's social investment strategy on the communities who are most affected. The social investment process might also utilise the results of the SIA stakeholder engagement activities, for example, to identify the stakeholders who would assist in identifying community needs, and in developing the plan for participatory social investment. Despite all these benefits, the actual capacity of SIA to undertake social investment is limited. The social investment process has distinct aims, focus, methodology, and manner of implementation that are quite separate to the SIA process. The social investment process also requires a much more extensive analysis of the relevant planning documents. In some cases, SIA should provide communities with the opportunity to stop a project, which is clearly out of the scope of social investment.

To be effective, the SIA and social investment processes should be aligned. It would be desirable for there to be one framework that combined the SIA and social investment processes, that could be applied from the beginning of the SIA process. Such a framework should include collection of baseline data in a manner that would suit both SIA and social investment purposes. An integrated stakeholder engagement approach should be developed and applied to harmonise information disclosure and the community consultation activities needed for both SIA and social investment processes. Aligning SIA and social investment could lead to them being considered as two aspects of one development process that has potential to enhance the development outcomes from a project. The social investment initiatives should be discussed with communities along with project impacts and be part of the community development agreement or impacts and benefits agreement that is developed between a project proponent and local communities.

Discussion of whether SIA should be aligned with social investment, or the other way round, is pointless. SIA and social investment were developed as distinct concepts and practices. However, SIA is a requirement in many jurisdictions and is an essential part of project financing required by international financial institutions, whereas social investment is less regulated and typically considered to be a voluntary practice. Therefore, it is the SIA discourse and practice that should be modified to encompass social investment goals and realise the potential of SIA to contribute to social development and community empowerment.

Such an alignment would meet the interests of project proponents, communities and international financial institutions (IFIs). For project proponents, an aligned framework would assist in SIA contributing to obtaining a social license to operate by assisting communities in understanding that a project will not only bring disturbance but also benefits. It would also reduce costs and frustration related to data collection and stakeholder engagement by avoiding duplication of actions.

From a community perspective, the combination of these approaches is also important. The social benefits from projects might not be evident to affected communities. Project employment opportunities might be limited and tax revenues might be hidden within centralized national bureaucratic procedures and not tangible at the local level. Local residents always experience adverse impacts from a project, even when mitigation measures are implemented. Potentially, project proponents could provide CSR activities to enhance local benefits, but where these activities are disconnected from the SIA, there will always be concern about whether they will actually be provided; whether they will be focused on those

who are most affected; and whether the activities will really meet the needs of local communities.

SIA is an established practice that is applied by IFIs as part of project financing. Social investment is not necessarily required. Given that the primary goal of many IFIs is to contribute to development (poverty reduction, increased wellbeing) and to the Sustainable Development Goals in their regions of operation, it is in their interests to improve the development outcomes from the projects they finance. Therefore, increasing the capacity of SIA to contribute to community development by better alignment of SIA with social investment is highly desirable.

SIA and social investment have direct and indirect benefits. The international requirements for implementing these processes bring international standards to countries where national legal requirements are often underdeveloped. The very presence of large projects (such as Nord Stream 2) that need to meet international requirements (e.g. to achieve project financing) reveal the deficiencies of domestic requirements and practice. Nevertheless, such projects build the capacity of their staff (national and international). These projects also enhance the governance culture (e.g. transparency and accountability) and effectiveness of the institutional environment in which they are being implemented. Because social investment is inherently participatory, involvement in the implementation of effective social investment practices contributes to capacity building of all parties and to local community development. Potentially, the financial institutions, other development agencies, and the larger professional community should consider stimulating alignment of the SIA and social investment processes, as well as strengthening their commitment to SIA and social investment.

Social investment is a complicated process that has many pitfalls. One issue is that a company should not usurp the responsibilities of government, or create dependency of local communities on the project. It is also important to keep social investment processes manageable and not give communities promises that a company is unable to fulfil. We believe that stimulating project social investment and appropriate modification to SIA procedures can make a significant contribution to enhancing project development outcomes.

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ORCID

Ilya Gulakov  <http://orcid.org/0000-0003-0431-8799>
 Frank Vanclay  <http://orcid.org/0000-0002-9945-6432>
 Jos Arts  <http://orcid.org/0000-0002-6896-3992>

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