

# Social Impact Assessment (SIA)

## Upcoming Challenge during Project Implementation

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**az új eszközről, ami a MOL a elkötelezettségének újabb bizonyítéka a fenntartható fejlődés ügye iránt.**

### Abstract

**Recently elaboration of Environment Impact Assessment (EIA) is a common task during MOL's project implementation activity with day-to-day experience. International experience shows that different projects may have substantial impact not only to the environment but sometime effects are even more adverse to communities, groups of people. Social Impact Assessment (SIA) as a new challenge is under introduction into MOL's activity. The article provides a rough overview on this new tool, another proof of MOL's commitment towards sustainable development.**

### Összefoglalás

**A társadalmi hatástanulmány (THT) – egy új kihívás a beruházások megvalósítása során**

**Jelenleg a környezetvédelmi hatástanulmány (KHT) készítése napi gyakorlat a MOL beruházási folyamatában. A nemzetközi gyakorlat azt mutatja, hogy bizonyos projektek nemcsak a természeti környezetre gyakorolhatnak jelentős hatást, hanem néha a hatások a helyi közösségekre, embercsoportokra még ezeknél is erőteljesebbek. A társadalmi hatástanulmányt (THT), amely egy új kihívás, a MOL jelenleg kezdi alkalmazni. A cikk rövid áttekintést ad erről**

### Background

During the past years Environmental Impact Assessment (EIA) constitutes part of our everyday activity within MOL at project implementation of such developments as construction of trunk lines, upstream oil extraction facilities, introduction of new processes at existing refineries. Legislation provides sufficient guidance for its elaboration; engineering institutions acquired sufficient experience and relevant administration gained rich experience how to conduct such complex authorization procedures.

The EIAs cover partly social and economic dimensions apart possible affects on developments' environment. However its extent is quite limited and some decades ago international experiences showed the need of elaboration of separate Social Impact Assessment studies in the case of some major projects. For certain projects, impacts on people can be by far the most important consideration. Adverse social impacts can reduce the intended benefits of a proposal, and even can threaten its viability if they are severe enough. In such cases, a social impact assessment (SIA) shall be carried out either as an extended part of the EIA process, or sometimes as a parallel or a separate review. This approach is used to analyze the impacts of a proposal on individuals and communities, and to mitigate the adverse effects and enhance the positive effects.

## Why have Social Impact Assessment?

The legal aspects of SIAs are traditionally derived from environmental regulation. SIAs first emerged in the 1970s in the U.S. as a method to assess the impacts on society of certain development schemes and projects before they go ahead – for example, new roads, industrial facilities, mines, dams, ports, airports, and other infrastructure projects. It has since been incorporated into the formal planning and approval processes of several countries in order to categorise and assess how major developments may affect populations, groups, and settlements. SIA is often carried out as part of, or in addition to, Environmental Impact Assessment, but it has not yet been as widely adopted as EIA in formal planning systems, often playing a minor role in combined environmental and social assessments. [1]

The consideration of social impacts is triggered by and, in some cases limited to, environmentally related changes. These can be particularly important in developing countries where large numbers of people are dependent on the resource base for their subsistence and livelihood. In other cases, once an EIA is required for a proposal, major effects on human environment can be considered in their own right. These can include potential changes to population, lifestyle, cultural traditions, community dynamics, and quality of life and well being. A more comprehensive SIA may be carried out separately from the EIA process. Such scheme is requested by World Bank in support of sustainable development (SD) philosophy. [2]

Strong focus is given to application of SIA among many other aspects during Dow Jones Sustainability Index (DJSI) determination. Nowadays elaboration of SIA for all major projects is considered as one feature of the best SD techniques. Actual international practice shows that some companies are complying with such strict suggestion voluntarily.

## Defining and describing Social Impact Assessment

A standard definition of SIA is "Social impact assessment includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment". [3]

The best practice definition of Social Impact Assessment goes beyond identifying and mitigating adverse impacts. It additionally emphasises benefit sharing with local communities and considers positive reimbursements from the project.

SIAs are appraisals of the likely impact that oil and gas operations might have on the societies of the host countries, regions and communities. These impacts can be direct and indirect, intended or unintended, positive and negative. Ideally SIA is a participative study with local, national and international stakeholders, as appropriate. A SIA identifies ways to mitigate any adverse social impacts and enhance positive ones. An effective SIA optimises the design of oil and gas operations to account for social impacts. A SIA also ensures that stakeholder views are incorporated and addressed throughout the project lifecycle [4]

## When to carry out an SIA?

Ideally the decision to do an SIA should be taken at a project's conception. Existing operation that did not involve SIA at the project stage can be screened at any stage. Such screening should identify any legal or contractual requirements to carry out an SIA and the scope and complexity of potential social issues that need to be considered by more detailed study. Some form of SIA should be carried out on all major projects whether legislated or not. [4]

The Guide [4], however, does not indicate under which conditions a project should be regarded as major or significant. However definition can be formulated with a reverse approach. A project can be regarded as 'not significant' if each of the following conditions is simultaneously met:

- No contractual requirements for carrying out a SIA exist. The coverage of financing institution and insurer policies on social impacts does not extend to project types embracing the proposed project;
- There is neither indication of potential public opposition towards the project and nor the company knows of similar cases within the industry which have created public opposition. There is no indication that any major interest of any affected stakeholder/stakeholder group will be impaired or is at risk from the project;
- The property rights of the potential construction area are clear;
- The project is a minor expansion of a pre-existing facility (less than 25% additional) or, in case of new construction activities, it does not expand over the dimensions specified by guidance documents;
- The project area is not located in a developing country or in a country with a very different culture. Those cases need special consideration, as potential public reaction is difficult to forecast. [1]

A SIA can be used at any stage of the industry life cycle: a new country entry, an exploration phase, a new development activity, change to an existing activity or the decommissioning or closure of an existing operation. [4]

Activities likely to cause impacts can be specified by their characteristics (onshore linear or non-linear elements, offshore elements) or by life-cycle stages. Oil and gas industry projects typically need elaboration of SIA. International Association of Oil and Gas Producers (OGP) issued its sector guide [5] following the latter classification approach. It proves that mostly exploration, drilling, seismic surveys, storage yards, pump stations, pipelines, offshore facilities, platforms, port facilities, tankers, barges are subject to specific SIA considerations. Filling stations generally do not need such studies due to their magnitude and impacts.

## What are social impacts?

Social impacts can be changes to any or some of people's way of life; their health and wellbeing; their environment, the quality of air and water, noise, dust and risk level; their property rights; their culture, family and community relationship; demography; ethics, norms, beliefs. SIA devotes particular attention to the impacts on vulnerable segments of the human society. Especially on that part of the community which is economically dependent on the natural environment.

## The SIA process

The subsequent phases of SIA process are: Scoping – Gathering preliminary information. Definition of legislative requirements. Consideration of financial institutions' or insurers' policies and guidelines, if any.

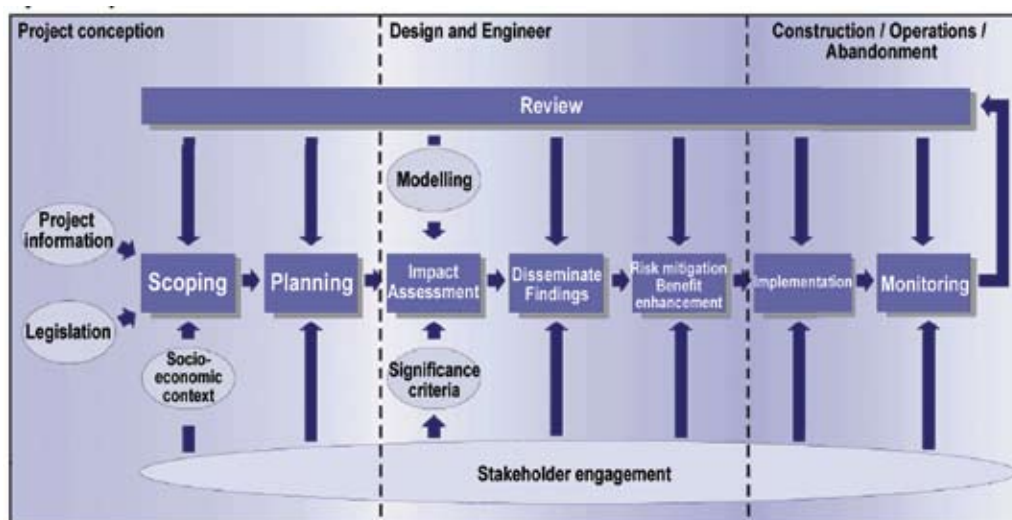


Figure 1. The SIA Process [4]

Planning – Baseline data collection. Over viewing studies focusing on assessing the potential socio-cultural impacts of projects on indigenous peoples and local communities. Investigating the current demographical and social-economical and cultural situation among the group of people with purpose to understand the possible future with or without report. Identifying and prioritizing the activities that are likely to cause impacts; potentially affected population, vulnerable groups (e.g. minorities, low income) that might be affected and the spectrum of possible social impacts. The main sources for the assessment are interviews, questionnaires, statistical data, mass-media data, supply-chain analysis, regional and federal legislation and scientific research work.

Impact assessment – identifying direct, indirect and cumulative effects of the project, including secondary and consequential impacts of the proposed activity on the basis of comparative study. Effects must be evaluated based on their significance criteria as consequences, likelihood, duration, spatial scale, mitigatory potential and stakeholder acceptance.

Dissemination of findings – Public Consultation and Disclosure Plan is a typical tool preferred by lending institutions and company guidelines as well. Stakeholders concerns, responses to those concerns and actions to address the concerns must be recorded and documented. Consultation and disclosure shall be defined in a culturally-appropriate way with adequate and timely information plus sufficient opportunity for expressing stakeholders' opinion. These concerns shall be properly taken into account during the project decisions.

Risk mitigation – Prevention or minimizing the possible negative influences. Impact prevention, mitigation and compensation shall be the order of precedence among measures to be taken within impact management. Revealing the needs and priorities of local peoples that should be considered before and during industrial implementation and defining possible mitigation measures.

Benefit enhancement – Increasing the positive effects. Overall net benefit should be demonstrated to the community. A Social Impact Advisory Committee (Board) can be set up to assure that stakeholders concerns are properly handled throughout the SIA process.

Implementation – Social Impact Management Plan is a comprehensive high level plan based on

the outcomes of the social impact assessment. Management support of the measures developed by the SIA process through the management (action) plan is essential.

Monitoring – Monitoring the ongoing changes with the participation of the representatives of interested parties and the public organization representing interests of indigenous peoples and other local stakeholders for the effectiveness of mitigation programs. Both internal and external monitoring shall prove the effectiveness the management plan and must be reported to the Advisory Committee.

Stakeholder engagement process is vital during the whole project duration. Stakeholders' involvement may vary from one-way information flow through information exchange and consultation up to their shared decision-making and taking participation. Consultation is the minimum recommended level however the higher level of engagement requires more time and resources. Typical stakeholders are local government, municipalities, public authorities, NGOs, local groups, individuals, future clients, media and industry groups. The last two are usually the key stakeholders.

Continual consultation with local stakeholders is a corner stone of the SIA. Dispute prevention and resolution can be achieved by special procedures for sensitive projects and via consensus building and conflict resolution.

## Guidelines

Guidelines can be described as statements which provide advice or direction by which to plan specific course of action. They are written as specific statements of instruction about what to do and / or how to do it. Typically they are 'action-statements'. Because guidelines are specific recommendations for action, they need to be developed in the context in which they are to be applied and they need to be addressed to a specific audience. Therefore, they need to be developed in conjunction with the relevant parties, stakeholders. They need to be accepted as the guidelines of that group rather than being imposed. There are many different groups who are potentially interested in guidelines for SIA. They include among others SIA practitioners, developers and financiers, development agencies (aid organizations), regulatory agencies, affected peoples and NGO's. Financiers maintain guidelines to be committed to good practice in

environmental and social impact assessment, to adequately resource such practice, to liaise effectively with practitioners and interested and affected parties and with regulatory agencies. Practitioners require guidelines to improve their practice.

Company guidelines cover company-specific issues in a more detailed way. These are usually internal documents, not available to the public. Impact assessment studies based on these guidelines may be made public.

## Conclusion

The introduction of leading international approaches as Social Impact Assessment is a proof of MOL's firm commitment towards its sustainable development philosophy.

## References

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