

# Guide to successful, sustainable social investment

for the oil and gas industry

**Social  
responsibility**  
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# Creating Successful, Sustainable Social Investment

*Guidance document for the oil and gas industry*



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## List of acronyms used in this document

BSR	Business for Social Responsibility
Capex	Capital expenditure
CBO	Community-based organization
CEP	Corporate Engagement Project
CLO	Community liaison officer
CR	Community relations
CRO	Community relations officer
CSR	Corporate social responsibility
FID	Final investment decision
HSE	Health, safety and environment
IBLF	International Business Leaders Forum
IFC	International Finance Corporation of the World Bank Group
INGO	International non-governmental organization
KPI	Key performance indicator
LogFrame	Logical framework (development programme tool)
LTO	Licence to operate
M&E	Monitoring and evaluation
NGO	Non-governmental organization
Opex	Operational expenditure
PRA	Participatory rural appraisal
RFP	Request for proposals
SI	Social investment
SIA	Social impact assessment

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## Executive summary



Social investment (SI) programmes are defined as the voluntary contributions companies make to the communities and broader societies where they operate, with the objective of benefiting external stakeholders, typically through the transfer of skills or resources.

There are many examples of companies implementing SI programmes that have made a significant contribution to the well-being of the surrounding communities. The key aspect of such programmes is that they are approached with the same rigour as any other part of the business. However, despite companies' best efforts and ongoing engagement, other social investment programmes fail to generate the goodwill that companies hope for, and instead become a burden beyond the originally intended period. Well-intended initiatives may even be used by stakeholders against the companies. Also, companies often find it difficult to quantify and measure their social performance.

This guidance document aims to address the question of how to create successful and sustainable community investments and how to measure their success. There are many aspects closely linked to social investment, for example, local content efforts, stakeholder consultation or good governance initiatives. Given the importance of such topics, however, they should be discussed in their own right separately and fall outside the scope of this document.

The first section of the document examines the current state of social investment in the energy industry. Based on interviews with 33 SI experts from 11 companies, Table 1 (facing) offers a brief overview of the general observations and lessons learned.

The interviews also identified the following emerging trends in social investment:

- From bricks and mortar to soft skills and livelihood programmes.
- From a focus on symptoms to addressing root causes.
- From do-it-yourself to using international partners to using local partners.
- SI is strategically used to attract external funding or to generate larger local benefits.
- From 'we know what is good for you' to 'let us discuss'.
- An increased focus on boosting the capacities of local authorities.

Against this background of lessons learned and emerging trends, Section 2 of this guidance document offers a framework<sup>1</sup> for the design of SI programmes. The seven steps to consider before starting any SI programmes are:

- Step 1:** Start planning early
- Step 2:** Understand the context
- Step 3:** Determine SI objectives and links to the business case
- Step 4:** Determine the operating principles that provide the overarching 'lens' through which SI decisions will be reviewed
- Step 5:** Link SI strategy to SI objectives!
- Step 6:** Align SI priorities with the oil and gas project development timeline
- Step 7:** Obtain early buy-in from the government and local communities

<sup>1</sup> See page 17 for a flowchart depicting this framework.



Subsequent programmatic decision-making is related to programme identification and selection, which is typically based on a combination of social risk/opportunity assessment, corporate core competencies and priorities, as well as government plans and community input.

To avoid SI programmes having negative impacts, either for local communities or for the company itself, SI programme design needs to avoid intergroup jealousy and conflict and, instead, further group cohesion through taking an inclusive approach. One effective tool, in this respect, is the dividers and connectors analysis<sup>2</sup>.

In addition, SI programmes need to be sustainable. This implies an exit strategy as part of the programme design, not providing free services, taking a participatory approach, using a tripartite mode of partnership and building on (rather than replacing) existing capacities. How the various steps and programmatic decisions

**Table 1: General observations and lessons learned**

General observations	Lessons learned
<ul style="list-style-type: none"> <li>• SI objectives are vaguely defined.</li> </ul>	<ul style="list-style-type: none"> <li>• An SI approach solely based on donations and infrastructural programmes is not effective.</li> </ul>
<ul style="list-style-type: none"> <li>• The business case for SI is not always clear.</li> </ul>	<ul style="list-style-type: none"> <li>• The SI strategy needs to be linked to the business case.</li> </ul>
<ul style="list-style-type: none"> <li>• SI projects are used as a first response to mitigate project risk.</li> </ul>	<ul style="list-style-type: none"> <li>• SI does not replace day-to-day stakeholder engagement. SI should not be intended to mitigate short-term project risks.</li> </ul>
<ul style="list-style-type: none"> <li>• Some SI approaches are reactive/ad hoc, others are more proactive/strategic.</li> </ul>	<ul style="list-style-type: none"> <li>• SI programmes need to be designed before starting rather than figuring them out along the way. Start from where your audience is, not from where you want them to be.</li> </ul>
<ul style="list-style-type: none"> <li>• SI programmes are budget-driven rather than needs-driven.</li> </ul>	<ul style="list-style-type: none"> <li>• SI should be approached with the same rigor as any other investment: first determine the purpose, then find the resources.</li> </ul>
<ul style="list-style-type: none"> <li>• There is a lack of standardization even within companies.</li> </ul>	<ul style="list-style-type: none"> <li>• The company, rather than hired outsiders, needs to maintain control of the SI process.</li> </ul>
<ul style="list-style-type: none"> <li>• There is no uniformity in the size of budget allocated to SI.</li> </ul>	<ul style="list-style-type: none"> <li>• How the company engages determines success more than what the company does.</li> </ul>
<ul style="list-style-type: none"> <li>• The level of community participation to determine SI categories varies.</li> </ul>	<ul style="list-style-type: none"> <li>• How the company introduces itself to the community conditions their relationship for the years to come.</li> </ul>
<ul style="list-style-type: none"> <li>• SI is not part of the business project design.</li> </ul>	<ul style="list-style-type: none"> <li>• Early planning allows for SI to be integrated in the design process.</li> </ul>
<ul style="list-style-type: none"> <li>• The integration of sustainability into programmes is a recent development.</li> </ul>	<ul style="list-style-type: none"> <li>• An exit strategy that leaves a sustainable impact should be part of the programme design.</li> </ul>
<ul style="list-style-type: none"> <li>• Most companies find it challenging to measure success.</li> </ul>	<ul style="list-style-type: none"> <li>• It takes time to demonstrate impacts that can be sustained. SI programmes should be designed to bring competing groups together, rather than to create, or feed into, divisions between groups.</li> </ul>

<sup>2</sup> See page 26 for this analysis.



can be used in practice is explained in Section 2 which discusses a phased SI approach<sup>3</sup> that corresponds to the project cycle. This is where corporate SI efforts differ from an approach taken by a development agency.

Companies have various options with regard to implementing agents, for example, a community development department, a company foundation, or external experts. Each has its pros and cons and may be appropriate in specific contexts. The key is that oversight of the SI programme remains with the company.

With regard to the resources needed for SI programming, there is no uniform formula for achieving success, except that up-front investment in quality staff is a key success factor. The SI budget should cover costs for programmes over and above those legally required. Attracting funding from external sources is a possibility, but this option is mostly effective when it is part of company strategy rather than an afterthought.

Key performance indicators (KPIs) need to focus both on objective and quantifiable impacts, as well as how the company is perceived as a result of SI. Although the KPIs will vary by context and by programme, a number of principles will help managers in the design of their own KPIs.

The document concludes with a checklist that could be used as a tool<sup>4</sup> to assess or audit the design of the SI approach used.



<sup>3</sup> See page 32

<sup>4</sup> This tool can be found on page 44 of this document



## Introduction

Many companies have implemented social and community investment programmes in areas where they operate with the aim of establishing and maintaining good relationships with local, regional and national stakeholders, and to enhance the company's social impact on its host society.

### Social investment defined

Social investment (SI) programmes are defined here as the voluntary contributions companies make to the communities and broader societies where they operate, with the objective of mutually benefiting external stakeholders, typically through the transfer of skills or resources, and the company.

However, despite companies' best efforts and ongoing engagement, many social investment programmes fail to generate the goodwill that companies hope for and instead become a burden beyond the originally intended period. Well-intended initiatives may even be used by stakeholders against the companies. Also, companies often find it difficult to quantify and measure their social performance. Within the defined or limited life-span of any operation in a specific region, it is important for companies to build sustainability into their social investment programmes to make sure the investments survive the corporate presence in the communities.

### Sustainable investment defined

In this particular context, we define 'sustainable' investment as one that continues to make positive impacts well beyond the end of company involvement, for example by enabling people to take control of, and improve, their own lives without having to depend on corporate resources.

This guidance document aims to address the question of how to create such successful and sustainable community investments and how to measure that success.

There are numerous approaches with regard to social investment programmes used by a variety of companies in the oil and gas industry. Within a company there may be differing approaches, even between different upstream operations. The importance of social investment in achieving corporate objectives varies across contexts, and plays a different role in, for example, downstream activities in more affluent or urban European and North American contexts versus upstream operations in developing country contexts.

Interviews with company staff show that different companies have different understandings about social investment. Some companies define SI to encompass a broad range of activities which are not separated out, including:

- philanthropy;
- community projects not related to core corporate activities (e.g. micro-credit and medical programmes);
- those related to core corporate activities (e.g. local hiring or contracting, or waste management); and
- social impact mitigation.





Others distinguish between these four different components of social performance. In this guidance document, we focus on non-core business activities that nonetheless contribute towards the operations' overall social, environmental and economic responsibilities and business objectives. Naturally, there are many aspects very closely linked to social investment, such as local content efforts or stakeholder consultation. However, given the importance of such topics, they should be discussed in their own right and fall outside the scope of this guidance document.

This publication focuses mostly on local and regional social investment approaches used in upstream oil and gas activities. The document is based on actual company practices and processes 'on the ground' at the project/asset level, the details of which were obtained through interviews with 33 SI experts working at a group or subsidiary level in 11 companies. In addition, the information gathered through these interviews was verified against 25 site visits by the Corporate Engagement Project (CEP) to companies operating in contexts of social and political instability<sup>5</sup>.

One single blueprint of the ideal approach towards social investment does not exist. Experiences show a variety of approaches towards building sustainability and capacity into community projects. Also, oil and gas companies operate in diverse regions of the world and need to take into account a variety of social habits and cultures. Therefore, the objective of this guidance document is to provide sufficient practical approaches and considerations to enable company staff to make better informed decisions about the direction and approach of their SI programmes while applying their own local knowledge.

The SI efforts and approaches discussed in this document cannot occur in isolation from other aspects of community engagement. SI is only one aspect of corporate activities that shape how communities perceive companies. When other aspects, such

*SI is only  
ONE aspect  
of corporate  
activities that  
shapes how  
communities  
perceive  
companies.*

**Figure 1: Three typical geographical levels for social investment**



<sup>5</sup> The Corporate Engagement Project (CEP) is a collaborative learning project that brings together more than forty companies mostly in the oil, gas and mining sectors. The objective of the project is to ensure that the presence of corporations impact local communities positively rather than negatively. CEP aims to achieve this by developing practical management approaches for managers who work with local stakeholders in contexts of social and political instability.



as hiring policies, contractor behaviour and compensation approaches, are seen by communities as unfair or disrespectful, well-designed SI approaches alone are unlikely to achieve the overall company objectives with regard to SI. In other words, using SI as the exclusive mechanism to mitigate social risk, without considering how the other aspects of the company's day-to-day activities are perceived by communities and governments, is insufficient to establish good stakeholder relations.

Section 1 in this document starts with general observations with regard to the current corporate social investment approaches, and subsequently lists some valuable lessons that companies have learnt. This Section concludes with an overview of emerging trends.

Together, these observations, lessons and trends set the foundation for Section 2: a framework for developing an effective and sustainable social investment approach or, alternatively, how to make existing approaches more sustainable. Section 2 begins with a discussion of the issues that managers need to consider before commencing their SI design, and subsequently outlines the elements of a SI implementation strategy, such as the type of programmes over an oil or gas project timeline, the pros and cons with regard to partnering and how to resource SI efforts. Section 2 then sets out the 'four phase' implementation strategy, and concludes with chapters on promoting sustainability and measuring effectiveness.

To avoid confusion over what a *project* refers to (oil and gas business projects or social investment), the document refers to SI *programmes* and to corporate oil or gas *projects* throughout this guidance document, with the understanding that SI programmes also include (multiple) SI projects.



## Section 1

### Taking stock of current practices

#### In this section:

- General observations of where the field of social investment is today.
- Important lessons that companies have learnt.
- Emerging trends on the direction of the field of SI.

#### General observations

Companies in the oil and related industries use a wide variety of definitions, objectives, approaches, types of programmes, resources and performance indicators with regard to social investment. The following are some general observations based on identified patterns. All supporting quotes were derived from the interviews conducted for the research of this guidance document.

##### 1. SI objectives are vaguely defined and success is therefore hard to measure

Although on a local level, the objectives of social investment programmes are more or less similar between companies, these objectives are typically described in vague terms such as ‘creating local goodwill’, ‘maintaining a Licence to Operate (LTO)’ or ‘establishing a legacy’. Most managers say they have no explicit target that they want to achieve. Since it is often unclear how objectives are measured, it is also difficult for managers to know the degree to which objectives have been achieved. Despite this general trend, some companies do clearly set out their objectives.

*‘SI is the one area where the General Manager often does not know what to get out of it.’*

##### 2. The business case is not always clear

Even when objectives are defined clearly, some companies are better than others in explicitly linking their approach to the business case. Many companies assume that—somehow—their well-intentioned efforts (such as a focus on supporting vulnerable groups in society) will add up to increased local support for the corporate presence, but are not able to demonstrate this link.

*‘Make sure that you have an SI project that specifically addresses an issue or problem. Do not first look for a project!’*

##### 3. SI programmes are used as a first response to mitigate project risks

Many companies still use social investment programmes as a first response to problems arising from project risks: ‘We have a problem, what project can we do to make it go away?’ Using SI as a first response means the question of whether an ‘SI programme’ is in fact the most appropriate and effective response to the observed issue is often left unasked.

##### 4. Some SI approaches are reactive/ad hoc, others are more proactive/strategic

Many companies determine SI on an ad-hoc basis and in response to requests. Such companies match external requests for funding against their available budget and





selection criteria, sometimes taking the form of a donation policy. Other companies take a more proactive approach to capitalize on identified opportunities. They first set out their objectives, design a strategic SI approach that simultaneously mitigates social risk and creates sustained positive legacies, and then proactively seek out partners that can help them implement the programme. This approach is generally more effective, but takes longer to implement.

**5. The design of SI programmes is mostly budget-driven rather than needs-driven**

Although differences between companies exist, the vast majority of SI programmes are developed based on the available budget, rather than what is needed to achieve a company's social objectives. This is contrary to virtually all other aspects of corporate operations, where the available budget is determined based on what it takes to reach the proposed objectives.

**6. Lack of standardization within companies on community engagement processes**

Most companies acknowledge a lack of standardization within their organizations on the process to develop SI programmes, and observe vast differences between sites with regard to how SI programmes are managed and chosen, what approach is taken, and how the budget is allocated. Most managers on a Group level attribute these differences to the historical autonomy of subsidiaries to take the SI approach they deem best, in combination with a perceived aversion towards guidelines issued from HQ.

**7. No uniformity in the size of budget allocated to social investment**

Interviews with various sites revealed annual SI project budgets that varied from US\$100K to US\$5 million/year. Budget size depended on factors such as the perceived risk that communities pose to the company operations, the SI budget of other companies in the area or the overall operational budget available. Some managers said they would appreciate an increase in their budgets, whereas others sometimes found it difficult to spend their current budgets in a prudent manner.

**8. The level of community participation to determine SI categories varies**

Most companies predetermine what they will focus on (health, education, water, access to energy, etc.). They base these decisions on a risk and opportunity analysis, potential links to the business case, or a sense of where the companies

*The vast majority of SI programmes are developed based on the available budget, rather than the budget being determined based on what is needed to achieve SI objectives.*





can make the biggest contribution to a government agency. It is not always clear what criteria these choices are based on or the degree to which communities are involved in deciding them. Other companies make a point to deliberately abstain from any direct involvement and allow for a participatory approach to determine the type of programme to support. This is based on the assumption that when communities set their own priorities, they will own the outcome of the programmes (which will hence be more sustainable) and view the company more positively.

#### **9. SI is not part of the business project design**

To the majority of companies, the importance of SI increases along with rising corporate presence and impact. This means that most SI activities are initiated just prior to, or during, the construction phase. Very few examples exist where SI is integrated into the design of oil and gas projects themselves, for example through using a local content approach. Many managers acknowledge that when SI activities start too late in the project cycle, opportunities to create local goodwill and to make a larger contribution to the local economy (i.e. jobs and training) are missed. It is difficult, if not impossible, to catch up after a late start because public attitudes have already been set and are hard to change.

#### **10. The integration of sustainability into SI programmes is a recent development**

Most new programmes and approaches used by companies either contain an explicit exit strategy or have a focus on sustainability. In contrast, programmes that have existed for several years often lack exit strategies and sustainability approaches. Many managers acknowledge the need for an exit strategy but foresee some difficulties in incorporating a sustainability approach into existing programmes, because people (and governments) have become used to resources provided by the company.

#### **11. Most companies find it challenging to measure success**

Most SI managers acknowledge that monitoring and evaluation are not yet well integrated into SI programmes. All managers express the desire to have clear indicators, which many say they lack. While some managers say they do use a systematic measurement approach and rely on informal community feedback, others define success largely in terms of specific programmatic indicators. Programme indicators typically measure output (such as the number of workshops organized or the number of tools distributed), rather than outcomes or impacts. These therefore lead only to partial impressions of what impacts a company's SI efforts have achieved, and impacts are the best gauge of long-term success.



## Lessons learned

Interviews with SI experts from a wide variety of countries provided the opportunity to reflect on their experiences, and identify approaches that were successful and those that were not. This process generated the following lessons learned with regard to SI.

### 1. An SI approach solely based on donations and infrastructural programmes is not effective

Relying solely on the more traditional approaches such as philanthropy and infrastructural projects constructed by the company may generate short-term positive local public relations, but it is ineffective both in terms of gaining sustained local community support as well as leaving a long-term impact. Such an approach undermines support for the company by those whose requests are not granted, and can lead to jealousy and friction between community groups where this did not exist before.

*‘Cutting ribbons only creates more expectations, leading to ever-increasing demands for programmes.’*

*‘When you build a clinic, after the inauguration you’ll get a thank-you note and that is it. It does not buy you long-term local goodwill.’*

*To local stakeholders, how the company engages is more important than what the company does.*

### 2. There is no evidence that successful stakeholder relations are linked to the budget for SI activities

More money does not always deliver better SI programmes or achieve a greater reduction in non-technical risks. How SI programmes are implemented is equally, if not more, important than the outcome. Repeatedly and consistently, both company staff and communities point out the importance of process. Contrary to the belief of some managers that communities only value tangible things, the experience is that such an approach does not generate local support for the company’s presence without showing respect, dignity, involvement and transparency to communities. To local stakeholders, *how* the company engages is more important than *what* the company does. In some cases, companies still face community issues despite elaborate and costly infrastructure projects aimed at generating visible short-term outcomes. Other companies working in the same context can enjoy constructive relations through skills training and capacity-strengthening activities (leadership skills, how to organize effective meetings, how to request government support, etc.). This observation signals opportunities for discouraged managers, who feel that their efforts are never enough for the community, to review *how* SI efforts are implemented rather than to focus on what they are doing.

### 3. SI does not replace day-to-day stakeholder engagement

Community engagement and social investment have distinctly different, although related, objectives. Community engagement focuses on maintaining positive relations between the company and its local stakeholders on a day-to-day level, whereas social investment aims to have a positive impact on the sustained well-being of stakeholders. They require different, but complementary, strategies and approaches. In addition, if a company engages with a community only through





an SI programme implemented by a partner, and lacks having a 'face' in the community, it invites the risk that any credit will go to the implementing partner, while blame will still come back to the company. While community engagement and social investment strategies are necessarily different, the company needs to take a holistic view of its interactions with, and impacts on, the community.

#### 4. SI is not intended to mitigate preventable short-term project impacts

There are, broadly speaking, two types of negative corporate impacts. *Project impacts* are preventable by design and relate directly to core corporate activities; they include dust, erratic driving behaviour, spills etc. *Social impacts* are more indirectly related to the corporate presence and associated activities, and the company is less able to control them. For example, the inevitable influx of job seekers to a site can increase existing price levels, put an additional burden on already strained social services and create tension over changing norms and values. As general observation no. 3 (page 8) pointed out, some departments in the company may mistakenly perceive SI to be a tool to compensate for project impacts that could contribute to social risk. SI managers say that using SI as the prime form of impact mitigation is an inappropriate use of resources that undermines the objectives of maintaining local goodwill and establishing positive legacy. Project impact issues should be addressed by the departments that create them.

*'Our SI approach is one of the key success factors of our long-term presence here. I tell my colleagues in the Projects Department that they have to get the project right, so that we are not here to sort out the mess that they create and that could have been prevented.'*

#### 5. Complete SI programme design before starting rather than 'figuring it out' along the way

Reinforcing general observation no. 9 (page 10)—that SI should be factored into the business project design—the SI programme itself should be planned out at the earliest phase. It is risky and costly to assume that key questions can be answered along the way and during implementation. For example, there are many instances where a company set in motion an SI strategy and realized too late that the government withdrew on its promises, that company expectations of communities were not sufficiently communicated, or that the company should have conducted a baseline study. In all these examples, companies could have avoided the problems had they taken the time (and withstood the pressure to start SI quickly) to plan for contingencies and consider various fall-back options.

#### 6. How the company introduces itself to the community conditions the relationship

If the timing of introducing SI is important, the 'how' is equally so. One of the pitfalls mentioned by company managers is their eagerness to gain local support early on in the project phase by 'selling' tangible benefits such as jobs, contracts and social investment programmes. By doing so, companies set themselves up for high expectations of short-term tangible gains. Taking such an approach makes it very difficult to introduce non-tangible approaches such as soft skills training, which are essential building blocks of a sustainable SI approach.



*'Selling' company benefits too early means that companies set themselves up for high expectations.*

*Only paying attention to the most affected can create conflict by creating 'haves' and 'have nots'.*

## **7. The company, rather than hired outsiders, needs to maintain control of the SI process**

Although outsiders, such as academic institutions, NGOs and consultants, can bring expertise and experience that most companies lack, they also come from different backgrounds and have inevitably different interests and objectives. It is often more difficult for outsiders to balance company interests with SI interests. Companies point out that while partnering with outside groups is effective for implementation, the company itself needs to be in the driver's seat to set the overall parameters, determine the approach taken and monitor progress. After all, the company, rather than hired outsiders, will be held accountable for the outcome of the programme.

## **8. Start from where your audience is, not from where you want them to be**

Under pressure or on the advice of outside groups, companies have often implemented SI programmes without laying the necessary groundwork with regard to capacity strengthening. One manager pointed out that 'overshooting your audience will inevitably lead to failure'. His company helped to establish a fishermen's association in a certain country. While the idea was good, the step from very independent, individual fishermen to an organized collective was 'an unrealistically big one' given the context, and the programme failed.

## **9. The allocation of SI programmes can create, or feed into, divisions between groups, and even lead to community violence**

Favouring 'host' or 'fence line' or 'neighbouring' communities, who are closest to company operations and pose the most visible risks, in the distribution of SI programmes over those farther away from corporate assets often seems a fair and sensible approach. While this may, initially, makes sense from a company perspective, paying attention only to the most affected or host communities exacerbates intergroup jealousy and increases fragmentation of societies by creating classes of 'haves' and 'have-nots'. This can lead to conflict—even potentially violent conflict—between those groups or between the company and those who feel left out. Some companies develop a regional SI strategy in addition to a local one to address this issue.

## **10. It takes time to demonstrate sustained impacts**

Companies stress the importance of seeking a balance between, on the one side, demonstrating small tangible outcomes in the short term and, on the other side, making a sustained impact on people's lives. Although quick-fix solutions do not leave sustainable impacts, they can be important to build trust between the company and the community. Of course, a company needs to be careful that the short-term approach does not undermine long-term SI objectives or lead to unrealistically high expectations. SI experts state that it can take from five to seven years (or longer) to see any sustained change in people's ability to pursue their own aspirations. Of course, there are multiple indications of progress along the way and companies will need to make commitments for the long haul to see good returns on social investment.

*'Be ready for failure. Despite good efforts, not all programmes are a success.'*





*Companies are increasingly aware that strengthening the capacity of local authorities is the best option to increase government ownership.*

## Emerging trends

Many oil and gas companies increasingly consider the non-technical aspects of their operations as key success factors to their survival in an increasingly competitive industry. This is especially the case since many state-owned companies are catching up in technical capabilities and are able to operate cost-efficiently. One of the main consequences of this development is that SI is no longer seen by the major companies as an 'add-on' to core corporate operations, but an increasingly integral aspect of doing business. As a result, community development experts, anthropologists and other social scientists have entered the corporate arena and added their insights and perspectives to the existing knowledge.

This has led to the following trends:

### 1. From bricks and mortar to soft skills and livelihood programmes

As companies learn from lesson no. 1 (page 11), charity, philanthropy, unconditional cash payments and infrastructural programmes implemented by company-hired contractors are increasingly seen as ineffective. Instead, companies are focusing their efforts on institutional capacity strengthening, soft skills training, income-generating activities and enterprise development.

### 2. Increased focus on boosting the capacities of local authorities

A few years ago, companies were keen that all efforts would benefit local communities. Contributions to local authorities were carefully avoided on the assumption that corporate taxes were serving that purpose. Also, authorities were often unwilling or unable to provide services to their constituencies, leaving these responsibilities to frustrated companies who did not want to 'reward' such behaviour through SI efforts. Increasingly, however, companies emphasize that allowing time and space for strengthening the capacity of local authorities (rather than ignoring them) is one of the best options to increase government transparency, ownership and sustainability of SI programmes, as well as to support the government's ability to respond better to demands and requests from their citizens.

### 3. From 'we know what is good for you' to 'let's discuss it'

The lack of community and government involvement in SI selection, design and implementation (general observation no. 8—page 9) has often decreased community support or even worsened relations. Frequent community comments were, 'Sure, if it is for free we will accept it. But it is not our school, it's the company's school, we never asked for it'. As a result, companies, or the partners with whom they work, increasingly use more participatory approaches, either through tools such as Participatory Rural Appraisals (PRA), or through tripartite partnerships involving the company, the community and local authorities.

### 4. From doing it yourself to using international partners to using local partners

Although some companies have an extensive community development department or use company-initiated foundations to implement SI programmes, most companies recognize that social investment is not their core competency. They partner with

*SI is no longer seen by the major companies as an 'add-on' to core corporate operations, but as an increasingly integral aspect of doing business.*



*More and more companies use their economic and political leverage to 'make sure things happen' rather than 'build it ourselves'.*

NGOs, government agencies, universities and others to buy the expertise required. At the same time, there is a trend away from using international NGOs and toward working with national or local NGOs. This development is discussed in Section 2.

### 5. From a focus on symptoms to addressing root causes

Where oil companies would previously seek an engineering 'solution' to address an identified need (e.g. building a class room to address education standards), companies are becoming more sophisticated in their analysis of issues and their determination to address underlying causes. More and more companies are using their economic and political leverage to 'make sure things happen' rather than 'building it themselves'. This includes new approaches such as lobbying the government or establishing strategic partnerships with international initiatives.

*'We made sure that we brought some community members to the local Governor, which was much appreciated by the community as they recognized we created a venue for them to express themselves.'*

### 6. SI is strategically used as leverage to attract external funding or to generate larger local benefits

The professionalization of SI efforts has allowed some oil companies to attract substantial financial support (sometimes up to 15 times their own investment!) from external donors. Other companies use social investment to support local content efforts so that, over time, local communities not only benefit from employment, but increasingly also from contracting opportunities, which are of much higher financial value than SI.



## Section 2

### Towards sustainable social investment (SI) programmes

#### In this section:

- How to approach social investment projects—the first seven planning steps
- Tailoring the SI project—decisions to consider
- A four-phase approach to implementation
- Options to promote sustainability
- Practical approaches to measuring success

#### Introduction

SI needs to be approached with the same rigour and professionalism expected of any other aspect of the business. Without a clear understanding of what SI aims to achieve and how it is defined, strategically linked to the business case and a knowledge of how it will be measured, it will be difficult to obtain support from the management team. This section discusses the first seven steps that any SI design process has to go through before considering the programmatic options. Options to ensure the sustainability of SI efforts are discussed, and the section concludes with practical approaches towards measuring success. The flow chart (Figure 2—facing) depicts this process visually and shows the relationships between the various steps and decisions. At the beginning of each step or programmatic decision, reference to the flow chart is made to show how the particular topic fits into the larger picture.

#### Key issues to consider before starting

As general observation no. 9 (page 10) and lessons learned no. 5 (page 12) emphasize, effective and sustainable social investment programmes are designed upfront, rather than along the way. Many SI managers stress the importance of this seemingly obvious (but often difficult to achieve) principle because once community (and government!) expectations are set, they have proven difficult to change.

As mentioned before, there is no ‘one right way’ to develop an effective and sustainable SI approach. However, some of the key issues to consider during the design process are described below. Many of these points build on the observations described in Section 1.

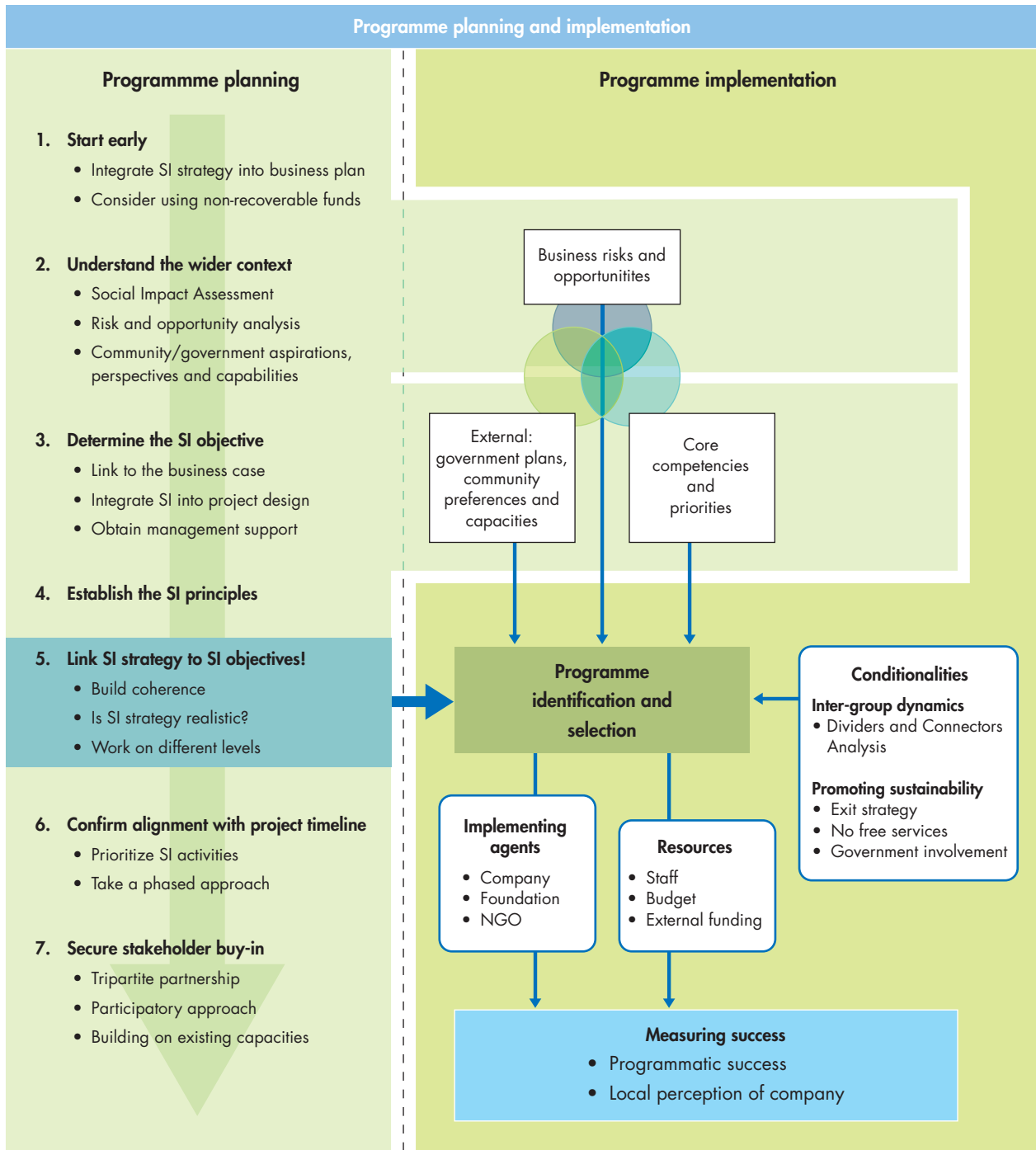
#### Step 1: Start planning early

As part of the social and economic impact assessment and planning, SI programme design should occur simultaneously with the business project design itself, and well before the arrival of company trucks. Most companies are reluctant to allocate resources to SI as long as they do not have an official licence or permission. However, the reality is that once the company obtains such an approval, there is significant pressure to start operations in the shortest possible time. The external affairs department is often expected to ‘deliver’ a community’s goodwill within that short time-frame. This makes it very difficult to get to know a community and to

*Once community and government expectations are set, they have proven difficult to change.*

*Start community engagement efforts at least one to two years before project approval.*

Figure 2: The SI design process





establish a relationship, especially when there is no immediate issue at stake. In hindsight, many SI managers acknowledge that, because they were not given the resources to start any type of SI programme before official approval, they started their SI programme too late.

An increasing number of companies have become aware of the risks of project delay as a result of public protest when corporate impacts occur without being explained to local stakeholders. At that point, SI programmes will not be sufficient to address local concerns. Companies are now starting their community engagement efforts at least one or two years prior to expected project approval. Many make the point that it is important to start SI activities (entirely focused on capacity strengthening) without the visible presence of a company, as visibility can raise expectations for short-term benefits that may go unfulfilled if a project permit is not granted.

Especially in contexts perceived to be 'challenging', companies should consider investing their own ('non-recoverable') funds to start SI programmes early on. Even though some companies are not sure at that point if they will pursue a project, they consider their approach an investment in a positive long-term relationship with local stakeholders in case the business project does materialize. The positive effects of front-loading SI activities (and stakeholder consultation activities in general) are supported by evidence that companies that front-load have been able to clarify community expectations and prepare them for the impacts (both positive and negative) of the company on their lives.

### **Step 2: Understand the context**

Companies stress the importance of knowing the context of operations as a basis for determining SI strategy. Some use a Social Impact Assessment (SIA) or social risk analysis—usually required for getting external project finance—to also identify basic information and ideas about wider societal issues. This allows them to go beyond addressing immediate community risks.

Gaining a thorough understanding of community aspirations, perceptions and capabilities also includes answering questions about who the community is. In this early phase it is important to verify the degree to which community representatives truly enjoy popular support, including that of minority groups if these are present.

A context study should also include an analysis of existing local opportunities to improve a company's effectiveness or strategy execution. These could include: available human resources; government capacity; physical infrastructure (e.g. waste management, town planning, etc.); and local supplier/contractor capabilities.



*Ensure that  
community  
representatives  
truly represent the  
community.*





#### Resources for ‘Understanding the context’—see Annex 2

- No. 6: Development Gateway Foundation.
- No. 7: Eldis.
- No. 15: UK Department for International Development (DFID). Context analysis tools.
- No. 16: International Institute for Sustainable Development (IISD). PRA tool.
- No. 19: Vulnerability and Capacity Assessment (VCA) from the Red Cross.

### Step 3: Determine SI objectives and links to the business case

Many corporations make the mistake of being unclear about the objectives of their SI programmes. The objectives must be specified early in the planning process. Not being specific about the objectives means that SI efforts cannot be strategic and that managers can only assume that the combination of multiple efforts will, somehow, add up to success—which they will not be able to define without knowing what the objectives are to begin with.

The evidence gained from field visits shows a number of tips with regard to actionable objectives. For example, objectives need to be broad in scope but, at the same time, specific enough to be meaningful to company staff, communities and authorities. Objectives also need to be achievable, even in scenarios where the company reduces or ceases its direct involvement.

A second way to get objectives right is to arrive at them in consultation with communities rather than just from a company perspective. This is a process that occurs more informally during the early stages of the business project. If consultation starts out informally, however, it needs to be supplemented by a more formal process in the early operations phase. At that juncture, a model for collaboration between the company, communities and the government will have been established and should be able to determine long-term objectives and implementation details.

*‘The presence of the company needs to be seen by communities as well as by local governments as providing an opportunity to improve themselves.’*

A company’s SI objectives depend on how it wants to position itself as a corporate citizen. To some companies, social investment merely serves a public relations purpose, aimed at achieving high profile and quickly realizable programmes that generate photo opportunities and press coverage.

Other companies see themselves as ‘change agents’ and use their lobbying power and leverage to convene parties. They hope to create durable impacts on how communities and governments see themselves and work together to address long-term issues. Obviously, whether the company sees itself as an implementer, a financier or a catalyst determines the strategy and approach it adopts.

*One way to get objectives right is to arrive at them in consultation with communities rather than from a company perspective.*



*SI needs to be connected to a company's strategy and add value to its long-term business interests.*

To secure continued management support, and avoid comments such as 'We are not a development agency or a charity!' the SI objectives need to be linked to the business case (building on general observation no. 2—see page 8). This means that, in addition to social impacts, SI needs to be connected to a company's strategy and add value to its long-term business. The repeated feedback from company staff that their managers question the company's SI activities indicates that either SI programmes are not linked to the business case, or that SI staff have not been able to make their arguments clear enough. This signals the need to obtain support from senior management early on in the SI design process.

*'As long as you can convince management that you deal with the business risk as well as capitalize on furthering business opportunities through your SI approach, you have no problem.'*

Part of the process of gathering internal support for SI during the initial phase is to get agreement on what SI should not be used for, such as mitigation of project-related impacts, as lessons learned no. 4 (page 12) exhorts.

#### **Step 4: Determine the operating principles that provide the overarching 'lens' through which SI decisions will be reviewed**

Once a company has determined its broad, long-term SI objectives, it needs to determine the principles that underlie its approach. Together, the broad objectives and the key operating principles are the foundation on which all programmes are based. The value of explicitly stating these principles early on is that they become the 'lens' through which all SI decisions are reviewed. Over time, they become 'the way



**Figure 3: Key operating principles observed in successful SI efforts**

- 1 A participatory approach; relevant stakeholders are involved in decisions that affect their lives.
- 2 All SI efforts are implemented through a tripartite approach.
- 3 Shared common goals; interest between the communities, the government and the company are aligned.
- 4 Build on existing structures and capacities; use the corporate presence as leverage to increase available strengths.
- 5 Ensure that SI efforts are sustainable and that the benefits continue after the company leaves.
- 6 Link SI initiatives to the business case; this implies a change in focus over time while maintaining the same long-term objectives.
- 7 Take a planned, rather than an ad-hoc, approach; plan the work and work the plan.

*Over time, operating principles become 'the way we do business' and help the company stay on track in achieving its overall SI objectives.*

we do business' and help the company stay on track in achieving its overall SI objectives. Although the company's programmes may evolve over time, and have a different focus from the pre-investment phase to construction, operations and closure, the vision and principles that guide these should remain consistent.

### **Step 5: Link the SI strategy to the SI objectives!**

This point seems obvious, but it is not always followed. Some companies have wonderful SI objectives but find it difficult to explain how their programmes and approaches are related to the overall SI objectives.

*'We are simply not strategic in our activities. Organizations that share some of the same objectives, such as Save the Children or Oxfam, don't implement the same kind of programmes as we do because they are more strategic in their thinking and in reaching their objectives.'*

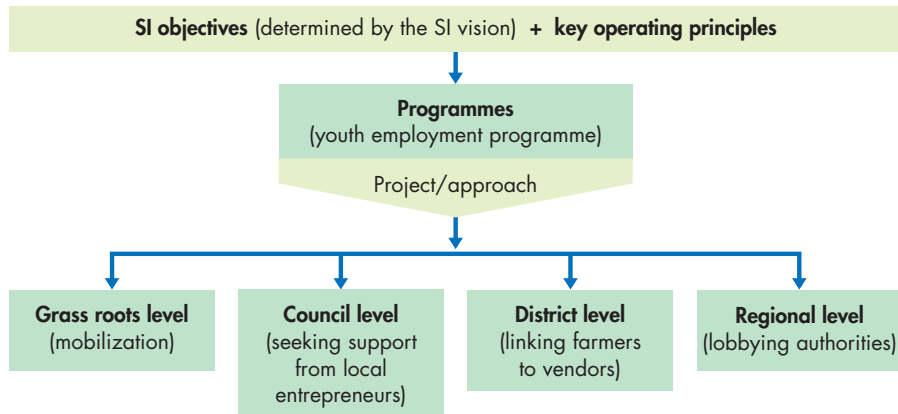
The lack of strategy often manifests itself when companies focus on a specific programme for a specific group ('We really need to provide youth associations with group dynamics training') without explicitly determining how this programme fits into their overall SI objectives. For example, some companies have more than 30 social investment programmes but are still not effective because they lack a strategy that links these programmes together and will contribute to their overall SI objectives. If such companies identify a problem or need, their first reaction is to think about another programme that can address this observed problem, rather than to consider how existing programmes can be implemented in a more strategic fashion to meet their SI objectives.

Without a clear understanding of how its various aspects are connected, social investment risks becoming a multitude of good intentions that cumulatively do not translate into effective interventions. It can instead get bogged down by unforeseen obstacles such as the authorities' lack of willingness to collaborate or community leadership's inability to exert influence over groups within the community.

Rather than starting with the question, 'What do we need to do for the youth?' a more strategic question would be, 'What needs to happen for us to achieve our SI objectives and how is it related to our business objectives?' Answering this question would identify what kinds of programmes and activities/approaches aimed at the various stakeholder groups, linked together, would have a sustainable and effective impact. For example, a project supporting youth groups to grow vegetables for the company canteen and local markets can be linked to many different levels of the community. On the local level, it is a youth mobilization effort. On a council level, local business people will teach the youth basic business skills. On a district level, the youths will connect with other farmers and vendors in the area. On a regional level, the groups will lobby authorities to further link their individual programme with existing initiatives. Figure 4 shows, each of these efforts are linked, and informed by the same overall objectives and key principles.

*Some companies have wonderful SI objectives but find it difficult to explain how their programmes and approaches relate to these objectives.*



**Figure 4: A variety of efforts can be combined to serve the same overall SI objectives****Step 6: Align SI priorities with the oil and gas project development timeline**

Oil and gas companies operate under strict timetables. Especially between the pre-investment and operations phases, the technical process follows a set of logical sequences and some events simply must take place at a certain moment along the project cycle.

Alignment with the project timeline allows a company to identify, prioritize and address issues that benefit local communities but also provide the biggest contribution to the company in each particular phase of the project cycle. For example, if an oil and gas project provides compensation to local people for the loss of land or crops, one SI effort could be to train people in investing compensation money sustainably, such as through financial management training. One farmer observed, 'It is difficult to advise a rich man'. Hence, such training needs to occur prior to the moment people receive their money. In such a case, the SI timeline (prioritization of activities) needs to be aligned with that of the business project cycle. This is why the designs of SI programmes and business projects need to be integrated.

*The SI timeline  
needs to be  
aligned with that  
of the business  
project cycle.*

**Step 7: Obtain early buy-in and commitment from the government and local communities**

Companies include governments from an early stage onwards for three main reasons. First, including the government in SI design increases government acceptance, ownership, and willingness to eventually take over. Secondly, it boosts state legitimacy. One manager stated that, because the government was involved in SI from early on, 'We provide the government with an opportunity to look good'.

A third reason for including the government in SI efforts is to strengthen the capacity of authorities to meet community demands and take over programmes initiated or supported by the company. In some instances, companies organize periodic (i.e. quarterly) discussions with regional governmental departments to provide updates



and discuss how the government will take over some activities during the construction phase. Empowering local communities to demand greater government services is hardly effective if local authorities are not helped to develop the capacity to respond to such requests.

This document has advocated a tripartite approach as a strategy to promote greater sustainability of SI efforts, increased government accountability and community ownership, as well as decreased pressure and dependency on the company. In many cases, communities and authorities are quick to agree to such a tripartite approach, but lack the persistence to bring the programmes to completion or maintain them afterwards. Especially when staff turnover is high, misunderstanding about what has been agreed upon can easily occur. It is therefore important to have solid agreement and good understanding (e.g. by signing a Memorandum of Understanding) about:

- **The objective of the programme.**
- **The exact modalities under which the programme will be implemented and maintained:** for example, support requests for water systems only after the communities and the local authorities have agreed on a system to collect water fees to pay for maintenance.
- **The roles and responsibilities of each party:** this can include details on the organization of communal labour, the date when the government will provide staff to take over programme responsibility, a safe storage facility for materials, and logistical support for civil servants who oversee programme progress. Contributions from each party should be known and agreed upon by all parties before any programme starts.
- **Maintaining quality:** this includes an agreement on milestone dates.

In cases where parties have agreed to make financial contributions, companies have established trust funds and waited until all parties have submitted their financial contributions to commence programmes. Companies should avoid starting a project with company funds that their partners may renege on. It is important for companies to understand the importance of building accountability and transparency mechanisms into each of their programmes.

One of the key operating principles listed on page 20 is the importance of building on existing plans, assets and capacities rather than replacing them. These capacities can be with local communities themselves (e.g. farming skills, inter-group cooperation, unified leadership, etc.), but also include existing institutional capacities amongst local NGOs, the government and research institutes as these will be present well beyond the presence of the company. Some companies conduct an institutional survey to identify such existing capacities.

Building on existing capacities also implies that the company aligns its agenda with the government's agenda without replacing it or substituting for it. In most countries, regional or local development plans exist but lack the resources to be fully implemented. When companies are not aware of the details of such plans, they may act in ways that—unintentionally—undermine these, which may lead to a lack of government support for the company's SI approach.

*Helping local communities demand greater government services is hardly effective if local authorities do not know how to respond to such demands.*





## Programmatic decisions

When objectives are determined, and the company has aligned its approach with the business interests and obtained buy-in for its approach from main stakeholders, a next step is to make programmatic decisions.

### *Programme identification and selection, and the roles of risk and participation*

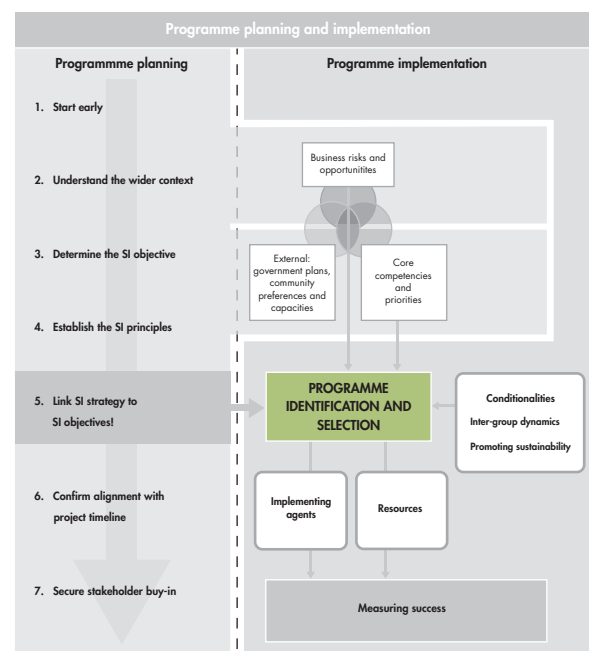
The process of determining SI programmes and activities is done differently in each company. At some sites, apparently, the General Manager still uses his or her red pen to instruct the SI department to implement a programme or make a donation. In other companies, an internal committee selects programmes according to specified criteria. As discussed earlier, such low community participation approaches tend to be ineffective and unsustainable.

Other companies determine their business risks and opportunities, corporate core competencies (lobby, project management, scenario planning, waste management, HSE, etc.), and priorities of the government and communities. They base their strategy on where these factors overlap.

Subsequently, discussions with local stakeholders revolve around the selection, design and implementation of specific programmes within the zone of overlap.

Yet other companies include local communities during Social Impact Assessments to identify impacts and risks. These impact and risk categories are prioritized, again with the community, and for each category an opportunity assessment is conducted which leads to the selection of SI programmes. For example, the risk of the company disturbing sacred sites may be mitigated by helping youth develop a course and set up a business to provide cross-cultural training to company staff.

Regardless of which approach is followed, the common factor for sustainable and successful SI programmes is a high level of participation among key stakeholders during the life of the SI programme. This is because, by definition, SI efforts cannot be successful if local communities and the government do not feel successful. And the surest way of knowing what it takes to make these stakeholders feel successful is to ask them. Taking a participatory approach avoids the risk of being seen as arrogant and encourages communities to own the SI efforts.



**‘Performance bias’ as a strategy to encourage community ownership**

One company explained its approach to reward successful communities in the hope that they would serve as a model for other communities to become more active.

First, an external NGO helped the community agree on priorities through an inclusive and participatory approach. This led to a process of consensus-building to single out one programme determined by the community. Once the programme was chosen, the community selected a number of representatives who were trained to become involved in the designing and costing of the programme. The outcome of this training was a community proposal including the design, costs and community contribution to the programme. Once the first project was successfully completed, the community was allowed to forward the next proposal entailing a higher community contribution. This approach allowed the company to increase capacity while gradually decreasing its support over time.

In the section on lessons learned, it was mentioned that the process of implementing an SI strategy is equally, if not more, important than the outcome. Despite a general trend away from infrastructural programmes, donations or small grant programmes, some companies nonetheless effectively and successfully use such programmes in a manner that encourages people to work together and build their organizational and other soft skills. In other words, the programmes may boast similar names and stated objectives, but the process of implementation has changed dramatically compared to the outcome-focused approach.

SI managers also point out the need to be transparent about programme selection, as the process can lead to jealousy between or within groups over who gets access to those benefits. Alternatively, in some contexts, SI staff feel under pressure to accept proposals from important community leaders. Being able to refer to an official process or procedure helps to counter such pressure. Transparency also means that the company provides clarity on what communities can and cannot expect.

**Resources for ‘Participation’—see Annex 2**

No. 15: DFID Handbook

No. 21: World Bank’s Participation Sourcebook, including PRA and a variety of other tools.

***The allocation of SI programmes should not lead to intergroup jealousy and conflict***

Following the point above about the process sparking jealousy, companies should make sure that the allocation of SI programmes does not arbitrarily favour some groups and disadvantage others. A company’s resources and benefits can serve as a means of bringing groups together or they can generate competition and conflict.







This is especially important in areas where there are distinct sub-groupings which have a history of tensions. The box below introduces the ‘Dividers and Connectors’ concept—the key component of the Do No Harm framework<sup>6</sup> that has been widely used by humanitarian and development agencies in zones of conflict.

#### ‘Dividers’ and ‘connectors’

All societies are characterized by elements that can be used to divide people into subgroups (‘dividers’) and elements that can connect people across subgroups (‘connectors’). When these divisions are fuelled or these connectors undermined, societies can fragment, sometimes even to the point of warfare. When, on the other hand, connectors are reinforced and dividers minimized, people find ways to live side by side, working together to address common problems.

Dividers can exist, for example, along lines of age or generations (youth versus elders), leadership (elites versus elected representatives), locals versus non-locals or fishermen versus farmers, and so on.

Examples of connectors include shared concerns about violent youth, public spaces where enemies can meet, or infrastructure shared by all parties to a conflict, and so on.

Identifying and understanding the dividers and connectors in the communities in which companies operate can help to prevent or reduce conflict and is essential when carrying out both company operations and SI activities. Companies always interact with existing dividers and connectors. Whether knowingly or unknowingly, the company’s SI efforts will support either dividers or connectors, with either positive or negative impacts. In some instances, corporate activities can even create new dividers or connectors.

*For more information on the Do No Harm framework, how it has been applied by humanitarian and development actors, and access to its tools, see [www.cdainc.com](http://www.cdainc.com).*



<sup>6</sup> Anderson, Mary B., *Do No Harm: How Aid Can Support Peace—Or War*, Lynne Rienner Publisher, Boulder, Colorado, April 1999



The box below provides an example of how a focus on connectors and dividers has been used in the context of oil and gas operations.

#### Taking an inclusive, rather than exclusive approach ...

One oil company feared violence between communities (and, therefore, company-community conflict) over employment, contracts and community programmes as they began to implement a new major business project. Correspondingly, all communities in the area realized that if the company focused exclusively on the community nearest to its operations, this would prompt violence from those who were excluded from company benefits.

Anticipating problems that would arise from exclusivity, the company and the communities agreed to engage an independent mediator to negotiate a benefit-distribution agreement among all the communities based on: (1) population size; (2) ancestral ownership; and (3) the disruption each community would experience during construction due to proximity.

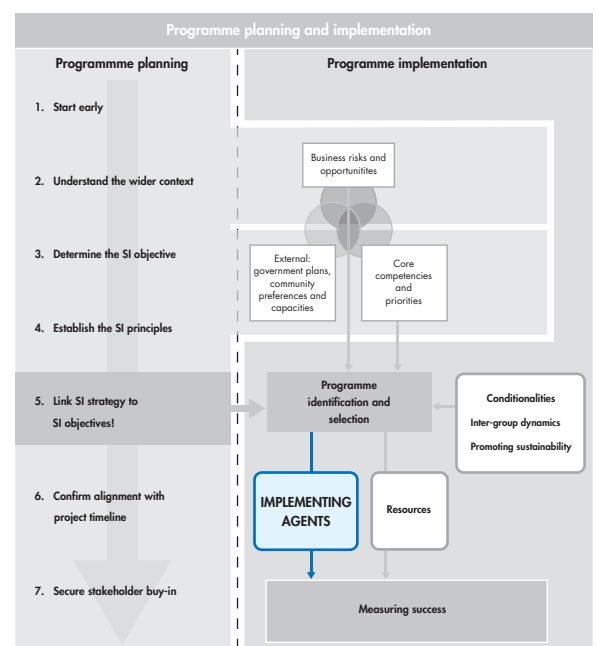
Negotiations took place at three levels: (1) consultation with traditional rulers; (2) establishment of the principles that would guide final negotiations with the three dominant communities; and (3) a final set of negotiations with stakeholders including all communities, the company, government representatives and contractors.

The business project was implemented without any conflict between communities or with the company, and was completed with zero down days that might have resulted from community unrest.

#### Partnerships: should you partner or do it yourself?

Companies can use different models for the implementation of SI programmes: they can implement through a specialized community development department, establish a foundation, or contract (inter)national NGOs, institutions or consultants. As there are successful examples of each model (as well as failures), there is no best model applicable for all contexts. Table 2 (overleaf) sets out the pros and cons of each model to help managers identify the most appropriate arrangement for their contexts.

Even if companies can identify the most appropriate model, finding effective partners can be a challenge. Many companies complain about the lack of locally available NGOs with the capacity to implement large programmes. Often, such local NGOs are established by visionary individuals but lack the high quality support staff needed to



**Table 2: The 'pros' and 'cons' of various models for SI programme implementation**

Model	'Pros'	'Cons'
Community development department	<ul style="list-style-type: none"> <li>• Company has a 'face' in the community</li> <li>• Building in-house capacity</li> <li>• Longer-term commitment</li> <li>• Promote institutional memory</li> <li>• A more consistent approach as you do not have to buy in expertise all the time</li> <li>• Internal ownership and responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Less flexible to buy in specialized expertise</li> <li>• Often drawn into non-SI related efforts (such as community relations)</li> <li>• Risk of overlap between community relations (CR) and SI efforts</li> </ul>
Foundation	<ul style="list-style-type: none"> <li>• As independent body, in a better position to attract external funds, thus providing an exit strategy</li> <li>• Build in-house capacity</li> <li>• Has tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Programmes sometimes deliberately not linked with the oil/gas business</li> <li>• Takes a long time to establish its own credibility</li> <li>• Resource intensive</li> <li>• Institutional capacity building often takes longer than expected</li> </ul>
NGOs, international institutions or consultants	<ul style="list-style-type: none"> <li>• Bring knowledge and expertise that the company lacks, especially with regard to capacity strengthening, good governance, etc.</li> <li>• Good for contracting out research and development</li> <li>• Have easier access to a network needed to do the job</li> <li>• Are often trusted in the community</li> <li>• Are allowed to take the time to conduct a proper Participatory Rural Appraisal (PRA)</li> </ul>	<ul style="list-style-type: none"> <li>• Consultants/INGOs are expensive (some charge large overhead fees)</li> <li>• Lack of loyalty to the company objectives</li> <li>• Consultants and INGOs have a difficult time handing over expertise</li> <li>• Consultants often afraid to discuss difficult issues with the company</li> <li>• Many NGOs have little business experience which can lead to misunderstanding with the company</li> <li>• Lessons learned are not retained within the organization</li> <li>• Risk that an exclusive reliance on outsiders undermines real engagement between the company and the community</li> </ul>

address issues in multiple communities. Other companies find organizations that have the necessary competence, but not the specific country or regional experience and knowledge. Partners who combine community development expertise with local knowledge are often difficult to come by.

In order to find such effective partners, some companies use business associations or other specialized groups to identify groups with whom they can establish partnerships. Others select groups based on referrals from other companies or from local business associations.

**Testing the public support for a NGO ...**

One company wrote a plan of what it wanted to achieve. It then asked other companies in the area if they knew of any NGOs, institutions or consultants that could implement this vision. Based on suggestions, the company approached specific NGOs with a request for proposals (RFP) based on the stated objectives. The RFPs provided the budget within which the NGOs would have to work. This allowed the company to compare the various proposals on their merit. Each of the shortlisted NGOs had to present its proposal both to the local government as well as to the communities, who were then included in the process of selecting the finalist, thereby taking ownership for ensuring the programme would be successful.

**Investing in local NGOs ...**

Another company, finding it equally difficult to identify qualified local NGOs, made a point to invest in strengthening the capacity of local NGOs in an effort to retain the knowledge in-country (as opposed to working with international consultants) and as a contribution to the country's civil society. It started to work with 100 people from various national NGOs and universities to implement the company's SI programme. Where technical capacity of national NGOs was lacking, the company hired additional experts to support them.

**Resources for 'Partnerships'—see Annex 2**

- No. 1: Business for Social Responsibility (BSR). Guide to engaging NGOs and creating community partnerships.
- No. 10: International Business Leaders Forum (IBLF). Also see No. 26 for the Tool Book.
- Nos. 14 & 27: World Business Council for Sustainable Development. Has a wealth of materials to help companies understand development sectors and actors.
- No. 25: Putting Partnering to Work. Offers practical dos and don'ts regarding tripartite partnerships.

**Establishing a company foundation**

There are two types of corporate foundations, those that solely serve to fund activities (grant foundation) and those that also implement programmes (implementing foundation). Whereas grant foundations typically serve as a tax-friendly mechanism to finance SI activities, implementing foundations have their own staff and budget and effectively replace the corporate SI department.

Basic questions to consider prior to starting a foundation include:

- How will you use the foundation? Will the purpose be to create an independent avenue that provides the company with an exit strategy from SI-related activities? Is it to reduce the pressure of SI requests on the operations team? What will a foundation provide that a SI department cannot?







*Establishing a foundation can be a complex undertaking that requires a long-term corporate commitment*

- How do you brand the foundation? For example, does the name refer to the company or not? How high a profile do you want the foundation to have?
- How much of a distance should the company keep between itself and the foundation? If the foundation is perceived as too close to the company, it will not be regarded as independent. In addition, a close relationship with the company also risks project interference. On the other side, staying too far from the company risks the perception of non-association, and the company will not be credited for the foundation's work. Especially when communities expect the company to be involved in the establishment of such foundations there needs to be an agreed upon period for such support and the timing of withdrawal, followed by the formalization of the ongoing relationship.

People involved in establishing foundations stress the importance, and challenge, of setting up an effective governance structure that has its own legal entity, stakeholders, record system and charter with a specific objective. Another challenge is to find the right leadership (management and board) who can make a long-term commitment to the foundation, and who are often required to make their contribution on a *pro-bono* basis.

Establishing a foundation can be a complex undertaking that requires a great deal of thought and a long-term corporate commitment of at least 15–20 years. It is therefore not the best model when the future of an oil and gas project is uncertain or when it has no formal funding mechanism (reliable donors or a fixed annual percentage of corporate profits). On the other hand, a foundation allows a company to establish its internal pool of SI expertise through staff who can develop their careers in the foundation, and who are less pressured to follow the company's career development track.

*'We spend comparable amounts on contracts with NGOs as we do with drilling companies, so we need to use similar levels of expertise within the company to manage the outcome of these contracts'*

### **Resourcing—staff**

Many companies hire their core staff from specialized agencies such as development NGOs, international institutions or from external foundations. Whether a company implements SI through its own department or uses an external agency (or a combination), it is important that the company remains in charge of the SI process, as the lessons learned section urged. This implies that the company needs to designate at least one person with the expertise and experience to drive, coordinate and monitor the SI process even if outside experts are hired to implement the programmes.

One important lesson from past experiences is to have a good team of company staff very early on in the project. Investing up-front in key staff, rather than staffing up as SI progresses, allows the company to better design the SI strategy, review and develop proposals with NGOs and engage with local communities and authorities on the proposed approach. Especially in the early phase of the programme, expectations of



*In the early phase of corporate presence, successful companies allocate the majority of their resources towards staff rather than programmes.*

corporate benefits are often high. This explains why, in the early phase of corporate presence, successful companies allocate the majority of their resources towards staff (to explain, train, and explain again) rather than towards programmes.

### Resourcing—budget

Most SI budgets are based, initially, on benchmarking those of other companies. Subsequent budgets are based on the previous year or are determined as a percentage (typically between 1–3 per cent) of the operational expenditures. Budgets are reviewed annually or linked to a project phase, typically construction.

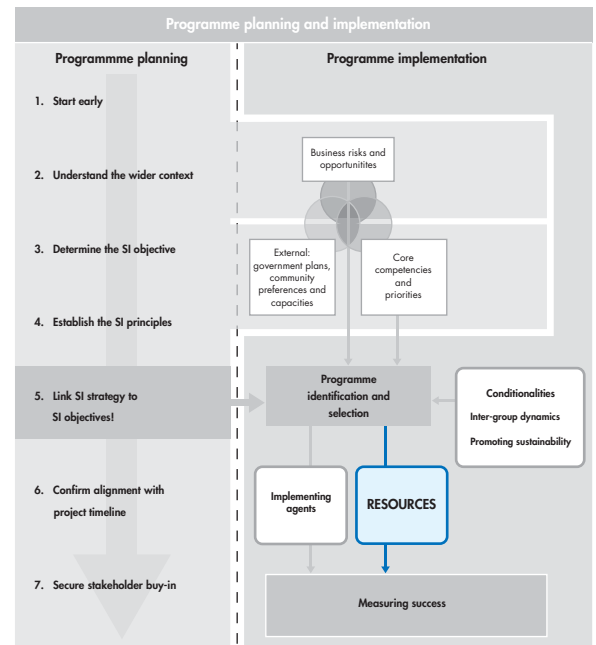
As mentioned in the general observations, there is no specific amount of money that can guarantee that a SI programme will be sustainable and effective. SI managers point out that if the budget is determined as a percentage of operational expenditures, there is the risk that staff will try to spend all of the available budget (so that it will not be reduced next year) instead of focusing on how to be most effective.

Although in practice virtually all SI programmes are driven by budget availability, a more strategic approach would be to base the budget on, in chronological order:

- a. the objective of the SI programme;
- b. the strategy to achieve the objective;
- c. the total cost needed for programme implementation; and
- d. possible alternative funding sources available.

As part of a needs-driven approach, some companies use multi-year funding to guarantee that the programmes have adequate funds to reach their objectives. Guaranteeing a reliable income stream is one main reason for establishing foundations.

Although some companies acknowledge that their budgets include costs of mitigating project impacts, there is unanimous agreement that SI should cover only the costs for programmes over and above those which are legally required and/or address business projects risks. This implies that costs for environmental mitigation, resettlement, compensation for land acquisition, and other project-related costs should be met from separate budgets. So-called 'grey areas' would include social mitigation efforts that are not legally required, such as increasing the capacity of the local authorities to deal with the influx of job seekers, or local content programmes.



*There is no specific amount of money that ensures a SI programme will be sustainable and effective.*

*Seeking external funding is part of a SI strategy, rather than an afterthought.*

### **Attracting alternative funding sources**

Although many companies wish to attract funds from international donors, very few manage to achieve this. However, those who have succeeded reveal they use a SI strategy which is friendly to other donors. In other words, seeking external funding is part of the SI strategy, rather than an afterthought.

A comparison of experiences shows that donors are attracted to programmes that have high impact, low risk for failure, and relatively low cost. In all cases, the company conducted ongoing monitoring and evaluation (M&E) and covered most of the administrative costs, leading to low overhead costs for their donors and, thus, made the programmes relatively safe investments.

Companies note the importance of being able to demonstrate proven success to donors, either through publications in reputable magazines, endorsement by national leaders, or objective evaluation reports. This also implies that most companies use additional funds to scale up successful existing programmes rather than to finance new ones.

One company explained that they selected donors who would make both financial contributions as well as provide specific expertise (e.g. on how to set up a banking system or credit facilities): ‘We created a healthy competition between four donors as they all wanted to be part of this programme’. Although seeking alternative funding sounds appealing, companies warn that it requires onerous work and preparation on the company’s side. For example, some of the deals put together between companies and donors took up to two to three years to finalize. This emphasizes the need for early planning.

### **Elements of an implementation strategy: a four-phase approach**

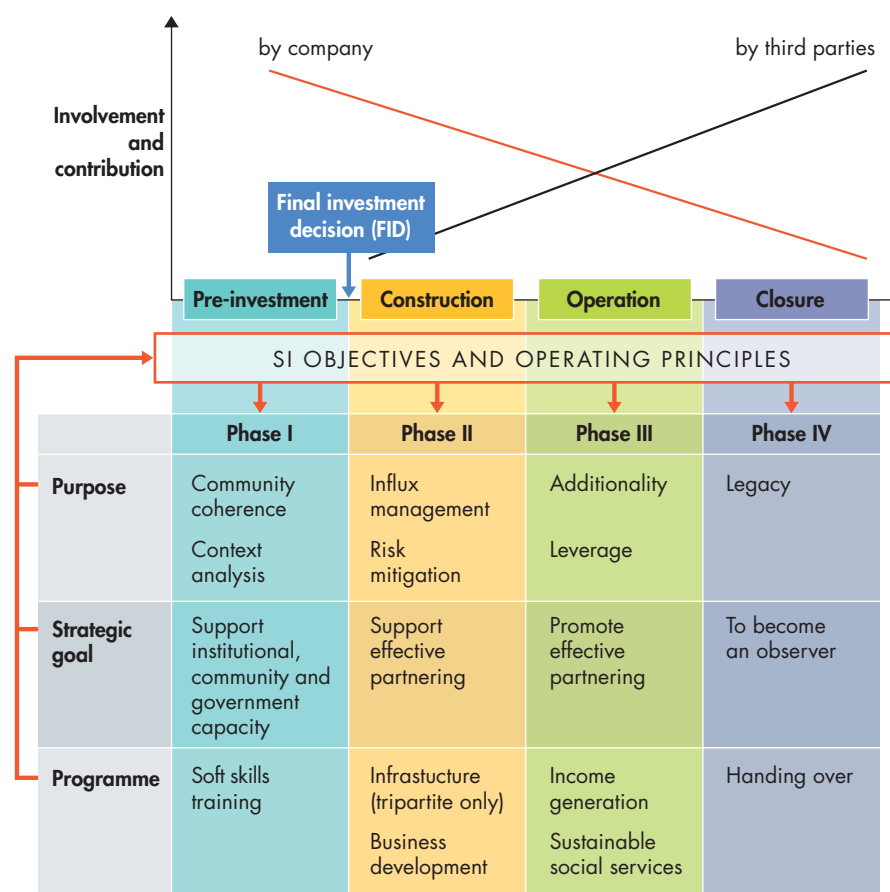
An effective and sustainable SI approach needs to be dynamic by definition. After all, a company’s impacts, resources and objectives change along the business project cycle. More importantly, community perceptions, expectations and capabilities change as well. Therefore, while the overall and long-term SI objectives remain the same, the approach to achieve these objectives changes over time and depends on factors such as the pace of the transformation that communities, governments and other stakeholders are undergoing to increase the intensity and effectiveness of their collaboration. Another significant factor is the oil and gas project timeline. This is particularly important for areas where the company presence has direct impacts (because it acquires land, builds access roads, etc.) on communities.

Most companies interviewed for this research favoured a four-phase approach (see Figure 5). This is a compilation of the experiences gathered. In practice, some of the phases may overlap. Still, this model provides a general idea of how SI approaches may change against the business project timeline.





Figure 5: The four-phase implementation strategy



1. Company involvement should ideally decline gradually as stakeholders become more capable of contributing and taking over and third-party funding becomes available.
2. SI objectives and operating principles must guide activities in all four phases, while the purpose, strategic goals, and programmes should, in turn, contribute to objectives and operating principles.

### Phase I: Pre-investment

The first phase starts at least one, but preferably two years before construction, and lasts until the final investment decision (FID). The objectives during this first phase are three fold:

1. **To gain more information about the general context in which the company operates.** Key questions include:
  - How do communities organize themselves?
  - What is the nature of the relationship between the community and the government?
  - What are the existing leadership structures?
  - What is the relationship between the communities in the project area?

*Soft skill training contributes to communities taking responsibility for their own future rather than expecting the company to provide.*

2. **To determine community perspectives** through a participatory needs assessment or through a more informal process, for example by spending considerable amounts of time within the community. This would also be an opportunity to get clarity on questions such as an acceptable definition of 'local' and what constitutes a 'fair' and 'unfair' approach.
3. **To strengthen community capacities.** Especially where the presence of large corporations is new to communities, this involves decisions they have never had to face before as well as resources never imagined possible. Hence, SI efforts focus on increasing community cohesion, leadership skills, consensus building and other aspects (so-called soft skills). These lay the foundation for how communities organize themselves, make decisions that enjoy public support, and take responsibility for their own future rather than expecting the company to provide solutions. This effort can also help to strengthen company capacities to engage with local communities more effectively.

Companies stress the importance of not rushing this phase, despite possible pressure to provide tangible benefits quickly. This is because, as lessons learned no. 6 (page 12) indicates, the modalities under which the company and the community engage with each other in the long term are conditioned by how they work together during their first years. This is one reason why, during this period, the company and its implementing partners should refrain from promising tangible benefits such as jobs, contracts or specific SI programmes, which will undermine the perceived need for soft-skill training.

During this period, companies typically also conduct an institutional survey to identify the capacities and strengths of society groups and government agencies with whom the company might be able to partner in the future.

### **Phase II: Construction**

The start of Phase II is largely determined by the signals from the communities that they are able to organize themselves, can articulate their aspirations and are ready to put their organizational skills to work.

This phase should, ideally, commence around the time of the final investment decision (FID) for the business project and last through the construction phase.

Once they have established the framework of collaboration with communities, many companies use this period, especially before the start of construction, to work with communities and local authorities to build infrastructure. The purpose of this approach is: (a) to show tangible benefits of company presence; (b) to implement important aspects of an influx management plan; and (c) to establish a model for joint programme implementation between communities, the government and the company.

As a large number of job seekers will put a heavy burden on public services (water, education, health, law and order) that are often already strained, companies use SI as a way to moderate the negative impacts of such an influx. Obviously, one key aspect

*The visible presence of a company leads to demands for tangible short-term benefits and undermines the perceived need for capacity strengthening.*



during this phase is that SI is implemented as part of a tripartite partnership, involving the community, local authorities and the company. As one manager noted, ‘We use these infrastructural SI programmes as a hook to encourage communities to take ownership as well as to strengthen the relationship between communities and their government, which is initially very weak’.

*‘To us, programmes are means, not necessarily ends!’*

In a parallel effort, companies support local authorities during this phase by increasing their capacities to handle the issues that come with the migration of jobseekers to an area. This can happen in fields such as town planning, cadastral surveys, waste management, and law and order scenario planning.

Companies also use this time—or even earlier, during the basic engineering stage—to increase the capacities and abilities of local contractors. For example, they provide business development support for local entrepreneurs to set up small hotels, restaurants, convenience stores, poultry farms and other services to increase their chances to capitalize on the opportunities that the arrival of the company provides.

Although local content efforts require a more elaborate discussion in a separate document, one point bears mentioning here. Integrating local content efforts into the business project design is another way to allow local contractors to benefit from significant opportunities in the construction phase. As we noted in Section 1, income-

*Infrastructural programmes can be used as a hook to strengthen the relationship between communities and their government.*

### Another company’s approach ...

‘We started on a local level and initially did some programmes (such as providing a computer to a local school) as ‘quick impact programmes’. At the same time, we conducted a needs assessment amongst our communities, through an NGO, which took in some cases up to three years. After identification of critical priorities, we discussed how to best address the priorities. Initially, the needs were largely infrastructural, which we addressed, from the very beginning, based on a tripartite approach. The first project was a water project which was 75 per cent funded by the government. Working through a tripartite approach provided several advantages. Using infrastructural programmes provided an easy way for the communities and the government to work together. It also allowed the company to establish a trust relationship with all parties and to demonstrate it was serious about making a positive impact. The process was important; working on a tangible project was a tool to bring parties together when there was conflict. It was a platform based on which we could build a more complex project involving the government and local communities. It also provided the government with an opportunity to be seen to deliver. Government officials could finally enter a community where they were nervous to do so before.

‘After the infrastructural programmes, we started with pilot

examples to demonstrate impact. As livestock was a main economic pillar, we started an artificial insemination programme. The government recognized the importance of this programme and in the second year, it sent 60 vets to conduct a massive insemination programme and allowed us to reduce our involvement. Then we introduced a strawberry demonstration farm building to the farming experts in the area. The next year, the government bought half a million seeds to support farmers. Again, we reduced our involvement to a minimum. All the initiatives were process-driven: the community came up with an idea and said what they could contribute themselves to materialize the idea they had. We explained alternative funding mechanisms available to them and connected them to the relevant actors (ministries, NGOs, companies etc.) to make the plan successful. Then each of the partners committed resources. As a company, we merely served as a catalyst to help communities and the government talk to each other and to strengthen the government capacity to deliver. The idea is that people can advocate for themselves, know how to approach donors on their own and know how to carry out monitoring and evaluation. This approach follows a natural evolution and our decreasing involvement over time is quite an elegant exit strategy.’



generating opportunities through local content vastly outnumber those from SI programmes. Equally important to SI staff, integrating SI into the business project design means that a larger part of SI-related activities will be capital expenditures (CapEx) rather than operations expenditures (OpEx).

### **Phase III: Operations**

Similar to Phase II, this phase starts when communities and the government show they are ready to increase their collaboration which, ideally, starts towards the end of the construction phase and into the operations phase.

The emphasis of Phase III is to provide added value to people's lives (as opposed to compensating for negative impacts on available social services during Phase II as a result of the influx of workers) as well as to solidify the relationship between the community and the government.

The framework of collaboration between communities, the government and the company established in Phase II is expanded upon during Phase III both in terms of scope and duration. Programmes emphasize economic development with the objective of getting people more economically independent, for example, through agricultural improvement programmes, economic education and alternative livelihood initiatives. As Section 1 noted, such programme requests should be initiated by the communities, based on their skills and capabilities developed during Phase I and tested during Phase II, rather than imposed by the company. During this phase, the company plays merely a facilitating role between the communities and the authorities, and uses its position to be a catalyst for new initiatives and approaches that, over time, are taken over by local authorities and communities themselves.

In some countries, companies have taken an active role in ensuring that the government is able and willing to take up the roles that any government should provide. Most such

*During this phase, the company plays merely a facilitating role, and uses its position to be a catalyst for new initiatives and approaches*

#### **Social forum as a tool to promote community-government collaboration**

Several companies responded well to the idea of using a social forum. Although not yet tested, some companies say they are working towards the following model.

A company would allocate a certain amount of money to local authorities. Part of that sum (25–40 per cent) would be allocated at the discretion of the authorities and used to increase their capacity to provide services, for example, by hiring additional staff, improving on their technical infrastructure or by training civil servants. Accountability for these efforts would only be to the company. The remainder of the budget (60–75 per cent) would be spent on initiatives implemented by the government but determined by a broader community representation, for example through a social community forum. This same forum would also be involved in the monitoring and evaluation of the activities implemented with their money. This would allow them to be in a position to demand transparency on how money is spent. The company's role would be a facilitating one, providing process-related support (training, capacity strengthening, bringing in expertise) with a decreasing role over time.

efforts have proven to be challenging, occasionally frustrating and have required persistence and creativity. Teaching communities how they can be more effective by strategically working together rather than operating individually, for example in requesting government support, is one approach that has proven to yield results.

Companies have been able to reduce their financial and staff involvement as communities and authorities continue to increase their collaboration on initiatives important to local people. As mentioned earlier, such companies acknowledge that it takes several years (7–10 years) to reach this change in how communities and authorities collaborate. However, experience shows that with a two-pronged strategy of empowering local communities while increasing the capacity and willingness of authorities to deliver services, this goal can be reached.

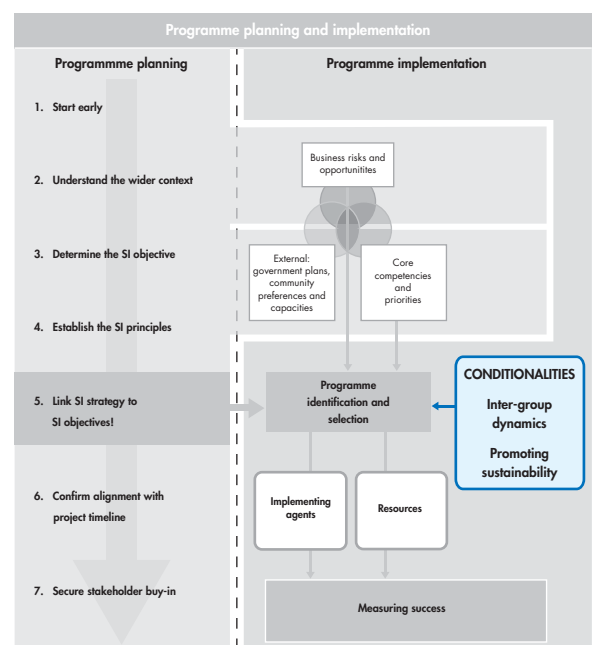
#### Phase IV: Closure

The last phase of SI involvement does not start with the end of the operations phase. Rather, closure is an event that companies should plan for from the earliest SI design phase, and work towards gradually. Ideally, at some point in the operations phase, the company can reduce its active involvement in SI activities and maintain a role as monitor, advisor and enabler. At that point, a model should be in place where communities are able to articulate their aspirations, and governments are able and willing to respond to such requests in a satisfactory manner.

### Promoting sustainability

In many places around the world, companies have started SI programmes and funded efforts that are unsustainable without ongoing company input. Such programmes were often started on the assumption that the need for an exit strategy was not urgent as ‘the company will be here for a long time’. However, over time, communities come to take these programmes for granted as entitlements. In other places, companies assumed that they would be able to hand over responsibility to local governments once operations got under way. When authorities appeared unable or unwilling to take over, companies have ended up substituting for government responsibilities for many years. In extreme, but not uncommon, cases companies become the de facto local governments with little recourse to hand over responsibilities. Avoiding such a situation is a main reason driving companies away from infrastructural programmes and towards soft skills and income generation.

*In the extreme but not uncommon cases, companies become the de facto local governments with little recourse to hand over responsibilities.*





Concretely, what can companies do to promote the sustainability of their SI programmes?

- a. **Include an exit or sustainability strategy in the programme design.** Some managers explicitly state, 'We have a three- to five-year exit strategy for our programmes, anything beyond that creates dependency,' whereas others say, 'If you do not know how to make a programme sustainable, do not even think about starting it'.
- b. **Consider the long-term sustenance of the programme** and reflect—prior to starting—on what the programme will look like in, say, 10 years. As one person mentioned, 'You cannot assume that, one day, local authorities simply will take over. You'll have to train them'.
- c. **Increase the capacity of local organizations,** either community based organizations (CBOs) or foundations, initially funded by the company, to advocate on behalf of themselves, generate their own donor funds and conduct their own monitoring and evaluation.
- d. **Start initiatives that generate additional income or revenues** to allow communities to increase their contributions towards programmes as company contributions decline. For example, there are numerous cases where a company started, and financed, service programmes (for example clean water, midwifery services, etc.) that were deemed so important that, over time, the community paid for this service instead of relying on corporate subsidies.
- e. **No free services!** Instead, a sustainable SI approach requires communities and governments to invest in the success of the programmes, either by donating land, labour, raw materials or cash. Providing free services and building is not only unsustainable, it also does not provide the company with long-term goodwill. Experience shows that successful investment comes with community ownership, which means that local people should be part of the design of programmes and have a say in how they will pay for the services provided.
- f. **Involve governments from an early stage onwards,** ensuring up-front commitments from both governments and communities to maintain SI programmes after completion and tripartite partnerships.
- g. **Stress to local communities that they, rather than the company, are in charge of their own destiny,** and that the community should take credit for its achievements. One way of achieving this is through a shared decision-making approach. In addition, extensive use of company logos risks taking away from community ownership. In most contexts, the overwhelming majority of people know the company's role in supporting an effort anyway.



**How to turn unsustainable SI programmes into sustainable ones**

Turning unsustainable programmes into sustainable ones can be a challenge since communities, as well as authorities, are often accustomed to company inputs. Still, some companies have successfully embarked on this effort through a staged approach. First, they reviewed their SI objectives. Then they reviewed their SI portfolios. In most cases, companies concluded that their portfolios contained programmes that no longer served the company objective or the business case, but survived on their historical roots.

To overcome the initial reluctance of local communities and authorities to accept this change in approach, one company contracted third parties to engage with local stakeholders to discuss different scenarios of what the areas would look like once the oil ran out. This elaborate process encouraged local communities to take greater ownership for their own future and helped them accept the new approach. In other settings, companies seeking the support of governments to turn an unsustainable approach into a sustainable one have also used the IFC Performance Standards or the leverage of financial backers to point out to reluctant governments that a sustainable approach is now 'best practice' in the industry and needs to be followed for the benefit all parties. The benefits extend to the government itself, and especially the local community which will be there long after the company has departed.

Obviously, this process does not occur overnight. Rather, the u-turn often takes at least three to five years. In addition, the key resources are not money, but rather the right people and staff time to guide this process.

**How one company handed over responsibilities sustainably in Four Steps**

One company divided the programmes in its portfolio into 'red,' 'orange,' and 'green' categories to indicate their relevance to the new SI objective. Based on this selection, they developed a strategy for the future including the types of programmes, the principles underlying the programmes, etc. For example, in some instances where the company had provided a service, it helped a local contractor to take over this service and run it on a commercial basis, while the company donated the needed infrastructure.

The company took four subsequent steps to implement its strategy:

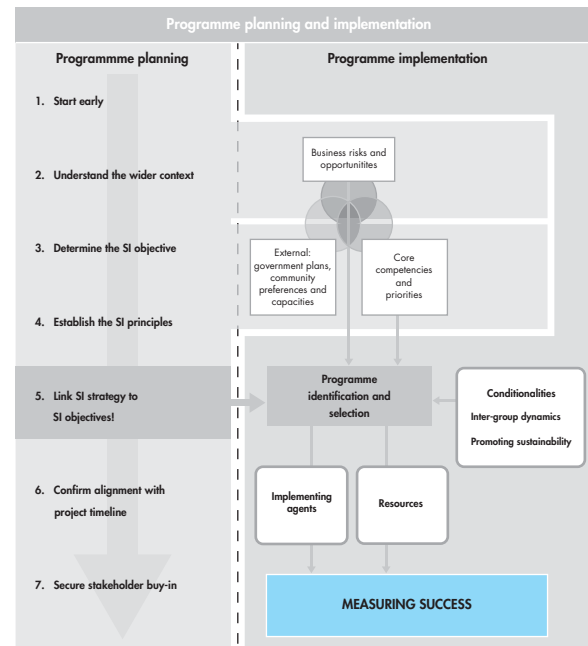
1. It first developed a strategy for saying 'no' to continuing certain services.
2. It acknowledged that when it took away a programme, it needed to replace the programme with an alternative that addressed issues important to people.
3. It then sought partnerships with local NGOs and international organizations, with an emphasis on soft skills training. For example, it invited the International Business Leaders Forum (IBLF) to train local partners on how to engage with the private sector.
4. Lastly, once the partnerships were established, the company handed over their management to a UN agency and took a supporting role. (In other scenarios, international NGOs or local organizations may be more suitable and sustainable targets of handover.)

## Measuring success—Key Performance Indicators

Many companies acknowledge that they currently do not have good mechanisms to measure the impact and effectiveness of their SI programmes. Many of the indicators used are largely informal, poorly defined and hardly measurable. The issue of attribution, such as change linked to a corporate SI programme, is also difficult to measure. At the same time, companies say they need key performance indicators (KPI) to measure a return on investment and to have an informed discussion with management about the value of SI efforts.

An analysis of why companies find it difficult to measure SI programmes reveals the following:

1. As general observation no. 1 (page 8) noted, SI objectives often are not clearly defined, which makes it difficult to measure the degree to which an objective has been achieved. In other words, if you do not know the destination, it is difficult to verify how far you have travelled.
2. KPIs are frequently not defined prior to the start of a programme or, if companies use tools such as the logical framework (LogFrame), no baseline study is conducted. Alternatively, KPIs may change over time, which makes it sometimes difficult to measure progress against a baseline.
3. Many companies still measure social investment programmes in terms of output (such as the number of bed nets provided, the number of trainees benefiting from a training programme, etc.) rather than focusing on outcomes (detailing how outputs have been used) or impacts (the result or change that is a consequence of the outcome). To use the bed net example, the number of nets distributed obviously says nothing about how these nets are used (outcome) and to what extent this reduces malaria rates and thus improves long-term health or life expectancy rates (impact).
4. What companies want to monitor and evaluate is often partial; if outcome and impact indicators exist, they are measured on a project and programme level. However, it is not always clear how such outcomes translate into overall company objectives such as goodwill for the corporate presence, mitigation of social risk and establishment of a positive legacy. Obviously, KPIs need to be developed both for SI programmatic successes and for how stakeholders see this success. In that respect, companies should also have a mechanism in place for people to express grievances with regard to the SI programme, or they should consider conducting community surveys.



While the development of KPIs is highly dependent on the type of SI efforts, it is less cumbersome an exercise than most companies assume. Some practical tips from companies include:

- **Develop KPIs up-front rather than during a programme.** The right order to measure effectiveness is to define your objective, develop indicators, then conduct a baseline against these indicators and subsequently measure progress against these same indicators.
- **In line with the 'use existing capacities' advice, use KPIs and survey mechanisms that already exist.** For example, in most countries the Statistical Survey Department conducts periodic national surveys (in health, census, education, etc.), often supported by the World Bank or other institutions. Companies can link up with such existing efforts and ask them to conduct specific surveys in their footprint areas. Even if the company contributes financially, it will probably be less expensive than commissioning a stand-alone survey.
- **Use fewer rather than more indicators.** For example, weighted asset-based surveys are statistically proven to be a good proxy for measuring people's well-being. This means that, in some contexts, trends in ownership of assets such as radios, TVs or bicycles, or in roofing materials used in houses and the types of toilet used, are indicators to measure trends in people's well-being.
- **Use both objective indicators (asset-based surveys, income and expenditure surveys, health statistics, school attendance rates, etc.) as well as subjective indicators such as opinion surveys.** One company hires an independent institution to measure the impact of its alternative livelihood programme but, in addition, also conducts a biannual perception survey to measure to what extent the corporate efforts are appreciated and/or need to be changed.
- **Include both on output and outcome indicators, but do not forget to include longer-term impact indicators, which will help to gauge SI sustainability.**
- **Involve the stakeholders in developing indicators.** Without consultation with communities, companies risk making incorrect assumptions about what matters to the beneficiaries. If a company asks communities, 'How will we know if we are making progress towards success or if community perceptions have changed?', it is likely that the community will provide concrete answers against which the company can measure behaviour and impacts.
- **Some companies link their KPIs to an exit strategy.** For example, they measure if a certain community (and/or community foundation) can exist within three to five years without substantial company support.
- **Incorporate challenges with regard to attribution gaps (i.e. to what extent can the observed change be attributed to the corporate SI programme versus other factors?).** The use of control groups, who are not benefiting from corporate programmes but live in similar circumstances, is one useful way to address this



issue. Some companies compare their own target groups with a control group using 'quintiles': over time the company group should reach at least one quintile higher than the control group.

- **With regard to qualitative indicators, it is important to note that there is not one single indicator that measures local support for a company programme.** Measuring qualitative aspects is a matter of connecting pieces of information and being alert to signals that identify changes in perceptions and emerging patterns, and designing a process to monitor these. Some examples of indicators to look for are shown in Table 3.

**Table 3: Social performance indicators**

Stakeholder relations	Company has local goodwill and support	Goodwill becomes compromised (leading indicators signal future events)	No local goodwill or support (lagging indicators follow events)
Corporation–community	<ul style="list-style-type: none"> <li>• New notices from the company remain on the bulletin boards without being torn off.</li> <li>• Evidence that communities are increasingly able to organize themselves due to corporate presence (e.g. through CBOs, civil society groups, the absence of leadership tussles, etc.).</li> <li>• Recognition in the community that the company is bringing opposing groups and parties together that otherwise would not meet.</li> <li>• Low, or decreasing theft levels and damage to, or destruction of, company properties.</li> <li>• The absence, or decreasing trend, of community incidents or complaints (silence itself is not an indicator).</li> <li>• People associate improvements in their quality of life with the presence of the company.</li> <li>• Outsiders campaigning on an anti-corporate platform (journalists, NGOs, politicians) get no local support.</li> <li>• Community requests are benefiting the community rather than individuals.</li> <li>• Community requests focus on personal skills development instead of demand for material things.</li> <li>• No or low public outrage following accidents.</li> <li>• Communities identify trouble makers and inform company staff about (security) rumours in the community.</li> <li>• Communities say they have access to corporate decision makers and say the company is responsive to their concerns.</li> <li>• People wave back when greeted.</li> <li>• Continuously high attendance rates for meetings when no seating allowance is paid.</li> </ul>	<ul style="list-style-type: none"> <li>• Community leaders/elders state they do not feel respected.</li> <li>• The same problems arise over and over.</li> <li>• Evidence that individuals, rather than the community, benefit from company-community interaction.</li> <li>• Staff feel unsafe visiting communities.</li> <li>• Cold reception in community during company visits.</li> <li>• Accusations of company association with a repressive government.</li> <li>• Disproportional negative reaction to an incident.</li> <li>• Community accusations that the company is 'arrogant', 'not caring'.</li> <li>• Visible change in community behaviour, e.g. people stop greeting (waving to) company staff.</li> <li>• Proliferation of groups that each claim the company should deal with it.</li> <li>• Communities demand that company benefits need to be negotiated (e.g. via MoUs).</li> <li>• Groups of people hang around at the company gates hoping to get work.</li> </ul>	<ul style="list-style-type: none"> <li>• Rising trends in theft (no reporting and company is seen as target).</li> <li>• Work stoppages.</li> <li>• Increased demands and hostile tone of community.</li> <li>• No leniency when accidents happen.</li> <li>• Bad press.</li> <li>• Increasing crime in the area of operations.</li> <li>• Increased conflict between communities or within communities.</li> <li>• Kidnappings or targeted assaults toward the company.</li> <li>• Sabotage.</li> <li>• Increasing reliance on police/army.</li> <li>• Communities say the company is 'stealing' resources.</li> </ul>

continued ...



Table 3: Social performance indicators (continued)

Stakeholder relations	Company has local goodwill and support	Goodwill becomes compromised (leading indicators signal future events)	No local goodwill or support (lagging indicators follow events)
Corporation-Government	<ul style="list-style-type: none"> <li>Government officials state the company keeps them informed.</li> <li>The government increases its social services presence in the corporate area.</li> <li>Government officials are present and are responsive to company as well as to community requests.</li> <li>The government states the corporate presence has allowed it to be more effective.</li> <li>Government officials (civil servants) say they feel more legitimized/respected in the community due to the corporate presence.</li> <li>The government discusses with the company about upcoming regulations, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Government presence in the area of operation is primarily through the military.</li> <li>Government expects company to build community infrastructure.</li> <li>Government disengages from the area of corporate operations.</li> <li>Reliance on bribery to get the government to fulfil its duties.</li> <li>Limited access of company staff to government officials.</li> <li>Government interference with internal company policies (e.g. staff hiring/lay off).</li> <li>Both government and company state that the other party is responsible for community relations.</li> </ul>	<ul style="list-style-type: none"> <li>Government encourages communities to demand (and expect) provision of social services from the company.</li> <li>State security forces are involved in sabotage activities against the company.</li> <li>State security forces are a risk to corporate staff and assets.</li> <li>Security forces associated with the company commit human rights abuses.</li> <li>Government revenues are explicitly used for warfare or violence against the citizenry.</li> </ul>
Corporation-Critics	<ul style="list-style-type: none"> <li>Journalists highlight the benefits of a corporate presence.</li> <li>Credible NGOs wish to be associated with the company.</li> <li>No local advocacy NGOs.</li> <li>The company's practices are regarded as among the best by outside groups.</li> </ul>	<ul style="list-style-type: none"> <li>Questions are raised regarding company actions from home government.</li> <li>International advocacy NGOs critical of company actions start establishing local branches.</li> <li>Company is mentioned on activist web sites (getting on their radar screen).</li> <li>Company accused of having an arrogant, defensive or legalistic tone.</li> <li>Refusal of NGOs to meet with the company.</li> </ul>	<ul style="list-style-type: none"> <li>NGOs encourage community demonstrations against the company.</li> <li>NGO advocacy campaigns against company.</li> <li>Divestment campaigns/consumer boycotts.</li> <li>Shareholder activism critical of company actions.</li> <li>Websites against the company.</li> <li>NGOs and lawyers actively seeking witnesses for court cases.</li> <li>Litigation.</li> </ul>

### Checklist for reviewing SI programmes and the design of KPIs

To help companies further fine-tune their indicators and assess their programmes, Table 4 (overleaf) presents a series of questions and sub-questions. Based on experiences in the field, these are the types of questions that performance monitoring and evaluation systems need to answer. Many of them—such as the SI objectives, corporate commitment, and community/government involvement—need to be asked from the earliest phase. Readers who have made it this far in the document will find them neither surprising nor unfamiliar. Bear in mind that not all of the questions can be converted into simple and clear-cut indicators. But they need to be answered nonetheless.

**Table 4: Questions which need to be answered to help companies assess or audit the design of the SI approach used**

<p><b>Is there corporate commitment to start SI programmes early in the project cycle?</b></p> <ul style="list-style-type: none"> <li>• Are resources (staff, budget) allocated early on to front-load SI activities?</li> <li>• Is there sufficient time to focus on capacity-strengthening activities before the trucks start rolling in and communities demand tangible benefits?</li> </ul>
<p><b>Is there sufficient understanding about the external context of operations?</b></p> <ul style="list-style-type: none"> <li>• Is a risk and opportunity analysis conducted with regard to SI?</li> </ul>
<p><b>Is there an understanding of stakeholder aspirations, perceptions and capabilities?</b></p> <ul style="list-style-type: none"> <li>• Who is the community? Do community representatives truly enjoy popular support?</li> <li>• Through what venues and mechanisms is the company interacting with the communities?</li> <li>• Is the company aware of the interests of minority groups?</li> <li>• How do communities define success with regard to SI?</li> <li>• How does the government define success with regard to SI?</li> </ul>
<p><b>What are the SI objectives?</b></p> <ul style="list-style-type: none"> <li>• How does the company define success with regard to SI?</li> <li>• Do the objectives focus both on generating positive social impacts as well as strengthening the company's long-term business goals?</li> <li>• Are SI efforts integrated into the project design?</li> <li>• Are SI efforts linked to the corporate core competencies?</li> </ul>
<p><b>Are the SI priorities aligned with the project timeline?</b></p> <ul style="list-style-type: none"> <li>• Is the SI strategy realistic given the project timeline?</li> <li>• What are the contingency plans in case the SI objectives cannot be met at certain project milestones?</li> <li>• Does the SI approach take a phased approach to ensure realistic stakeholder expectations?</li> </ul>
<p><b>Does the company have a coherent strategy in place to achieve the set objectives?</b></p> <ul style="list-style-type: none"> <li>• Is the quality and quantity of implementing agent(s) sufficient to realize the strategy?</li> <li>• Is company staff qualified to oversee and coordinate SI efforts?</li> <li>• Is the budget and managerial support sufficient?</li> <li>• Does SI take place based on a tripartite partnership approach?</li> <li>• Does the SI approach build on, or replace, existing structures and capacities?</li> </ul>
<p><b>Is SI used for the right reasons?</b></p> <ul style="list-style-type: none"> <li>• Does SI reward constructive or destructive behaviour? Do more peaceful communities get more SI benefits than difficult ones, or vice versa?</li> <li>• Is SI used to further long-term positive objectives, or to mitigate short-term (and preventable) project impacts?</li> <li>• Is SI in addition to other ongoing stakeholder engagement efforts, or de facto the only way the company engages with local stakeholders?</li> </ul>

*Continued ...*

**Are communities and the government involved in the analysis, design and implementation of the SI approach?**

- Is the SI approach based on a long-term plan agreed upon with communities?
- Will local communities take ownership for the SI programmes? How?
- Does the SI programme contribute to group cohesion or, instead, to inter-group fragmentation? Are benefits distributed in an inclusive or exclusive manner (e.g. a focus on host communities only)? Are SI programmes supporting the entire community or only specific groups or individuals? Are any groups negatively affected by the SI approach?
- Will the government take ownership for the SI programmes? How?
- Does the SI approach consider existing government development plans?
- Will the SI programme increase or decrease the capacity/willingness of authorities to provide services? How?

**Will the programme have a sustainable impact without corporate support? How? When? If not, what needs to happen to make the programme sustainable? Is this realistic/feasible?**

- Are the roles and responsibilities of each partner (government, local communities and companies) clear, agreed upon and in writing?
- Does the programme include an explicit exit strategy?
- Are there partners who can eventually take over? How does the company know they will be willing and able to do so?

**Can the company demonstrate that it has gained additional local support and goodwill as a result of its SI programme? How?**

- Does this result from the programme itself or the manner in which it was implemented? Or both?
- Does the company have a grievance procedure to address SI-related issues?

**Can the company demonstrate that SI programmes have a measurable positive impact on people's quality of life? How?**

- Is this due to the programme itself or the manner of implementation?
- Do local communities attribute change to the company or to others (such as partnering NGOs)?

**Does the SI programme have a measurable positive impact on the business?**

- For example, will it generate opportunities that would not have occurred otherwise?

**Resources for 'Measuring success'—see Annex 2**

- No. 2: Business in the Community (BITC). The CommunityMark scheme (formerly the PerCent Standard).
- No. 8: International Institute for Sustainable Development (IISD). Offers indicators and guidelines for progress on sustainable development.
- No. 9: London Benchmarking Group. Helps members assess and target community programmes.
- No. 11: Institute for Social and Ethical Accountability. AA1000 Framework offers a comprehensive guideline for CSR reporting.
- No. 12: Global Reporting Initiative (GRI). Also offers guidance on how to report on CSR, and lets report readers rate company reports.
- No. 18: Results Based Monitoring (RBM): an alternative monitoring tool in development.
- No. 31: Sustainability Indicators and Performance Management.

## Concluding thoughts

### A summary of the main themes in this document

Several themes run through this guidance document:

1. There is no magic solution that tells managers what to do in every context. What this document hopes to achieve is to help managers ask the right questions and identify the crucial issues that will inform their decisions.
2. 'Front load' SI efforts—start and complete designs early, engage stakeholders one or two years prior to the start of operations, and make sure that the company has a good team in place early on.
3. Utilize partnerships with public, private and community actors! Doing so boosts ownership, diversifies expertise, distributes burdens, leads to more holistic solutions, and increases long-term impact.
4. Use SI to satisfy short-term goals, but always with an eye towards achieving longer-term SI objectives.
5. Always operate according to the principles of transparency, respect and inclusiveness.
6. Review the SI approach through a sustainability lens and make sure that success can be measured to satisfy internal and external demands for proven results.

As the SI field is maturing, companies will encounter new opportunities and challenges, and design new approaches and ideas to address the issues. Still, many of the cornerstones discussed in this guidance document—such as being strategic and involving stakeholders early and intensively—will remain important no matter where a company operates and what approach it takes. Going forward, we hope this guidance document can assist managers in leaving positive lasting impacts on the societies around them.



## Annex 1

### List of interviewees

Name	Company	Location
Jaime Gutierrez	BG Group	Bolivia
Edmee Hewitt	BG Group	Bolivia
Omnia Hussien	BG Group	Egypt
Hugh Attwater	BG Group	Group
Dominic Hall	BG Group	Group
Kojo Bedu-Addo	BG Group	Nigeria
Corinne Kennedy	BG Group	Nigeria
Mehdi BenAbdallah	BG Group	Tunisia
Maria Soares	BP	Australia
Dan Bliss	BP	Azerbaijan
Mauricio Jimenez	BP	Colombia
Catalina Toro	BP	Colombia
Sukran Caglayan	BP	Turkey
Michael Hoffman	BP	Vietnam
Dennis Flemming	Chevron	Angola
Lynn DeGeorge	ConocoPhillips	Alaska
Justin Harth	ConocoPhillips	Alaska
Toni Franklin	Eni S.p.A.	Australia
James Kernaghan	Eni S.p.A.	Australia
Stefano Cianca	Eni S.p.A.	Libya
Angelo Madera	Eni S.p.A.	Libya
Domenico D'Ippolito	Eni S.p.A.	Nigeria
Enrico Tavolini	Eni S.p.A.	Nigeria
Shahid Khan	Eni S.p.A.	Pakistan
Adel Chaouch	Marathon Oil	Group
Luis F De Angulo	Occidental Petroleum	Group
Ben Dixon	Royal Dutch Shell	Group
Andre Smit	Royal Dutch Shell	Group
Karen Westley	Royal Dutch Shell	Group
Ding Roco	Royal Dutch Shell	Philippines
Anne-Sophie Leroy	Total	Group
Damien Desjonqueres	Areva	Group
Robin Budden	Newmont Mining	Ghana



## Annex 2

### Resources

#### Resource organizations

##### 1. Business for Social Responsibility

[www.bsr.org](http://www.bsr.org)

**What:** BSR is a global organization that provides member companies with tools, training and custom advisory services on corporate social responsibility issues.

**Use:** Business Briefs on response to the Indian Ocean Tsunami and Hurricane Katrina, which highlight the different phases of disaster relief and action for business in response, including resources for help.

*Guide to engaging with NGOs:* a report that outlines a framework for engaging in partnership, its benefits and risks, lessons learned, as well as practical steps and key considerations.

Issues briefs for community investment include:

- *Overview of Business and Community Investment*  
[www.bsr.org/insight/issue-brief-details.cfm?DocumentID=48978](http://www.bsr.org/insight/issue-brief-details.cfm?DocumentID=48978)
- *Community Economic Development*  
[www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49809](http://www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49809)
- *Community Partnerships*  
[www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49761](http://www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49761)
- *Global Community Investment*  
[www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49763](http://www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49763)
- *Philanthropy*  
[www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49811](http://www.bsr.org/insight/issue-brief-details.cfm?DocumentID=49811)

*Business and Economic Development: The Impact of Corporate Responsibility Standards and Practices—Insights from Recent Experiences.* This report explores the basis by which leading companies measure, manage and report on their economic impacts.

[www.economicfootprint.org/fileadmin/business-economic-dev\\_2004.pdf](http://www.economicfootprint.org/fileadmin/business-economic-dev_2004.pdf)

##### 2. Business in the Community (BITC)

[www.bitc.org.uk](http://www.bitc.org.uk)

**What:** Membership organization with the aim of translating corporate values and commitments into mainstream management practice.

**Use:** The CommunityMark scheme: a national standard that publicly recognizes companies that are good investors in the community. (Until 2007, this was known as the PerCent Standard.)  
[http://www.bitc.org.uk/take\\_action/in\\_the\\_community/community\\_investment/measuring\\_and\\_reporting/index.html](http://www.bitc.org.uk/take_action/in_the_community/community_investment/measuring_and_reporting/index.html)

*Disaster Appeals*—information on channelling support for those affected by the Asian Tsunami.

[www.bitc.org.uk/resources/case\\_studies/afe802\\_intl\\_bt\\_dec.html](http://www.bitc.org.uk/resources/case_studies/afe802_intl_bt_dec.html)

BITC has a global network of partnership organizations that could be helpful to managers.

### 3. The Center for Corporate Citizenship (Boston College)

[www.bccccc.net](http://www.bccccc.net)

**What:** The Center for Corporate Citizenship is a membership-based research organization that works with global corporations to help them define, plan and make operational their corporate citizenship.

**Use:** The Center facilitates the Corporate Giving Standard (CGS) [www.givingstandard.com](http://www.givingstandard.com), which is an online data collection, reporting and benchmarking system for corporate giving programmes. The standard includes an annual survey of corporate giving initiatives. The CGS and accompanying guidebook form a framework for standardizing company recordings of annual philanthropic contributions.

### 4. Oil, Gas and Mining Sustainable Community Development Fund (CommDev)

[www.commdev.org](http://www.commdev.org)

**What:** CommDev is a 'funding mechanism for practical capacity building, training, technical assistance, implementation support, awareness raising and tool development'. It uses trilateral partnerships between companies, communities and governments to develop long-term, strategic solutions that benefit all sides. CommDev aims to be both a funding and knowledge source for companies on community development.

**Use:** A variety of tools and documents:

- Tools (Human Rights, Development Strategies, Conflict Management, M&E, etc.) [www.commdev.org/section/tools](http://www.commdev.org/section/tools)
- CommDev-supported projects (currently all through the World Bank Group) [www.commdev.org/section/projects](http://www.commdev.org/section/projects)

Continued ...

## 5. CDA—Collaborative Learning Projects (Corporate Engagement Project)

[www.cdainc.com](http://www.cdainc.com)

**What:** CDA's Corporate Engagement Project is a 'collaborative learning project' involving multinational corporations that operate in areas of socio-political tensions or conflict to ensure their presence has a positive, rather than negative, impact on people's lives.

**Use:** Issue papers that document lessons learned on field visits.

- *Defining and Measuring Successful Relations with Communities: Development Indicators of Impacts*  
[www.cdainc.com/cdawww/pdf/issue/cep\\_issue\\_paper\\_indicators\\_Pdf.pdf](http://www.cdainc.com/cdawww/pdf/issue/cep_issue_paper_indicators_Pdf.pdf)
- *Social Investment Projects*  
[www.cdainc.com/cdawww/pdf/issue/cep\\_issue\\_paper\\_social\\_investment\\_projects\\_Pdf.pdf](http://www.cdainc.com/cdawww/pdf/issue/cep_issue_paper_social_investment_projects_Pdf.pdf)
- *Stakeholder Consultation*  
[www.cdainc.com/cdawww/pdf/issue/issue\\_paper\\_stakeholder\\_consultation\\_november\\_2004\\_Pdf.pdf](http://www.cdainc.com/cdawww/pdf/issue/issue_paper_stakeholder_consultation_november_2004_Pdf.pdf)
- *Dividers and Connectors*  
[www.cdainc.com/cdawww/pdf/issue/cep\\_issue\\_paper\\_dividers\\_and\\_connectors\\_Pdf.pdf](http://www.cdainc.com/cdawww/pdf/issue/cep_issue_paper_dividers_and_connectors_Pdf.pdf)

## 6. Development Gateway Foundation

[www.developmentgateway.org](http://www.developmentgateway.org)

**What:** Portal with development information and for global knowledge sharing.

**Use:** Has an online directory of official development aid activities which offers a quick overview of who is doing what in international development, where they are doing it and with what funds. The country resources overview provides a quick overview of reports available per country.

## 7. Eldis (Institute of Development Studies, Sussex)

[www.eldis.org](http://www.eldis.org)

**What:** A gateway to development information on topics from agriculture to corporate social responsibility, government and health.

**Use:** Comprehensive introduction to each development sector including the major players and authoritative publications, links to manuals and tools for topics including CSR.

Quick access to country information via Country Profiles pages, with links to the most commonly referenced country profiles (World Bank, UNDP, etc.).

Mailing lists providing updates on the latest news, publications and developments on each topic.

## 8. **International Institute for Sustainable Development (IISD)**

[www.iisd.org](http://www.iisd.org)

**What:** One of the premiere think tanks on sustainable development.

**Use:** Reporting service: highly informative updates/commentaries on all major global events on environment and sustainable development.

Research: the particularly relevant part for community investment is their research on natural resource management.

Measuring and reporting: IISD offers research on indicators and guidelines for reporting progress on sustainable development.

## 9. **London Benchmarking Group (LBG)**

[www.lbg-online.net](http://www.lbg-online.net)

**What:** Facilitated by the Corporate Citizenship Company, the London Benchmarking Group consists of leading international corporations who have come together to manage, measure and report their involvement in the community.

**Use:** LBG developed a model to help member companies effectively assess and target their community programmes. An introduction to the LBG model can be found in this pdf document. Companies must become members to access the full LBG model.

[www.lbg-online.net/var/news/storage/original/application/ef7704e14e3c1ba07876310b1b1a1eed.pdf](http://www.lbg-online.net/var/news/storage/original/application/ef7704e14e3c1ba07876310b1b1a1eed.pdf)

## 10. **International Business Leaders Forum**

[www.iblf.org](http://www.iblf.org)

**What:** An international not-for-profit organization, supported by some of the world's biggest companies, that advances responsible business and partnership for social, economic and environmental sustainability.

**Use:** Publications on community development-related topics, such as building partnerships, strengthening the health sector, etc.

Case Studies: 1–2 page documents that present what companies can do in relation to various development challenges.

[www.iblf.org/resources/Case\\_Studies.jsp](http://www.iblf.org/resources/Case_Studies.jsp)

**11. Institute for Social and Ethical Accountability**

[www.accountability21.net](http://www.accountability21.net)

**What:** A non-profit membership organization that advances accountability innovations.

**Use:** Its AA1000 framework was developed to help organizations build their accountability and social responsibility through quality social and ethical accounting, auditing, and reporting. It also addresses the need for organizations to build stakeholder engagement into their daily operations. Find details on the framework at:  
[www.accountability21.net/uploadedFiles/publications/AA1000%20Overview.pdf](http://www.accountability21.net/uploadedFiles/publications/AA1000%20Overview.pdf)

**12. Global Reporting Initiative (GRI)**

[www.globalreporting.org/Home](http://www.globalreporting.org/Home)

**What:** A global network of experts that aims to make sustainability reporting a routine component of corporate operations.

**Use:** GRI's Sustainability Reporting Framework—of which the Sustainability Reporting Guidelines are the cornerstone—provides guidance for organizations to use as the basis for disclosure about their sustainability performance, and also provides stakeholders a universally applicable, comparable framework in which to understand disclosed information. GRI offers guidance on report content, quality, boundary, and so on, and provides a wide range of sample indicators.

**URL:** [www.globalreporting.org/NewsEventsPress/PressResources/PR280808RCA.htm](http://www.globalreporting.org/NewsEventsPress/PressResources/PR280808RCA.htm)

**What:** The GRI Readers Choice Awards scheme, launched on 1 October 2007, lets the regular readers of sustainability reports decide which reports are good and meet the needs of the readers. It gives companies another indication of whether they are 'doing their reports right', and what their readers consider to be outstanding sustainability reporting.

**13. UN Research Institute on Social Development (UNRISD)**

[www.UNRISD.org](http://www.UNRISD.org)

**What:** UN autonomous agency researching the social aspects of development.

**Use:** Research reports on policy and practice: site features conferences and research publications on development topics, especially in the section 'Markets, Business, and Regulation'.



**14. World Business Council for Sustainable Development**

[www.wbcsd.org](http://www.wbcsd.org)

**What:** A CEO-led global association of some 200 companies serving as a platform to share knowledge about, and advocate for, sustainable development.

**Use:** Guides to development, the field, principles, practices and main actors presented in accessible language. Detailed case studies of companies conducting sustainable development projects around the world.

WBCSD runs a Sustainable Livelihoods programme, focused on compiling helpful resources for large companies to help them do business with the poor. The Sustainable Livelihoods Experience (video library) is at: [www.wbcsd.org/web/stream/SLvideoLibrary/sl\\_qmm.html](http://www.wbcsd.org/web/stream/SLvideoLibrary/sl_qmm.html)

*Business for Development: Business solutions in support of the Millennium Development Goals.*

[www.wbcsd.org/web/publications/biz4dev.pdf](http://www.wbcsd.org/web/publications/biz4dev.pdf)

Includes fourteen examples of business models for delivering development benefits; in each case, companies describe the particular obstacles to growth they have encountered.

## Development and humanitarian concepts, standards and practices

**15. Tools for Development—A Handbook for Those Engaged in Development Activity (Department for International Development—DFID)**

[www.dfid.gov.uk/pubs/files/toolsfordevelopment.pdf](http://www.dfid.gov.uk/pubs/files/toolsfordevelopment.pdf)

**What:** A collection of tools widely used by development programmes.

**Use:** For any manager interested in what tools development actors use to analyse their contexts, stakeholders and challenges, plan projects, increase participation, build partnerships, etc. Most of the tools are in the form of relatively simple matrices and diagrams to enable community development staff to plug in the relevant information and adapt them to their projects.

**16. Participatory Rural Appraisal (IISD)**

[www.iisd.org/casl/CASLGuide/PRA.htm](http://www.iisd.org/casl/CASLGuide/PRA.htm)

**What:** An alternative reference on PRA.

**Use:** A short introduction to the goals, strengths and dangers of PRA.

**17. SPHERE: Humanitarian Charter and Minimum Standards in Disaster Response**

[www.sphereproject.org](http://www.sphereproject.org)

**What:** A set of minimum standards that a wide range of actors (NGOs, governments, the UN and other multilateral organizations) have committed to in improving their assistance and accountability to populations affected by calamities and conflicts.

**Use:** The *Sphere Handbook* describes the minimum standards that the humanitarian community has set for itself with regard to water, sanitation, food, shelter and health. The 'Standards Common to All Sectors' document provides a set of indicators by which organizations can know whether they are fulfilling the minimum standards.

[www.sphereproject.org/content/view/27/84/lang,English](http://www.sphereproject.org/content/view/27/84/lang,English)

**18. Assessing Country Readiness for Results-Based Monitoring and Evaluation Systems (World Bank)**

[www1.worldbank.org/prem/PREMNotes/premnote87.pdf](http://www1.worldbank.org/prem/PREMNotes/premnote87.pdf)

**What:** World Bank brief on results-based monitoring

**Use:** This paper outlines the concept and challenges of results-based monitoring, an approach that contrasts with M&E methods oriented around activities and outputs.

**19. Vulnerability and Capacity Assessment Guidelines (IFRC)**

[www.ifrc.org/what/disasters/dp/planning/vcaguidelines.asp](http://www.ifrc.org/what/disasters/dp/planning/vcaguidelines.asp)

**What:** Red Cross guide to vulnerability and capacity assessment.

**Use:** A basic tool that companies could adapt to assess where its community development projects could do the greatest good. It is a process used to identify the strengths and weaknesses of households, communities, institutions such as National Red Cross Societies, and nations.

**20. Frequently Asked Questions on a Human Rights-Based Approach to Development Cooperation (UN OHCHR)**

[www.ohchr.org/Documents/Publications/FAQen.pdf](http://www.ohchr.org/Documents/Publications/FAQen.pdf)

**What:** Guide to Rights-Based Approach (RBA) to development.

**Use:** Answers the most basic and relevant questions concerning what RBA is and what it adds to development goals and practices.

**21. The World Bank Participation Source Book**

[www.worldbank.org/wbi/sourcebook/sbhome.htm](http://www.worldbank.org/wbi/sourcebook/sbhome.htm)

**What:** A collection of 'participatory methods'.

**Use:** Model methods and processes for how to involve and engage beneficiaries and communities in development, including PRA—one of the most widely used methods.

**22. The 'Do No Harm' Framework**

[www.cdainc.com/cdawww/project\\_profile.php?pid=DNH&pname=Do%20No%20Harm](http://www.cdainc.com/cdawww/project_profile.php?pid=DNH&pname=Do%20No%20Harm)

**What:** A framework, drawn from years of field experience around the world, that helps the field staff of aid agencies understand their working contexts better and to develop programming approaches that support peace rather than war.

**Use:** Guides users through the steps of analysing their working contexts, reviewing their own programmes, observing how these interact with the context, and finding options to change and improve programming. Designed for those working in areas of tension and conflict.

*Options for Aid in Conflict—Lessons from Field Experience*

A manual for organizations and staff in the field.

[www.cdainc.com/cdawww/pdf/book/options\\_for\\_aid\\_in\\_conflict\\_Pdf1.pdf](http://www.cdainc.com/cdawww/pdf/book/options_for_aid_in_conflict_Pdf1.pdf)

## Tools, manuals and publications specifically aimed at companies

**23. Global Compact—Making it Happen**

[www.unglobalcompact.org/docs/issues\\_doc/7.3/7.3.4/gc\\_perfmod\\_1102.pdf](http://www.unglobalcompact.org/docs/issues_doc/7.3/7.3.4/gc_perfmod_1102.pdf)

**What:** Framework for action on meeting Global Compact principles.

**Use:** A step-by-step guide for companies to bring every component of their businesses in line with Global Compact principles.

**24. Business and the Millennium Development Goals: a Framework for Action (IBLF and UNDP)**

[www.undp.org/partners/business/mdg\\_business.pdf](http://www.undp.org/partners/business/mdg_business.pdf)

**What:** Framework for action for businesses to meet the MDG, developed by UNDP and the IBLF.

*continued ...*

Use: Sets out, goal by goal, specific action points for businesses to contribute to the MDG, in three areas: (1) social investment; (2) core business activities; and (3) policy environment and system levels.

**25. *Putting Partnering to Work (Business Partners for Development—BPD)***

[www.bpdweb.com/products.htm](http://www.bpdweb.com/products.htm)

What: The result of a three-year long exercise to study, support and promote strategic examples of tri-sector partnerships involving business, civil society and government working together for the development of communities around the world.

Use: Provides companies with practical guidance, lessons learned, and dos and don'ts with regard to tri-sector partnerships.

**26. *The Partnering Tool Book (IBLF and GAIN)***

[www.unglobalcompact.org/docs/issues\\_doc/7.3/PartneringToolbook.pdf](http://www.unglobalcompact.org/docs/issues_doc/7.3/PartneringToolbook.pdf)

What: Comprehensive guide for businesses on building effective partnerships.

Use: Guides companies, using simple-to-use tools, through every stage of partnership building from partner and resource identification and process management, to monitoring/review and institutionalization of lessons. There is also an interactive web version at:

<http://thepartneringinitiative.org/mainpages/rb/pc/>

**27. *A Business Guide to Development Actors: Introducing Business Managers to the Development Community (IBLF and WBCSD)***

[www.iblf.org/docs/DevelopmentActors.pdf](http://www.iblf.org/docs/DevelopmentActors.pdf)

What: A practical and easily accessible overview of the various multilateral agencies (UN agencies, development banks), bilaterals (donor agencies) and NGOs which whom a company could partner.

Use: Aims to introduce the business community to potential partners in the development community. It provides an introduction to key development actors and insights into potential collaboration. There is also a web portal for development organizations to add their profile to the online database.

[www.wbcd.org/web/devguide.htm](http://www.wbcd.org/web/devguide.htm)

**28. *Finding Capital For Sustainable Livelihoods Businesses: a Finance Guide for Business Managers (WBCSD)***

[www.wbcsd.org/web/publications/sl-finance.pdf](http://www.wbcsd.org/web/publications/sl-finance.pdf)

**What:** Focuses on how to source funding for a sustainable livelihoods business.

**Use:** Aims to provide a blueprint for action and helps managers with decision making. It includes 10 case studies describing how a number of companies are already driving financial innovation by exploring unusual funding options.

**29. *Doing Business with the Poor: a Field Guide (WBCSD)***

[www.wbcsd.org/web/publications/sl-field-guide.pdf](http://www.wbcsd.org/web/publications/sl-field-guide.pdf)

**What:** A report containing six learning journeys undertaken by WBCSD member companies, and a number of smaller examples.

**Use:** Highlights a variety of experiences, and reflects different approaches and models to doing business with the poor.

**30. *Building Partnerships: Key Elements of Capacity Building—an Exploration of Experiences with Mining Communities in Latin America (IIED and WBCSD)***

[www.iied.org/mmsd/mmsd\\_pdfs/033\\_gibson.pdf](http://www.iied.org/mmsd/mmsd_pdfs/033_gibson.pdf)

**What:** A paper on building the capacities of local communities written for the MMSD (Mining, Minerals and Sustainable Development) Project initiated by the WBCSD in 2000 and managed by the IIED.

**Use:** Answers key questions about working with communities and building their organizations and skills.

**31. *Sustainability Indicators and Sustainability Performance Management (IIED and WBCSD)***

[www.iied.org/mmsd/mmsd\\_pdfs/sustainability\\_indicators.pdf](http://www.iied.org/mmsd/mmsd_pdfs/sustainability_indicators.pdf)

**What:** Comprehensive guide to sustainability indicators written for the MMSD project.

**Use:** Contains numerous tables and charts breaking down the strengths and weaknesses of types of indicators; sample lists of indicators developed by major public and private actors; and an introduction to the most authoritative sustainability monitoring and reporting systems.



**32. *Community Development Toolkit (ICMM—International Council on Mining and Metals)***

[www.icmm.com/library\\_pub\\_detail.php?rcd=183](http://www.icmm.com/library_pub_detail.php?rcd=183)

**What:** The *Toolkit* was published jointly by ICMM, the World Bank and ESMAP. It was developed to support government, industry, and community efforts to realize more sustainable community development around mining and mineral processing operations.

**Use:** The *Toolkit* contains two main parts: 17 tools which cover the assessment, planning, management and evaluation phases of community development as well as stakeholder relationships; and a background section which presents the background and context to the project, and an examination of mineral policies and mining laws necessary for mineral activity to contribute to sustainable development.

**33. *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets (IFC —International Finance Corporation)***

[www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p\\_StakeholderEngagement\\_Full/\\$FILE/IFC\\_StakeholderEngagement.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagement_Full/$FILE/IFC_StakeholderEngagement.pdf)

**What:** A handbook providing good practice essentials for building and sustaining constructive relationships with stakeholders as a means of mitigating risk, identifying new business, and enhancing development outcomes.

**Use:** The handbook offers detailed guidance in a number of areas, including gender, indigenous peoples, grievance mechanisms, sustainability reporting, management functions, and the integration of stakeholder engagement activities with core business processes.

**34. *Addressing the Social Dimensions of Private Sector Projects (IFC Good Practice Note number 3)***

[www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p\\_SocialGPN/\\$FILE/SocialGPN.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_SocialGPN/$FILE/SocialGPN.pdf)

**What:** A Good Practice Note describing social baseline studies, assessing community perspective, etc.

**Use:** Contains helpful socioeconomic baseline survey templates and types of socioeconomic baseline questions to ask, and lays out the steps in preparing a Social Action Plan.

35. ***Investing in People: Sustaining Communities through Improved Business Practice—A Community Development Resource Guide for Companies (IFC)***  
[www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p\\_comdev/\\$FILE/CommunityGuide.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_comdev/$FILE/CommunityGuide.pdf)
- What: Comprehensive and practical guide about the issues to consider when developing a community development project.
- Use: Provides practical advice on what to consider when selecting partners, what types of projects to consider, how to ensure sustainability, etc.
36. **Community Driven Development (CDD) Group at the World Bank**  
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTCDD/0,,menuPK:430167~pagePK:149018~piPK:149093~theSitePK:430161,00.html>
- What: World Bank Group that researches and advances community driven development methods in World Bank programmes.
- Use: Offers principles and practices that companies could integrate into their community development projects. CDD, broadly defined, is an approach that gives control over planning decisions and investment resources to community groups and local governments.

## IPIECA resources

*Oil and Gas Industry Guidance on Voluntary Sustainability Reporting*  
[www.ipieca.org/activities/reporting/downloads/publications/reporting\\_guide.pdf](http://www.ipieca.org/activities/reporting/downloads/publications/reporting_guide.pdf)

*Guide to Social Impact Assessment in the Oil and Gas Industry*  
[www.ipieca.org/activities/social/social\\_publications.php#3](http://www.ipieca.org/activities/social/social_publications.php#3)

*Key Questions in Managing Social Issues in Oil and Gas Projects*  
[www.ipieca.org/activities/social/social\\_publications.php#1](http://www.ipieca.org/activities/social/social_publications.php#1)

*Human Rights Training Toolkit for the Oil and Gas Industry*  
[www.ipieca.org/activities/social/social\\_publications.php#4](http://www.ipieca.org/activities/social/social_publications.php#4)

*Partnerships in the Oil and Gas Industry*  
[www.ipieca.org/activities/partnerships/index.html](http://www.ipieca.org/activities/partnerships/index.html)

## Annex 3

### A note on IPIECA and this Guidance

IPIECA formed a Social Responsibility Working Group (SRWG) in 2002 to address social responsibility issues including human rights, capacity building and community outreach. This group provides a forum for IPIECA members to share information and enhance understanding of social responsibility issues, challenges and implications for the oil and gas industry. The forum enables the coordination of joint actions such as hosting workshops and the publication of practical guides and tools.

Through the SRWG, the oil and gas sector is proactively addressing new and previously identified risks in the area of social responsibility. The group aims to develop a consistent and credible industry voice on social responsibility issues. In particular, it seeks consensus on the role and boundaries for business in promoting and protecting human rights. The group works to improve industry social performance by sharing good practice and producing guidance, and to ensure that the sector's contribution to economic and social development is recognized.

The SRWG has three main objectives:

1. Enhance members' understanding of social issues
2. Contribute to and monitor external initiatives
3. Develop tools and guidance to encourage continuous improvement of the industry's social performance

In 2007, a specific need was identified by the SRWG to share best practices on creating sustainable social investment projects, and a Social Investment Task Force was established. Many companies have implemented social and community investment programmes in areas where they operate with the aim of promoting socio-economic development. However, companies often find it difficult to quantify and measure their social performance. With the lengthy but limited lifespan of most energy company operations in a specific region, it is important for companies to build sustainability into their investment programmes so that the investments survive a company's presence in a community.

Subsequently, the SRWG commissioned Luc Zandvliet of CDA Collaborative Learning Projects (see Annex 4) to carry out research, assess good practice and key lessons, and develop this guidance on sustainable social investment projects.

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We welcome any feedback that you have on this document. Please contact Jenny Owens at IPIECA: [jenny.owens@ipieca.org](mailto:jenny.owens@ipieca.org)

## Annex 4

### A note on the authors

Luc Zandvliet is the Director of the Corporate Engagement Project (CEP), which is coordinated by CDA Collaborative Learning Projects in Cambridge, USA.

The Corporate Engagement Project is a collaborative learning project that brings together more than forty companies mostly in the oil, gas and mining sectors. The objective of the project is to ensure that the presence of corporations impact local communities positively rather than negatively. CEP aims to achieve this by developing practical management approaches for managers who work with local stakeholders in contexts of social and political instability. The Corporate Engagement Project has conducted 24 community impacts assessment with companies, which can be found at [www.cdainc.com/cep](http://www.cdainc.com/cep). The insights gained through these visits was integrated throughout this guidance document.

Andrew Yang is the CEP Project Associate and contributed to the layout of the document.





## IPIECA

IPIECA is the single global association representing both the upstream and downstream oil and gas industry on key environmental and social issues, including: oil spill response; global climate change; fuels and products; health; biodiversity; social responsibility; and sustainability reporting.

Founded in 1974 following the establishment of the United Nations Environment Programme (UNEP), IPIECA provides a principal channel of communication with the United Nations. IPIECA Members are drawn from private and state-owned companies as well as national, regional and international associations. Membership covers Africa, Latin America, Asia, Europe, the Middle East and North America.

Through a Strategic Issues Assessment Forum, IPIECA also helps its members identify emerging global issues and evaluates their potential impact on the oil industry. IPIECA's programme takes full account of international developments in these issues, serving as a forum for discussion and cooperation, involving industry and international organizations.

### Company members

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BG Group	Occidental
BHP Billiton	OMV
BP	Petrobras
Chevron	Petronas
CNOOC	Petrotrin
ConocoPhillips	PTT EP
Eni	Repsol YPF
ExxonMobil	Saudi Aramco
Hess	Shell
Hunt Oil	SNH
KPC	StatoilHydro
Mærsk	TNK-BP
Marathon	Total
Nexen	Woodside Energy
NOC Libya	

### Association members

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American Petroleum Institute (API)

Australian Institute of Petroleum (AIP)

Canadian Association of Petroleum Producers (CAPP)

Canadian Petroleum Products Institute (CPPI)

The Oil Companies' European Association for Environment, Health and Safety in Refining and Distribution (CONCAWE)

European Petroleum Industry Association (EUROPIA)

International Association of Oil & Gas Producers (OGP)

Petroleum Association of Japan (PAJ)

Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean (ARPEL)

South African Petroleum Industry Association (SAPIA)

World Petroleum Council (WPC)

