Conflict Risk and Impact Assessment: 
Towards the Integration of Conflict Assessment and Prevention in Extractive Industry Practice

Working Document

Rachel Goldwyn (International Alert)
Jason Switzer (International Institute of Sustainable Development)
Peer reviewed by Dr Jill Shankleman

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Executive Summary

For oil, gas and mining companies operating in conflict areas there are difficulties in the relationship between their activities and social instability. It is in the interest of these private sector actors to both successfully manage their operations in such a way that they do not trigger or exacerbate conflict and; to contribute to peaceful development at the local and national levels, thereby minimising their own risk.

This paper represents the first stage in a two-year process to define a Conflict Risk and Impact Assessment Methodology (CRIA) to assist extractive sector companies in addressing the underlying causes of conflict and contributing to long-term peacebuilding. The CRIA methodology seeks to be a generic methodology, which can complement existing Environmental, Social Impact and political risk assessments.

This initial paper has four main objectives: to provide an overview of current assessment practice; to provide an overview of conflict sensitive approaches (CSA) to development; to identify gaps in current assessment practice from a conflict sensitive perspective; and to begin exploring how to address those gaps. Its principal recommendations include:

1. Broaden scope and link assessments
   - Integrate standard conflict analysis tools in assessments
   - Recognise and respond to impacts across the project cycle
   - Address environmental sources of conflict
   - Address environmental risks increased by conflict
   - Identify peacebuilding opportunities

2. Set thresholds and stick to them
   - Identify ‘no go’ thresholds for situations where the potential for generating violence exceeds acceptable levels.

3. Engage communities in decisions
   - Engage local actors in a consensus building conflict analysis approach
   - In situations where open consultation is impossible, provide alternatives
   - Explore engagement of local actors in decision-making, ranging from thresholds through to project definition and social investment.

4. Link assessment results to actions taken
   - Develop conflict prevention, mitigation and implementation monitoring strategies, including through independent oversight mechanisms.

5. Respond to dynamic situations
   - Continually review context and update prevention and mitigation strategies.
   - Deal explicitly with complexity and uncertainty.
   - Distinguish between risks borne by the business, and business putting others at risk.

6. Ensure effective resettlement, restoration and compensation
   - Because these are flashpoints for conflict, particular guidance will be needed.
1. Introduction

The development of tools and approaches in the oil, gas and mining sectors to sensitise operations to their context is a welcome advance in corporate practice, and provide an important foundation on which to build a conflict sensitive approach. Such conflict sensitivity would reap benefits both for the company and for the communities affected by conflict, not merely in avoiding conflict, but pro-actively building peace. The emergence of major global extractive corporations has been accompanied by several cases where corporations have been caught up in violent conflict, for instance in Angola, Burma, Colombia, Indonesia and Nigeria. These cases reveal an overlap between corporate actors’ sphere of influence and local and national level conflict in host societies. This is particularly true of companies in the extractive industries (oil, gas and mining) since unexploited deposits are often located in politically unstable areas with weak legal frameworks and governance structures, and pre-existing social tensions.

The business case for engagement

This interface between corporations and conflict frequently has damaging consequences both for the affected communities and for the companies themselves whose investments and reputation may be severely compromised. Conflict with communities has caused the suspension of mining operations in Orissa and Bougainville for example, all causing significant financial losses for the firms involved. Becoming enmeshed in war economies or counter-insurgency operations in Colombia and Burma has damaged corporate reputation, threatened the safety of staff and put at risk substantial capital investment.

The relationships between business and conflict

Despite growing awareness of this problem, a comprehensive understanding of the issues and appropriate responses remains elusive. The relationship between TNCs and conflict is a complex two-way process, encompassing both individual projects’ impact on conflict dynamics and vice-versa, the impact of conflict on the project. Thus, companies are confronted with twin challenges stemming from these linkages: successfully managing their own operations in such a way that they do not trigger or exacerbate conflict and; contributing to peaceful development at both the local and national levels, thereby minimising their own risk. The key to addressing these challenges lies in developing sophisticated and long-term approaches which recognise the increased sensitivity of operating in conflict-affected or threatened countries.

The Conflict Risk and Impact Assessment (CRIA) methodology

This paper is the first stage in attempting to define a CRIA to assist extractive sector companies in understanding and mitigating both the negative impacts of their investments on vulnerable communities and the threat posed by conflict to their operations. Further, it will seek to equip managers to address the underlying causes of conflict and contribute to long-term peacebuilding. The CRIA methodology is not envisaged as additional to existing Environmental and Social Impact Assessments (ESIA), political risk assessments and other related tools used throughout the project cycle but rather complementary to them; offering principles and processes which build on current practice by combining some of the most innovative thinking from both the private sector and the field of conflict resolution.

1 A 2001 survey of the mining industry sought to identify the reasons companies refrained or withdrew from otherwise sound investments in the last five years. Seventy-eight per cent indicated that political instability, in particular, armed conflict, as a key factor. MMSD/PricewaterhouseCoopers Survey of the Mining Industry, 2001.
The value of the CRIA methodology will be most pronounced in countries at risk of, affected by or emerging from violent conflict. Its primary function is the conflict sensitisation of corporate operations over the full-time continuum of a company’s investment in a given project, including analysis, project planning and implementation, and evaluation. CRIA itself will be a generic methodology, but one which is designed to be easily integrated into individual companies’ own processes and adaptable for specific country contexts. Although avoidance and reduction of violent conflict is the main focus, it is hoped that some of the underlying principles of CRIA will also influence the way companies operate in less sensitive areas.

The development of the CRIA methodology
As the first stage of a research process scheduled to last until mid-2004, this initial paper is clearly a long way off realising this ambitious vision for CRIA. It has four main objectives:

- To provide an overview of current practice in ESIAs and political risk assessments, including the principal criticisms directed at them;
- To provide an overview of conflict sensitive approaches (CSA) to development;
- To begin to identify gaps in existing corporate practice from a conflict-sensitive perspective;
- To begin exploring how to address those gaps.

Even within these relatively limited objectives there are a number of important issues and actors not covered here, including: sub-contractors, juniors, community perspectives on the research; state oil, gas and mining companies, the role and requirements of international financial institutions, corporate obstacles to conflict-sensitivity, and the nature of host government agreements. These are all gaps that will need to be addressed in subsequent drafts. In addition, more thought will need to be given to understanding and defining the type of conflict addressed by CRIA and the respective roles and responsibilities of companies, governments, civil society and the international community vis-à-vis those conflicts.

Nevertheless, this paper does provide a starting point for generating more precision and clarity over the development of CRIA. In this process, the role of the Steering Group is critical. Project leaders IA and IISD view the Steering Group not merely as an advisory board, reviewing and commenting on drafts, but as an active determinant of the final methodology helping to define the direction in which the research goes and offering expert guidance from a cross-section of different perspectives. This is undoubtedly an ambitious project but one with the potential to start re-defining the way in which the interface between corporations and conflict is played out in vulnerable societies.
2. Conflict Sensitive Approaches for the development and humanitarian sector

What are Conflict Sensitive Approaches?
Conflict Sensitive Approaches (CSAs) encompass a myriad of approaches, concepts, tools and methodologies that inculcate conflict impact awareness into development, humanitarian and peacebuilding work. CSA seek to sensitise interventions to their operational context, avoiding negative and maximising positive impacts. It is a broad umbrella capturing different approaches such as ‘Peace and Conflict Impact Assessments’ and ‘Do No Harm’ (see below for further discussion of these), as well as less-known organic approaches developed by practitioners in the south.

Case Study – Nepal

Development and humanitarian aid to flood victims in 2002 exacerbated tensions through unintended impacts, such as re-building houses only for those who owned land, thus reinforcing economic disparities. Maoist activity increased in the project areas. Using a participatory PCIA workshop, involving community story-telling to unravel dividers and connectors in the community, individuals began to see their own potential role in peacebuilding within the wider conflict, and identify flood relief programmes that worked to both relieve the consequences of flooding and to address the wider structural causes of conflict.

Key lessons can be drawn from CSAs that relate to the development of the CRIA methodology:

- Underlying principles guide CSA, which could frame the nascent CRIA methodology
- Numerous tools have been developed as part of CSA, such as conflict mapping, which could easily and appropriately be transferred to the private sector context
- Some CSAs address interventions in a project cycle framework, concepts and tools identified at various stages of the project cycle can similarly transferred to the private sector
- CSAs include interventions that seek to seek to sensitise a project that has other goals (such as development or humanitarian) and those that address conflict directly (such as peacebuilding projects that work on conflict). This duality could potentially relate to a CRIA approach that addresses the private sector development (sensitise to conflict) and the social investment strategy (address conflict directly).

The rationale for Conflict Sensitive Approaches to development and humanitarian assistance

Since the Biafra crisis in Nigeria in 1967, a critique of humanitarian assistance as feeding rather than alleviating conflict (e.g. Ethiopia and Somalia), and of development aid exacerbating tensions (such as Sri Lanka) has emerged, precipitating the development of tools to understand programming and projects and their relationships to conflict.

Much of the criticism of humanitarian aid stems from interventions misunderstanding the political economy of war, and the associated political economy of relief. Famine relief is now recognised as an instrument of war, in Ethiopia (1980-5) the most famine stricken areas were those under offensive – drought and poor harvest were

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2 Peacebuilding is defined as: ‘The employment of measures which consolidate peaceful relations and societal institutions in order to contribute to the creation of an environment which deters the emergence or the escalation of tensions which may lead to violent conflict.’ K. Rupesinghe, *Civil Wars Civil Peace – An Introduction to Conflict Resolution* (1998).
contributory, not causal factors. In Somalia, following the military intervention in 1992, humanitarian assistance was drawn into a symbiotic relationship with the militias, high diversion rates and violence against humanitarians necessitated the use of security and haulage contractors whose interest lay in maintaining violence. In Eastern Zaire in 1994/5 there were several claims that humanitarian assistance supported militia groups associated with the Rwandan genocide.

Analysis of aid in Sri Lanka sharply contrasted the concentration of humanitarian assistance to the North East, and development assistance to the South, accentuating regional imbalances and thus contributing to conflict. The analysis also revealed different operational approaches to conflict – the World Bank worked around conflict, (was blind to it), while agencies working in the North East such as CARE worked in conflict, (adapted programmes to work in a conflict context), while several bilateral donors, such as the UK, developed programmes to work on conflict, (e.g. initiatives on education with an explicit conflict focus).

Development assistance also holds a positive potential for securing peace. Originating in the Marshall Plan, economic, social and political development has been promoted as a crucial to the sustainability of peace. Recently in Afghanistan and Northern Ireland a ‘peace dividend’ of development resources has been a central component of post-conflict reconstruction. A positive impact of development assistance on peace is, however, not automatic. Unless it is specifically planned and implemented to address important aspects of the structural and proximate causes of conflict it runs the risk of exacerbating tension and even contributing to a rise in violence.

The evolution of Conflict Sensitive Approaches
CSAs have evolved through various actors and approaches. One branch, ‘Peace and Conflict Impact Assessments’ (PCIA), has achieved considerable recognition despite the lack of conceptual clarity on its precise definition. Certain early PCIAs sought to assess the impact of development projects/programmes on the social/political context. Others have focussed on how interventions develop sustainable structures for peace, hypothesising a format that mirrors the EIA process and form. However problems occur when converting the concept of PCIA, often developed by academics and experts in isolation from the target users, into useable frameworks. Another renowned branch of CSA is the ‘Do No Harm’ approach, which examines the conflict impact of interventions in building ‘connectors’ or worsening ‘dividers’ between various sectors of the community. Over time tools have evolved from those measuring the negative impacts on development on conflict (after the event), to increasingly complex tools that seek not only to identify potential impacts, but develop measures to address them, prioritise & maximise opportunities for peace.

A further milestone in the evolution of CSAs has been the OECD Development Assistance Committee’s ‘Guidelines on Conflict, Peace and Development Co-operation’ (1997), and ‘Helping Prevent Violent Conflict: Orientations for External Partners’ (2001) which provided a macro policy commitment and framework for CSA. The UK government’s Department for International Development has developed its own tool for strategic conflict assessment, as have other agencies, including USAID and the World Bank. These tools will be used to inform and direct these agencies overall development engagement across sectors in any given context.

4 See Reychler Conflict Impact Assessment (1998)
5 See Bush, A Measure of Peace (1998)
6 Anderson, Do No Harm, Local Capacities for Peace Project (1996, 1999)
7 Gaigals & Leonhardt Conflict Sensitive Approaches to Development (2001)
No one tool has been able to fulfil all the aims of conflict sensitivity, thus a ‘toolbox approach’ has emerged. Various methodologies have grown in a more organic format with users customising tools or concepts to their specific context. Recent research in Kenya, Uganda and Sri Lanka reveals an array of indigenous tools and techniques for analysing conflict and sensitising programming. There are also detailed manuals developed by in-house conflict specialists for field staff, tailored to their specific organisational context. Leading edge project-level CSAs incorporate conflict sensitivity throughout the project cycle, essentially categorised as conflict analysis, conflict sensitive planning and implementation, and conflict-sensitive monitoring and evaluation. Development and testing of tools continues. Other strands of work have been to pool experiences in the practical implementation of conflict-sensitive approaches. Additionally, there are efforts to share learning among practitioners, particularly through North-South partnerships. Academic debate continues on the methodological, institutional and political challenges involved in mainstreaming CSAs continues to evolve.

Underlying principles of Conflict Sensitive Approaches
The following principles have been identified through the research for this paper (though have not been fully consulted on by all experts involved in CSA development, so should be taken as preliminary):

- **The imperative of conflict analysis.** Only by taking a structured conflict analysis can you assess and avoid negative impact, and maximise and assess positive impact;
- **The primacy of context.** Each individual context is unique and requires a new and ongoing analysis;
- **Participatory.** Control over process resides with participants who set the agenda, conduct the analysis and thus own both process and outcome;
- **Problem solving approach.** Seek to reduce violence in the long and short term;
- **Inclusiveness.** Be inclusive of issues and stakeholders;
- **Partnership.** CSAs should be relevant to, and bridge gaps between, different partners;
- **Sensitivity.** The process of undertaking a CSA should itself be sensitive to unintended consequences;
- **Accountability.** Be accountable, and hold others accountable, for the wider impacts of interventions;
- **Analysis to action.** Translate understanding into changed practice;
- **Independence and impartiality.** Do not allow perceptions to cloud assessment.

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3. Impact and risk assessments

Introduction

Extractive sector companies developing major projects employ a range of techniques to assess the impacts of projects and the political risks associated with their development. This section of the paper reviews theory and practice in relation to the three main assessment tools used – Environmental Impact Assessment (EIA), Social Impact Assessment (SIA) and political risk analysis. In particular, it considers the extent to which the tools are or could be ‘conflict-sensitive’ – as set out in section 2.

The analysis is based on:

- Review of published EIA and SIA documents and un-published political risk analyses;
- Discussions with companies and consultants involved in EIAs, SIAs and risk assessments;
- Review of academic, practitioners and NGO evaluations, critiques and proposals concerning these tools.

For each of the three tools that are reviewed this section outlines key methodologies and approaches, the ways in which the tool fits into the company and host community decision-making frameworks, and summarises existing criticisms of the tools. In section 4 the paper outlines key critiques relevant to conflict sensitivity and sets out the scope for improvement.

The paper considers EIA, SIA and political risk analysis separately because of the important differences between them regarding various aspects. EIA is generally a regulatory requirement, SIA is sometimes required by government but more usually carried out by companies to meet their own and financing bodies’ requirements whilst political risk analysis is generally a decision-making tool internal to companies and financial institutions. In terms of methodology, EIA is well-developed and SIA is newer in the private sector; EIAs generate public documents; SIAs may do, and political risk analysis is generally confidential to the company. Despite these differences it is important to recognise that there is a trend towards integration of EIA and SIA.

3.1 Environmental Impact Assessment

Introduction

EIA is ‘the process of identifying, predicting, evaluating and managing the biophysical, social, health and other relevant effects of development proposals prior to major decisions being taken and commitments made’\(^9\). While its ultimate objective may be to maximise the positive impact of a development proposal on the full range of development objectives (environmental sustainability, economic return, poverty reduction, cultural diversity and integrity), in practice its application has been limited to ‘prevent[ing] or minimis[ing] the adverse effects of major development proposals, such as power stations, dams and reservoirs, or industrial complexes’\(^10\).


Methodology
The EIA process usually follows the series of steps described in Figure 1:

Figure 1. Principal Stages in Environmental Impact Assessment

- **Screening** to determine whether or not a proposal should be subject to EIA.
- **Scoping** to identify the important impacts and stakeholders, and establish terms of reference for EIA.
- **Examination of Alternatives** for meeting proposal objectives. (not required in some countries)
- **Impact Analysis** to identify and predict the likely effects of the proposal.
- **Mitigation and Management** to establish the measures that are necessary to avoid, minimize or offset predicted adverse impacts and, where appropriate, to incorporate these into an environmental management plan.
- **Evaluation of Significance** to determine the relative importance and acceptability of residual impacts (i.e., impacts that cannot be mitigated).
- **Preparation of Report** to document impacts of the proposal, the proposed measures for mitigation, the significance of effects, and the concerns of the interested public and the communities affected by the proposal.
- **Review of Report** to determine whether the report meets its terms of reference, provides a satisfactory assessment of the proposal(s) and contains the information required for decision making.
- **Decision Making** to approve or reject the proposal and to establish the terms and conditions for its implementation.
- **Follow Up** to ensure that the terms and condition of approval are met; to monitor impacts and effectiveness of mitigation measures; and, to strengthen future EIA and mitigation measures.

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An environmental impact is a predicted positive or negative change in a parameter as a consequence of a project, as compared with the parameter were it is unaffected (see box below). If a decision is taken to proceed with a full EIA, the assessment team will gather ‘baseline data’ on existing biophysical, social and economic aspects and trends that would likely be affected by the project. Through manipulation of this baseline data using cause-effect and other models, it is possible to compare the likely impacts of the project with alternative options for meeting the same objectives.

<table>
<thead>
<tr>
<th>Common factors in assessing the magnitude of environmental impacts</th>
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<tbody>
<tr>
<td>• Nature – positive/negative; direct/indirect/cumulative</td>
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<tr>
<td>• Magnitude/severity – high, moderate, low</td>
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<tr>
<td>• Geographic extent/location – local, regional, trans-boundary</td>
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<tr>
<td>• Timing – immediate/long term</td>
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<td>• Duration – temporary/permanent; intermittent/continuous</td>
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<tr>
<td>• Reversibility – reversible/irreversible</td>
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<td>• Probability/uncertainty – likelihood of occurrence, degree</td>
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<td>• of confidence in prediction</td>
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The project proponent, following guidelines established by a responsible government authority, typically convenes a multi-disciplinary team to carry out the EIA. The government authority is often, but not always, the authority with the responsibility to approve or reject the development proposal.

The scoping phase is used to ensure that all issues likely to be of significance are addressed by the EIA. In this phase, the project’s space frame (area of responsibility for impacts) and time frame (duration of responsibility for impacts) are defined. Scoping has been described as the ‘linchpin’ of effective EIA.12

Following the analysis of impacts, a series of mitigation measures to avoid, reduce and remedy these potentially adverse impacts to acceptable levels is prepared.13 These may be either structural (design or location change, treatment options, etc.) or non-structural (legal improvements, economic incentives or training).

The significance of ‘residual’ environmental impacts – those adverse impacts that cannot be reduced to acceptable levels – is determined by considering jointly their magnitude, and their importance (the value attached to resource losses, environmental deterioration, or alternative uses that are foregone as a consequence of the project). This value is determined on the basis of regulatory limits, and on the basis of community or public concerns.

Because public perception (particularly over impacts on human health) is an important element in project acceptability, the EIA process should ensure ‘appropriate opportunities to inform and involve the interested and affected publics, and their inputs and concerns should be addressed explicitly in the documentation and decision making’.14

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Participation is important as well for ensuring the credibility and public acceptability of the outcome, but it is not sufficient. To enhance the perceived legitimacy of the EIA, clear professional standards, transparency, rigorous science and independent checks and appeals processes are typically required.

Last, the EIA process must be cost and time efficient. The cost burden it imposes on the project proponent should be consistent with meeting the EIA process requirements and objectives, without preventing worthy development efforts from going forward.

**Issues associated with EIA**

Concerns about the effectiveness of EIAs typically fall into the categories presented below.

### Common criticisms of Environmental Impact Assessments

- Lack of independent review process and compliance assurance mechanism
- Flawed engagement with stakeholders (unequal power, expertise, resources)
- Pro-project bias and susceptibility to political pressure, leading to understatement of environmental impacts
- Excessive cost and time loss for project proponent during preparation, and approval phases
- Lack of assessment of alternatives to proposed project
- Failure to integrate EIA across entire project cycle, thus not including closure and site restoration
- Initiation of EIA independent from or late in the decision-making process, when design already nearing completion, with no impact on approval
- Susceptibility to cheating and corruption
- Reports are massive, technically complex, poorly organized, and thus difficult to read
- Cumulative effects and other factors, such as social and health impacts and risks, are not considered or inadequately treated
- Failure to consider indirect effects on systems and communities outside of project ‘space frame’
- Low standards/qualifications of those undertaking studies
- Unduly negative: positive impacts on environment, health, poverty reduction, and social development are not included
- Regulations may prescribe a narrow scope with companies and/or government reluctant to include wider issues in the assessment.

Particular challenges are faced in relation to EIAs for projects carried out in developing and transition economies (see boxes below):

- The World Bank discovered during a 1997 review of Environmental Assessment practice that only 25% of EIAs carried out for projects with ‘widespread and adverse impacts on human populations or environmentally important areas, extending beyond the site of the project and likely irreversible had “high” impact on project design’.15

- A detailed survey of EIA application in 24 Latin American and Caribbean countries over two decades by the Inter-American Development Bank in 2001 revealed ‘major weaknesses in a) defining the coverage and scope of EIA studies;”

b) standardising review methods; c) monitoring environmental management plans; and d) involving the local community in all stages of the process.’ 16

Allegations related to EIA of Inco/Goro Nickel Mine, New Caledonia, 200217

In a review of the EIA of a major nickel mine proposed for development in a potential World Heritage Site, a prominent NGO alleges that the EIA:

- Is massive, poorly organised, available only in French, and leaves only one month for public comment
- Is ‘systematically favorable to the project’
- Contains ‘unverifiable data’
- Fails to use standard models for fate and transport of effluent chemicals and heavy metals
- Inadequately studies and plans for hazards
- Inadequately surveys baseline status of flora and fauna
- Fails to consult local experts.

Allegations related to EIA of the Baku-Tiblisi-Ceyhan and South Caucasus Pipelines in Georgia, 200218

An independent commission established by the Dutch and Georgian governments to review the EIA of the BTC Oil Pipeline and South Caucasus Gas Pipeline in Georgia, found that ‘essential information for well-informed decision-making on both projects’ was missing. The commissioners found the EIA:

- Lacks a Management and Monitoring Plan
- Needs clarification on the methodologies employed for valuing and weighting criteria
- Is unclear whether and how affected people’s attitudes had been taken into consideration.

3.2 Social Impact Assessment

Introduction

Social impacts are defined as ‘all social and cultural consequences to human populations of any private or public actions that alter the ways in which people live, work, play, relate to one another, organise to meet their needs, and generally cope as members of society’ 19 They include not only demographic and socio-economic changes (to livelihoods, access to infrastructure; changes to power structures and institutions), but also changes to norms, values, beliefs and perceptions (fear, stress, anxiety and uncertainty).

Social Impact Assessment (SIA) has roots both in EIA (as part of the effort to widen the scope of assessment in response to criticisms such as those outlined above) and in the

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participatory assessments that are widely used in development projects as part of the planning process. SIA is well established in relation to planning public and private sector projects in Australia, Canada and the USA. Companies are making increasing use of SIA in the development of major projects in developing countries as well. SIA is less well developed than EIA. There are competing perspectives on the purpose of SIA, and on its content.

Three primary objectives of SIA can be identified:

- Part of democratic process – ensure equity and transparency in decision making
- Better decision-making – incorporate local knowledge
- Risk management – identify impacts and define preventative/mitigatory measures.

The content of an SIA reflects the relative priority it gives to the objectives above. Following are some leading approaches:

- **Community focused SIA.** Frank Vanclay and the International Association of Impact Assessment has defined SIA as: ‘…the process of analysing (predicting, evaluating and reflecting) and managing the intended and unintended consequences on the human environment of planned interventions (policies, programmes, plans, projects) and any social change processes invoked by those interventions so as to bring about a more sustainable and equitable biophysical and human environment.’

- **Project focused SIA.** The practice of companies, practitioners, and financiers, which seeks to make SIA a tool for better decision-making in projects. For instance Shell Exploration & Production notes: “The role of SIA is to identify and assess the potential social impact of a proposed project, evaluate alternatives and design appropriate mitigation, management, and monitoring measures.”

SIAs may be stand-alone documents or incorporated within an ESIA. They may be single documents or comprise a set of documents such as impact assessments, resettlement action plans, compensation plans etc.

**Methodologies**

SIA does not have a single theory underpinning it, but is instead a collection of techniques to conduct a rational debate about the effects of a proposal. Techniques can be categorised as ‘technocratic’ (expert driven and output focused) or as ‘participatory’ (value-laden and process driven). Review of published SIAs shows that both technocratic and participatory techniques are used, with an emphasis on the technocratic. Variations between and within companies highlight the fluid nature of SIAs, although several themes can be drawn out:

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20Adapted from Vanclay (1999)
• Project orientation. Corporate SIAs are project-oriented, and represent a discrete step in the project cycle, with the project firmly as the locus and community interaction framed in relation to it.24

• Defining impacted communities. While the definition of ‘project affected communities’ is drawn broadly (in terms of the issues arising from a project defining those who are impacted), this is often translated in practice to a rigid corridor along a pipeline or skirting a mine.

• Terms of reference. In some companies these are set without community involvement. In others, the scoping stage allows communities to input into the terms.25

• Steps in an SIA. These are comparable between many companies, following a process of scoping, baseline data generation, predicting impacts, evaluating significance, and developing mitigation strategies.

• Form of consultation. These range between one-way communications (such as informing communities about the project at the early stages of the consultation) to two-way communications (such as workshops to review the proposed mitigation measures).

• Inputting of community concerns into project design. Some SIAs give no indication as to how community concerns are captured and incorporated into project design. However, others do – Anglo American’s ‘Open Book Consultation’ which logs concerns raised in meetings or correspondence, tracks them through the project and mitigation design process, and responds in writing with proposed measures, is a good example of incorporating community concerns.

Issues associated with SIA

The technocratic approach is criticised for excluding community input and values. Experts come in with the initiative, expertise, finance and power. They define the terms of consultation, control the process, and impose the solutions. Public involvement is generally sought to validate lists of impacts and mitigation measures defined by the company/consultants. Public opposition to a project is often rooted in the intangible elements of a development, missed by analysis that neglects the subjective meaning of change, and how change differentially impacts across a community.

Technocratic approaches are also criticised as antithetical to sustainability:26

‘For many Aboriginal people, impact assessment has become just another of the many structural impediments to Aboriginal participation in regional development planning – another item on someone else’s agenda to which they must respond.’27

On the other hand, there are also many critiques of participatory approaches to SIA. Impacts will affect members of the community differently, yet participatory techniques often do not succeed in reconciling the different perspectives. As a result, these can obscure internal

24 However Social Management Plans are subsequently implemented as a continuous process
25 IFC Guidelines suggest that the community should play a role in defining the Terms of Reference (IFC Environment Division: Doing Better Business Through Effective Consultation and Disclosure, A Good Practice Manual (1998)
26 Danielson & Lagos (cited in Sonnenberg & Munster) note that sustainability requires consensus rather than imposed solutions
27 Howitt (1993) p129 emphasis added
divisions in communities such as class, gender and caste; represent mainly the views of the elite and powerful; promote the general over the particular; and disguise differences, conflicts and minority views. It is also questionable how well an uninformed public can identify potential impacts. Visits to comparable sites have been used to address this concern as have deliberate steps to set up intermediary organisations that provide technical advice to communities and help express their concerns effectively.

Participatory techniques are time consuming, for both the company and the community. They may collapse once compliance is achieved. Through raising consciousness of potential impacts they can themselves act as social change processes, causing increased anxiety and fear.

3.3 Political risk analysis

Introduction
Risk is the likelihood of exposure to events that would have an impact – either positive or negative – on a company’s objectives. It has two key parameters: impact and likelihood, and takes a variety of forms, such as technical, financial, social or political. Risk is fundamentally tied to a risk-reward ratio, in which greater risk equates to greater rewards. Political risk is defined as decisions and events that ‘concern the authoritative allocation of values and resources or that otherwise involve issues of legitimacy, authority or use of force”. Political risk analysis seeks to understand if, and, or how, goals of the project or contract will be affected by a change in the political environment, and what can be done to affect the likelihood or impacts. The results of political risk analysis are typically confidential.

Methodologies
There are a variety of political risk assessment methodologies. A mixture of qualitative and quantitative techniques are applied. Some companies use both. Examples include the RISQUE method and the Total Risk Assessment Methodology. There is no conventional point in the project cycle at which they are undertaken. Political risk assessments are country, region and/or project orientated according to the requirements of the company and the stage of project development. The more defined the project becomes, the more specific a risk assessment can be. The research reveals a broad typology of approaches:

- **Country level analysis via interviews prior to project definition.** Undertaken in-house at some point during pre-production, involving 40-50 interviews in district/country capitals with politicians, bureaucrats, NGOs and media. The output is a confidential report with a qualitative analysis of whether the company can operate in that situation, including analysis of the political

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28 Lax (1983) Political Risk in the International Oil and Gas Industry page 8
29 The RISQUE method developed by Bowden, Lane & Martin, and applied by URS, uses an expert panel to identify and characterise risk events, using an event tree for each event determining likelihood, scale, trigger and potential timing of occurrence. These are quantified, modeled and prioritized through risk quotients (likelihood x cost) and exposure profiles. Cost Benefit Analysis is used to define and evaluate alternative risk treatment strategies.
30 The Total Risk Assessment Methodology, developed by Control Risks Group, uses a qualitative approach to establish a ‘risk landscape’ and evaluate these using hierarchies of likelihood and impact. Key risks and risk triggers are analysed in depth, as are controls (existing or potential). Additionally a ‘Power mapping’ may be undertaken to understand networks of alliances and connections underpinning political decision making in a country on a specific issue.
environment, obstacles to peace, to the project, and to the development of a community relations programme.

- **Country level analysis via interviews working to a checklist with project define.** When moving into the pre-feasibility stage, desk-based study and in-country interviews are undertaken to uncover potential ‘show-stoppers’ that could de-rail the project. Interviewees include partners, international banks or loan institutions, multilateral agencies, local UN offices, academics, NGOs, investment risk ratings agencies, DFID/FCO/DTI and relevant embassies. The output is a completed (pro-forma) checklist, with variables graded need-to-know/threat or opportunity/potential show stopper.

- **Expert discussion groups.** A two-day workshop is convened in the home country with experts on the region, including employees, academics, NGOs and the Foreign Office, addressing risks, hazards, impacts and potential mitigation with an internal discussion relating the issues raised to the project.

- **Scenario forecasting.** A two-day workshop is convened, bringing external experts together with staff from Human Resources, Sustainable Development, Legal, Head Office and Regional teams in a brainstorm to understand the key drivers and major uncertainties in a society. This is then plotted on a grid (with optimistic and pessimistic projections for each of the drivers and uncertainties plotted against one another) followed by a discussion to explore what could create each of those scenarios.

- **In-depth study of company’s capacity to manage.** Undertaken at the feasibility stage, this is an in-depth examination of the company’s ability to manage a situation, including ability to garner information, strategic thinking ability, legal tools available and international financial institution involvement.

- **Continuous and evolving.** Constant revision and re-modelling of security risks, the potential for violence, the capacity of security forces and legal institutions, and understanding of the root causes of conflict.

Many companies commented that risk assessments occur throughout the project cycle, taking different forms in different situations. Security departments play an important role in screening potential partners and the conflict risks attendant to them, for instance.
4. Analysis

We have described the standard tools for project assessment – Environmental, Social, and political risk assessment – and laid out some of the primary critiques for each tool as currently applied. Many of these critiques, if adequately addressed, would no doubt enhance the performance of these tools in reducing conflict, though that would not be their principal aim. In what follows, however, we confine ourselves to discussing the principal limitations of these tools in identifying sources of, and presenting responses to, violent conflict. We divide our suggested responses to these limitations, between those actions that might require modification of existing tools, and those that might imply a fundamental rethinking of practice.

4.1 Broaden scope and link assessments

Companies, as the drivers of the project, largely define the terms of reference, scale, techniques, and timing of assessments, except where required as a condition of finance or law. Timeframes can limit the value of assessments if they are too short for iterative consultation, or base themselves on narrow or inflexible terms of reference. A narrow scope results in many impacts being excluded from assessment, with potentially severe societal implications should those impacts materialise in a conflict-prone setting. Areas where scope might be broadened and assessments linked to better address conflict issues are detailed below.

Integrate conflict analysis tools

While assessments do identify relevant variables to conflict, they are not systematically analysed through a conflict framework. Conflict analysis is a well-developed area of research, and several standard diagnostic techniques might be integrated into the assessment process. Key areas should include actors (their inter-relations, constituencies and motivations), root causes, triggers and accelerators. **CRIA will integrate standard conflict analysis tools with EIA, SIA and PRA.**

![Conflict Analysis Tools](http://www.odi/)

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<th>Conflict Analysis Tools</th>
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</thead>
<tbody>
<tr>
<td>Conflict Mapping</td>
</tr>
<tr>
<td>Armed Group Analysis</td>
</tr>
<tr>
<td>Stakeholder Analysis</td>
</tr>
<tr>
<td>Conflict Timeline</td>
</tr>
<tr>
<td>Conflict Tree</td>
</tr>
<tr>
<td>ABC Triangle (Attitude-Belief-Contradiction)</td>
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<td>DSC Triangle (Direct-Structural-Cultural Violence)</td>
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<td>Relief Access Mapping</td>
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Recognise and respond to impacts across the project cycle

While most companies do consider how the conflict context will create risks for a project, few consider how the project will affect the conflict context, (i.e. a project-specific conflict analysis) nor explore the interactions and feedback between the two. Further, project-area conflict analysis seems to slip between the gaps of political risk analysis (greater focus on macro conflict issues) and SIAs (which, in spite of a local/macro focus, often does not address project-generated conflict explicitly). Many also fail to consider the potential impacts of the

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assessments process and the mitigation strategies on affected communities. The process of interviewing community members may put them at risk of violent reprisal, for example, while the rewarding of jobs and contracts to armed groups of saboteurs in order to buy their acquiescence may reward predatory behaviour and encourage further violence. CRIA requires that not only the project, but the assessment and subsequent mitigation processes be conflict sensitive as well.

Address environmental sources of conflict

Competition over scarce or highly valued natural resources (e.g. water, timber, diamonds) can trigger or fuel violent conflict. Particularly in projects involving communities directly dependent on ecosystem products and services, social stability is strongly tied to the state of natural resources these communities exploit to subsist. ‘To date there has not been an adequate framework for integrating biophysical and social impact assessment.’ CRIA will need to identify and prioritise project-related environmental impacts with negative consequences for social stability, and suggest relevant mitigation strategies.

### Links between environmental impacts and conflict

- Control over land area (indirect competition over resources)
- Right to participate in decisions of share benefits from the exploitation of resources (contested governance and benefit sharing)
- Direct environmental impacts (threats to livelihoods, health, culture)
- Indirect environmental impacts (increased immigration, increased resource consumption).

Address environmental risks increased by conflict

Certain environmental risks are exacerbated by the presence of conflict. The primary source of terrestrial oil spills, for example, is alleged by leading experts to be sabotage of oil pipelines. The capacity of response teams to respond to such sabotage, as well as to industrial accidents, is hampered by insecurity in the region. These risks are frequently overlooked in EIA and SIA, though commonly identified in PRA. As a consequence, CRIA needs to identify those environmental risks most exacerbated by social instability, and lay out strategies for addressing these risks.

Identify peacebuilding opportunities

Shared concerns, whether to do with human health, common religious interests or shared natural resources, can create avenues for reinforcing intergroup cooperation. Widely shared environmental concerns, include animal health, surface and groundwater use, land use, biodiversity conservation and exploitation of shared valuable resource stocks or sites. They often cut across ethnic, religious and tribal lines, particularly where the resources are critical

32 Kapelus, P. Interview.
33 Zanvliet, L. Interview.
36 “The Commission...question[s] if the significance of the impacts of oil spills due to terrorism or sabotage is determined...[these] should be linked to the sensitivity of the area.” de Zeeuw, D. et. al. Advisory Review of the Environmental and Social Impact Assessment Reports for the Baku-Tbilisi-Ceyhan Oil Pipeline and the South Caucasus Gas Pipeline in Georgia. Dutch Commission for Environmental Impact Assessment, 2002:13
to life, as evidenced by the remarkable water-sharing rules adopted by migratory herders in the Sahel.

Levels of cooperation can be framed in terms of the depth of commitment required from the parties, from sharing knowledge, to joint participation in capacity building programs, and from collaborative monitoring and ‘joint declarations’, to the establishment of formal accords and dispute resolution mechanisms. **CRIA needs to identify common concerns between competing interest groups, and present opportunities to harness these for peacebuilding.**

4.2 Set thresholds and stick to them

There are some conflict scenarios in which a company cannot make a positive contribution. Such thresholds, or ‘showstoppers’ that justify halting a project, have yet to be defined. Objective definition of thresholds would be particularly valuable where communities are not able to challenge a development for fear of repression, and where national governance structures are particularly weak. **CRIA will need to provide a means to enunciate ‘no go’ thresholds in terms of conflict, and these thresholds should be clarified for the entire project cycle and related assessment and monitoring processes.**

4.3 Community consultation, engagement and decision-making

The form of consultation presents considerable challenges, particularly in conflict zones, i.e. can community meetings be convened at all? How should the company determine who should be at the table? Can the consultants meet with actors the government considers ‘illegitimate’ or ‘subversive’? The conflict practitioner’s approach is to view consultation as a fluid, open-ended process of relationship-building, fostering ownership of the process and the analysis by the participants. Conversely, assessments tend to follow a linear approach, requiring particular steps fixed in time and space by contracts and with cost implications for slippages. **A CRIA approach uses community consultation in a ‘track two’ perspective – relationship building through consultation is an end in itself.**

The content of consultation similarly presents challenges. To be effective, conflict analysis tools require the engagement of local actors in defining the structures, actors and dynamics of the conflict. By building consensus on these elements, the stakeholders take a crucial step towards conflict resolution or transformation. Local engagement also provides important insights, and a key opportunity for building partnerships. **To understand and address conflict, CRIA will need to incorporate participatory conflict analysis at the community level, engaging local actors in a consensus building approach to analyse conflict.** In situations where open consultation is impossible, it will need to provide alternative mechanisms that strengthen the community’s role in decision-making.

The impact of SIAs and EIAs on decision making is mixed. In practice, the decision to implement a project is financial (for the company) or political (for the government), in which politicians will weigh the impacts and interests of various groups proposing or affected by the project. In such situations the local is pitted against the national, and SIAs do not contribute to resolving the conflict between local and national interests. ‘National governments reap the most benefit from these projects, while social and environmental costs tend to be borne by

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37 ‘Track two’ refers to unofficial, informal interaction between members of adversarial groups that emphasises relationships and policy changes developed at a grass-roots perspective, complementing more overt and official channels.
local communities. This can be a trigger for violence. For the company, relinquishing a degree of control to allow people a role in decision-making invites transparency and trust, fostering legitimacy, relieving anxiety, and valorising community perceptions and significance ratings. Communities appear to be more accepting of change if they have been involved in the process of decision-making in a transparent and empowered manner. Developing the CRIA methodology will require exploring forms of community involvement in decision-making, ranging from the decision support processes up to larger siting or go/no go decisions.

4.4 Link assessment results to actions taken
There is often a failure to link the results of the political risk analysis to the prevention or mitigation strategies elaborated in the SIA. Both regulation and conditions of finance are key to embedding mitigation and prevention in project design. In the absence of such drivers, the involvement of external partners in monitoring and evaluation is needed. Placer Dome’s Porgera mine in Papua New Guinea has established an ‘Environmental Advisory Komiti’, comprising NGOs, government and company representatives, to monitor the implementation of environmental management commitments. CRIA should provide a link between analyses throughout the project cycle and develop conflict prevention, mitigation and implementation monitoring strategies.

4.5 Respond to dynamic situations
Conflict-prone environments are unstable and can change rapidly, while assessments and mitigation strategies are static or slow processes that often fail to ensure continual monitoring and revision throughout the project cycle. Annual or bi-annual reviews do not flexibly cope with quickly changing scenarios, while one-off contracted-out analyses do not contain mechanisms for review and updating. CRIA should provide a strategy for continual review of the context and feed this into regular review of prevention and mitigation strategy.

4.6 Perceptions of causality and risk
Simple models of ‘cause and effect’ and ‘impact and mitigation’ as applied in EIA and SIA are often inadequate to deal with the complexities of project-induced social change, particularly in conflict areas. They may obscure the complexity of a situation and the interlinkages between variables in the system. ‘Fixing’ one element may provoke other secondary processes, creating greater uncertainty than acknowledged in predictive models.

Similar problems arise with political risk assessments in forecasting future scenarios (including modelling conflict). Social relationships are complex and cannot be modelled in the same way as technical or environmental concerns. Modelling requires the use of proxy variables such as ‘ideology’ and ‘tension’. Confidence ratings can convey uncertainty, but cannot unravel causality. Should CRIA seek to address the desire of companies to model and predict?

Community perceptions of risk differ significantly from corporate perceptions. Their perceptions do not tend to be captured in political risk analysis. Further, risks to communities may not be factored into the analysis in the same way that risks to the project are, thus

externalising risk. **CRIA will need to devise an approach that captures the difference between a business deciding to take risks, and a business putting others at risk.**

4.7 Ensure effective resettlement, restoration and compensation

Project-related displacement, resettlement and compensation are flashpoints for conflict. During resettlement the rules of resource allocation often get re-written, with shifts in wealth and power and unequal treatment of re-settlers by companies. For instance, the construction of the Bujagali dam in Uganda has created serious cleavages and rising tensions in affected communities, because different education levels of community members affected their ability to negotiate with the company and thus the level of compensation they individually received.

Assessments typically conceive of conflict in resettlement and compensation cases as ‘stress related’ rather than resulting from community dislocation, and from changes wrought on community dynamics by the distribution of economic payouts. **As a crucial and sensitive element of large-scale project development, CRIA will need to specifically address resettlement and compensation.**

5. Concluding remarks

This review of EIA, SIA and PRA in terms of their effectiveness in identifying and responding to conflict has identified a series of shortcomings. Many are amenable to a gentle shift in focus, while others may call for a more fundamental rethinking of practice. Several key issues emerge for the attention of the Steering Group meeting. Firstly, does the experience of the development and humanitarian sectors in seeking to avoid conflict and build peace offer learning and insights relevant to the private sector? Secondly, is building on existing assessment tools the right foundation upon which to develop a CRIA methodology? Thirdly, what are the key steps in building a CRIA methodology? We hope and expect to address these questions directly in the first Steering Group meeting.