Redefining key components of social investment

Practitioner note 1 on social investment

Social responsibility

THE GLOBAL OIL AND GAS INDUSTRY ASSOCIATION FOR ENVIRONMENTAL AND SOCIAL ISSUES

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Background

This document is one of a series of practitioner notes on social investment (SI) issued by IPIECA after preliminary research was conducted in late 2015–early 2016. The aim of the research was to assess the need for a revision of IPIECA's *Creating successful, sustainable social investment: Guidance document for the oil and gas industry*, published in 2008. During this research, IPIECA benchmarked current SI practices of member companies against the framework and principles proposed in the 2008 guide, reviewed the guide in light of new developments in SI approaches, and identified new and available SI tools and guidance.

While the research concluded that the framework and principles of the Social Investment Guidance remain sound, valid and useful to companies, it was also acknowledged that the document does not reflect the latest thinking on key SI issues and approaches. In addition, interviews carried out with both external stakeholders and the IPIECA membership during the research showed that follow-up exploration and information sharing on specific topics would be more useful to the industry at this stage than additional generic guidance. This led to the idea of producing a series of practitioner notes as a way to gather, organize and present practical information on industry current practices on particular issues, and analyse these in the light of the most recent developments in SI approaches.

The practitioner notes should be seen as a complement to IPIECA's Social Investment Guidance.

Practitioner notes 1–3 have been produced by collecting first-hand information through more than 50 telephone interviews with practitioners from member companies and external stakeholders, as well as conducting a thorough literature review.

Introduction

IPIECA's publication, *Creating successful, sustainable social investment: Guidance document for the oil and gas industry* (2008, revised 2017) describes social investment (SI) programmes as *'the voluntary and/or regulatory contributions companies make to the communities and broader societies where they operate, with the objective of mutually benefiting external stakeholders and the company.'* Recent years have seen significant developments in SI thought and approaches that trigger the need to explore what SI means to practitioners in more depth.

This practitioner note discusses four main evolutions in SI:

1. A shift in the overall objective of SI, from *'benefiting external stakeholders'* only to a dual objective of benefiting external stakeholders *and* serving business interests.
2. The post-2015 development agenda,[1] which constitutes a strong push for the industry to better define what *'benefiting external stakeholders'* means and articulate how SI really contributes to socio-economic development.
3. The increased interventionism of host governments in the SI sphere, which puts the voluntary nature of SI into question[2].
4. The growing recognition of the need to partner with a wider range of stakeholders.

The note explores the operational implications of these evolutions for the practice of SI, and for each evolution:

- discusses the nature of the evolution and explains what is new;
- gathers observations from the interviews with practitioners on their current thinking on the topic, how internal company thinking has evolved, and the challenges that companies are now facing; and
- includes practical ways by which practitioners can analyse their situation and approach the issue at stake, as well as examples and tools.

One important consequence of these evolutions is that it now makes it difficult to define precisely what SI is and what it is not: interviews revealed that SI has come to include a broad basket of activities, which encompasses many different things for different companies. While there is apparently no consensus on a specific definition for SI, and some company interviewees actually pointed out that they *'don't want to be told what SI is or is not'*, many interviewees still reported the need for the industry to compare like for like when talking about SI.

From practitioners' experience, even though (and practitioners continue to highlight this) the money spent should not be the only indicator by which to assess performance in SI, the failure of companies to precisely list the items that fall in their SI basket exposes them to be compared by government or even community stakeholders, who contrast figures that actually are not comparable. Transparency in what is being financially reported under the SI umbrella is one step towards a genuine comparison of SI efforts. It would avoid confusion amongst stakeholders and, conversely, could protect companies from unhealthy competition.

1 2015 is the year when the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) were approved by the United Nations (UN) member states.

2 A note on regulatory social investment: While this refers to all non-voluntary SI, not all such SI is required by Government laws, regulations or policies. In many cases there are no government regulations, but SI requirements are stipulated in licence agreements.

Towards the dual objective of benefiting external stakeholders and serving business interests

WHAT IS NEW?

At the time of the publication of the 2008 guide, SI was already *'no longer seen by the major companies as an add-on to core corporate operations, but as an increasingly integral aspect of doing business'.* This trend has continued to spread, and business reasons have gradually become as important as moral and developmental aspirations.

Today, companies are rethinking SI not only in terms of *'benefiting external stakeholders'* but of benefiting external stakeholders and aligning with business interests at the same time. This evolution resonates strongly with the concept of 'shared value', a term coined in 2010 by Michael Porter and Mark Kramer in an article published in the *Harvard Business Review*, 'Creating Shared Value', where the company of the future is the one that knows how to *'enhance competitiveness ... while simultaneously advancing the economic and social conditions in the communities in which it operates'* (Porter and Kramer, 2011).

At the same time, some host governments now require that operators demonstrate how SI contributes to achieving business goals for the related expenditures to be cost recoverable.

For further information on shared value applied to the extractive sector, see FSG, 2014.

PRACTITIONER PERSPECTIVES AND CHALLENGES

Though considering the interests of the business is now common thinking, IPIECA members say that, in practice, they still find it a challenge to tie their SI activities to specific business objectives and to design processes to identify whether, and how, SI contributes to those objectives.

Some companies also mentioned that they are uncomfortable with showing any self-interested motivation for making SI contributions.

HOW TO GO ABOUT IT

Experience suggests that bringing SI closer to the business strengthens it in terms of sustainability, effectiveness and relevance. As oil and gas companies are profit-making organizations, a business-oriented value proposition looks more convincing than a 'doing-good' objective to external stakeholders—and to internal management as well.

Depending on the corporate culture, community interests, rather than business interests, may still be the entry point to the SI approach. Before embarking on any SI programme, the company then has to determine whether such a programme also creates value from a business perspective.

It is thus important that SI practitioners really understand the 'business of the business', and the current and potential footprint of their company's activities. As a preliminary step to make a robust business case for your SI programme, consider the following questions:

1. What are your company business objectives for the next three years?
2. How does your SI programme contribute to some of these business objectives? (Try to be as specific as possible.)

To help you, you can think about how your SI programme influences common business drivers such as:

- access to resources (land, water, etc.);
- risk minimization;
- cost reduction;
- local workforce and supplier productivity;
- compliance with local laws and regulations, or with international standards; and
- reputation/social licence to operate (SLO).

Note: the last business driver (SLO) should be taken with much caution; as we will see later in this practitioner note, there is no automatic link between SI and reputation/SLO as these are determined by stakeholders' perceptions of the company's activities as a whole.

Many companies are now building their SI programme from existing key business processes, such as the environmental and social impact assessment (ESIA) or regular social risk reviews. Some have explicitly defined SI in their social performance policy, for example as being activities which *'address social risk factors and enhance social opportunities that can positively contribute to the business'* and have willingly defined donations or philanthropy as not being SI. Others are also using themes or focus areas, predetermined at the corporate level, to streamline assets' SI contributions towards business strategic activities (with themes such as employability, entrepreneurship, STEM (science, technology, engineering and mathematics) education, shared infrastructure, etc.).

Finally, the positioning of SI within the company also affects the ability to link it to the business. Many companies now have committees, which coordinate the implementation of SI programmes. The SI department (or the function where SI sits) interacts and coordinates with other functional departments which may implement parts of the SI programme. This coordination among functions can also happen during the design of the SI strategy, by mapping the company's core competencies and resources that can be used through SI to address social risks and enhance opportunities.

ADDITIONAL GUIDANCE

The IFC's good practice handbook on strategic community investment (IFC, 2010) offers a dedicated chapter (Chapter 2, page 13) on how to assess the business context, make the business case and build a company vision for SI as well as how to align internal functions to support it, building on core competencies and business links.

NOTES OF CAUTION

The interface between SI and local content

Focusing on their comparative advantage as private sector actors, more and more companies have started concentrating their SI efforts on skill building and enterprise development beyond the oil and gas sector, to avoid creating dependency on the sector. By doing so, they add to their local content efforts, supporting technical and vocational training and entrepreneurship focused outside the oil and gas industry. Some companies also use SI to complement their local content efforts, for example in developing talent through investment in STEM-focused initiatives.

As the second edition of IPIECA's guidance document on local content strategy for the oil and gas industry (IPIECA, 2016) stresses, *'definitions of local content vary greatly across, and within, host countries'*. Variations in the definition also exist across companies. A major ambiguity lies in the term 'local', which often refers to the national level, especially when local content laws and regulations target the national level only. From a social risk management perspective, attention needs to be placed on defining the term 'local' and making sure local content efforts also target communities from the area of influence of oil and gas activities.

Leading mining companies have, for a while, been concentrating their SI efforts into the 'employability' and 'contractibility' of community people from their area of influence, for their supply chain and beyond. Company standards require each site to set targets of 'community content' from the outset, i.e. from early exploration. Even before pre-feasibility, sites need to have developed a formal supply and demand assessment, carried out added value studies and conducted a detailed training capacity inventory. The company review of mining projects going to the pre-feasibility stage will encompass a thorough review of their community content component; projects can be refused by the investment committee if they are not adequate in terms of community content, as this is considered to be a major risk area.

ADDITIONAL GUIDANCE

For further reference on community content practices related to the oil and gas industry, refer to Michael Warner's briefing note, *Community Content: the Interface of Community Investment Programmes with Local Content Practices in the Oil and Gas Development Sector* (Warner, 2007).

The risk of impact mitigation measures being considered as SI

Traditionally, donations, community development projects and, to a lesser extent, regional development projects, made up the bulk of SI and these projects mostly translated into livelihoods support and social services delivery. It was very clear for most companies that SI was secondary to impact mitigation: it was the voluntary 'add-on component' after project impacts had been addressed by the departments that created them.

Today, this distinction is somewhat blurred and SI is sometimes used to directly mitigate social impacts or to mitigate social risks of oil and gas projects. This could have undesired outcomes. For example, if SI is being used to mitigate an impact that has not been formally identified during the ESIA process and its mitigation is hence not a regulatory obligation, impact mitigation measures could become a discretionary initiative and no longer be considered as an obligation, especially if the SI budget is constrained during cost-cutting times. Practitioners emphasize that impact mitigation, whether it is considered as part of SI or not, is the minimum standard in terms of duty of care and therefore should never be seen as optional.

Stakeholder participation in SI

Many companies mention the need to gain and maintain an SLO when making the business case for SI. Yet, both practitioner experience and academic research have shown that SI on its own does not directly influence SLO. What influences SLO most is trust, and multiple factors contribute to building trust.

Most practitioners agree that SI cannot contribute to gaining and maintaining an SLO if, first, the company has not mitigated the impacts of its activities and is not genuinely engaging with its stakeholders. What is often not mentioned, but is also true, is the importance of procedural fairness. That is, when stakeholders feel they have a say in the decision-making process about things that affect their lives. Procedural fairness is key in building trust and, hence, directly influences SLO. SI cannot contribute to securing an SLO if procedural fairness is not applied in the design of SI programmes. Simply put: how SI is being developed (the process by which SI programmes are being built and SI programmatic decisions are being made) is more important than what is being invested in.

One important aspect of procedural fairness in SI lies in the real participation of stakeholders in the design of programmes which are intended to positively affect them. This means putting (a lot of) effort into building a process which, ultimately, will bring meaningful and sustainable development.

There are many reasons why companies say they do not engage in a real participatory process, including:

- it is time-consuming;
- it seems too vague—the company may lose control over outcomes; and
- it is process-driven, not result-driven: time and money are spent on intangibles.

However, most SI practitioners have experienced the imbalance created by a situation in which the company constitutes a major (if not the sole) source of funding of development in the area and finds itself at the centre of development discussions. In such cases, it is important for companies to support community planning as a means for companies and stakeholders to define a joint vision for the future and agree on the roles and responsibilities of each party (company, community but also civil society, governments, donors, etc.). Practical guidance regarding stakeholder participation in SI and support for community planning can be found in Chapter 4 (page 39) of the IFC's handbook on strategic community investment (IFC, 2010).

The lessons learned from the most referenced example in the industry, Chevron Nigeria Limited's Global Memorandum of Understanding (GMOU) process, are also worth careful consideration (see CBI, 2012).

STAKEHOLDER PARTICIPATION IN SI IN THE MINING INDUSTRY

CDAs and FTFs

The mining industry has long-standing experience of formalizing its SI commitments into community development agreements (CDAs[3]). In addition, foundations, trusts and funds (FTFs) have long and widely been used in the mining sector as mechanisms for the distribution of social and economic contributions and payments from companies and governments to communities (Newmont Ghana's NADeF[4] is an often-cited example).

CDAs and FTFs are certainly no silver bullets but they imply an advanced level of stakeholder participation across the SI process. In addition, with increasing government intervention in SI, and as innovative voluntary practices become more widely adopted within the industry (and may even eventually become regulation), it is likely that formal CDAs will become the norm in the oil and gas industry as well.

Guidance on CDAs and FTFs can be found in the *References and further reading* section on pages 16–17 of this practitioner note.

The Beyond Zero Harm Framework

In 2015, the Devonshire Initiative[5] established a framework to address *'gaps in the ways that companies approach measuring, understanding and discussing community well-being with host communities'.* The Beyond Zero Harm Framework lays out a participatory process for defining, measuring and analysing community well-being data with host communities. By so doing, it helps companies to redefine their role in the local development process as a participant, not as the driver. For further information see *Beyond Zero Harm Framework: A Participatory Process for Measuring Community Well-Being* (Devonshire Initiative, 2015).

Additional guidance from the mining sector

The ICMM[6] *Community Development Toolkit* (ICMM, 2012) provides a set of 20 practical tools to develop a community development programme. Conceived for the mining industry, the Toolkit is fully transferable to, and useable by, the oil and gas industry. Tools numbers 3, 7, 8, 9 and 16 constitute useful and practical guidance regarding stakeholder participation in SI.

3 Other names found for CDAs include benefit sharing agreements and impact-benefit agreements (IBAs).

4 Newmont Ahafo Development Foundation. www.nadef.org

5 The Devonshire initiative—a collaborative forum for international development NGOs and mining companies. http://devonshireinitiative.org

6 International Council on Mining and Metals. www.icmm.com

The industry contribution to socio-economic development

WHAT IS NEW?

During the past decade, natural resource-based development has been challenged by the general public, heightening the need for the extractive sector to show and better quantify its overall contribution to socio-economic development.

In 2015, the United Nations (UN) member states approved the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), which represent a worldwide plan of action for social inclusion, environmental sustainability and economic development. The private sector is seen as an important actor to mobilize resources (human, physical, technological and financial) to advance the Agenda and contribute to the attainment of the SDGs.

In this global context of ever-increasing expectations for the private sector, the extractive industry is again being asked to demonstrate how it contributes to development.

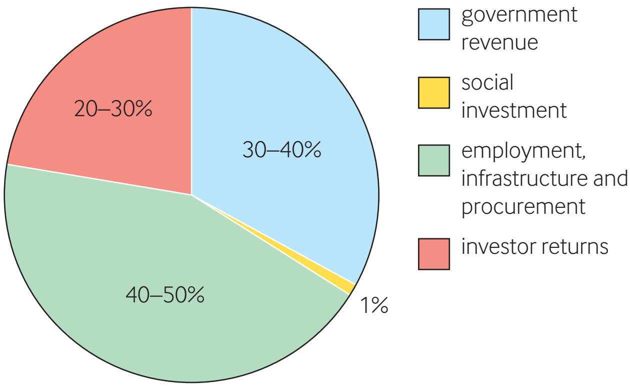
The 17 Sustainable Development Goals of the UN

PRACTITIONER PERSPECTIVES AND CHALLENGES

For a long time, most companies have been talking about SI in terms of money spent. At the same time, however, companies acknowledge that SI is only a small part of the money distributed by companies, with most of a company's revenue going into paying suppliers, returns to investors, and rent and taxes to government.

Typical share of spending in oil and gas projects

Source: adapted from AfDB/BMGF, 2015.



While SI spend is dwarfed by these other categories of spending, locally-focused SI programmes are often the one tangible benefit that is broadly distributed and that most community members will see from an oil and gas project. Also, in many cases, that '1%' is far more, in monetary terms, than the average 'non-extractive' contributions that local communities will ever receive.

There is broad consensus among practitioners about the importance of measuring the impact of these investments on people's lives, at an asset level but also across assets and countries. Yet, practitioners also acknowledge the difficulty of doing so, an issue they have in common with the public and not-for-profit/ development sectors. Companies face challenges ranging from determining what to measure, to gathering reliable data, to determining the attribution factor (i.e. to what extent SI, as opposed to other factors, has caused the desired outcomes and impacts), to aggregating data across a large number of assets and countries, etc.

HOW TO GO ABOUT IT

SI practitioner note 2 discusses in detail the challenges of monitoring and evaluation of SI and provides practical steps and suggestions.

With regard to the connection between the SDGs and SI, many companies highlight the importance of ensuring that delivering on the SDGs does not 'distract' companies from being strategic about SI. Most companies see the SDGs more as a reporting tool than as a decision-making instrument and, in fact, companies which are actively monitoring the social outcomes and impacts of their SI contributions can easily report those results against the SDGs.

The 17 SDGs also have 169 sub-goals or SDG targets: some of these can be selected as a benchmark in designing SI indicators. For example, one target under SDG 2 (Zero Hunger) is to *'double the agricultural productivity and incomes of small-scale food producers by 2030'*. This target can be used as a benchmark when designing the indicators attached to a livelihood support programme.

Companies can go even further and recognize that a company potentially impacts the SDGs both positively and negatively. Therefore, instead of focusing on SI and only reporting on positive impacts on the SDGs, companies could map their actual and potential contributions to, and impacts on, the SDGs. This would mean:

- looking at how the company is impacting each of the 17 goals, positively and negatively;
- making sure core business activities are conducted in a way that minimizes and mitigates negative impacts;
- integrating the SDGs into the core business, i.e. looking at how core business activities can be leveraged for positive impacts; and
- examining how the company can collaborate with other stakeholders and leverage resources to address the SDGs.

Finally, as countries are elaborating their own national plans for implementing the 2030 Agenda for Sustainable Development, companies should become acquainted with and, if possible, work in line with those plans. This can be seen as an opportunity to forge closer relationships with host government actors, for the benefit of both parties, as the SDGs cannot be achieved without cooperation.

THE EXTRACTIVE SECTOR AND THE SDGs

A recent publication from the Columbia Centre on Sustainable Investment (CCSI), the United Nations Development Programme (UNDP), the UN Sustainable Development Solutions Network and the World Economic Forum (WEF, 2016) clarifies the relationship between mining and the SDGs, and presents a broad overview of opportunities and challenges to demonstrate the actual and potential contributions of the mining sector to the achievement of the SDGs throughout the project life cycle. The document is also intended to *'advance the conversation about how mining companies, working both individually and collaboratively with governments, communities, civil society and other partners, can achieve the SDGs'* and can be of use to oil and gas companies wishing to embark on a mapping exercise.

In the same spirit, UNDP, the International Finance Corporation (IFC) and IPIECA have released a report detailing the relationship between the oil and gas industry and the SDGs (see UNDP *et al.*, 2017).

Increased host government interventionism in the SI sphere

WHAT IS NEW?

Traditionally, and as defined in the 2008 guide, SI has essentially been a voluntary activity, with the responsibility for decision making about what, where and how much to invest resting with companies, not with the state. The past decade has, however, seen an increase in host government interventionism in the SI sphere, both in terms of process and expenditures, even though host government intervention mechanisms vary greatly from one country to another.

PRACTITIONER PERSPECTIVES AND CHALLENGES

Most companies acknowledge the trend of the increasing host government interventionism in the SI sphere, which actually constitutes a loss of company control over SI. Many practitioners feel that they are left managing the consequences of this intervention rather than being given the opportunity to proactively respond. Some of the challenges they face include:

- remaining strategic when government-imposed focus areas for SI are removed from the business case and/or do not fit with community needs and aspirations;
- matching the regulatory requirements with the reality in the field; instances of when a discrepancy exists may include situations in which:
    - too much money is to be spent too quickly compared to the 'absorption capacity' of the area;
    - planning and implementation/disbursements have to happen yearly without consideration of the nature of the intervention;
    - in-country implementing partners are imposed but there is not adequate in-country capacity available;
- dealing with the image of being associated with poorly managed/ineffective/corrupt government-led social programmes or with programmes that do not serve their stated purposes but instead serve political ones; and
- managing administrative bottlenecks for the approval, monitoring and auditing of regulatory SI programmes and deploying extra resources to do so.

HOW TO GO ABOUT IT

While there are limitations to what a company can do to keep control over regulatory SI, most practitioners feel that not paying adequate attention to regulatory SI would be at the company's own peril, because of the potential knock-on effects on reputation and the ability to operate or continue to operate.

Most practitioners stress the importance of formalizing SI policies, with clear 'no-go' SI areas and using these as a tool during negotiations with governments. They insist on the integration of social considerations in contract negotiations to avoid regulatory SI contributions being considered as 'a simple fee'. Practitioners highlight the need to be given the chance by the negotiating team to propose adequate measures to manage the reputational and operational risks associated with these kinds of contributions, before things are set in stone in the operating agreement.

Many practitioners are also using voluntary initiatives such as the Extractive Industries Transparency Initiative (EITI), or legal requirements from their home countries, such as anti-bribery and corruption laws, to improve transparency and accountability around regulatory SI contributions. Others mentioned the use of their company's global network, for example to connect the local civil society with international NGOs which can build local capacity on governments' roles and responsibilities and, by so doing, contribute to increased government accountability.

On the other hand, it is also important to mention the opportunities that regulatory SI contributions present, and how companies can capitalize on them. Some companies point out that regulatory SI contributions open the door to various levels of government and different ministries to talk about SI and, by so doing, give companies the opportunity to influence, encourage and promote good practices. Regulatory SI contributions can also give companies the legitimacy to engage with stakeholders with whom they would previously have had difficulties engaging or with whom discussing certain topics (such as human rights) would have proven difficult.

Well-designed regulatory SI contributions can also promote greater coordination between companies and other stakeholders, and as a result, achieve greater SI impact in the territory where these companies are working. This greater collaboration in return can help operators to join forces and have stronger negotiating power to align with governments on an SI vision for a given territory, on how to tackle major social challenges and on how to enable a better operating environment. It can also raise the standards in terms of SI delivery, helping companies with less formalized approaches to deliver better outcomes.

The perception among the general public and, as a consequence, within governments, that extractive companies are 'not doing enough' for society compared to the massive revenues they receive is a powerful driver of governments' increased interventionism in the SI sphere, even in a lower oil-price environment. As highlighted earlier in this note, SI only plays a small part in terms of dollars redistributed, with most revenue going into paying suppliers, returns to investors, and rent and taxes to government. For companies to provide a more comprehensive picture of what they are contributing to the community, regulatory contributions should also be reported under SI, both in terms of spending and social outcomes and impacts. Different categories could be created to distinguish between:

- donations/philanthropy;
- voluntary SI; and
- regulatory SI (distinguishing clearly between what the company can and cannot influence).

COLOMBIA: IMPLEMENTATION OF THE COMMUNITY BENEFIT PROGRAMME FOR THE GUA OFF-1 BLOCK

Community Benefit Programmes (CBPs) are mandatory social investments that oil companies need to comply with as part of their contracts with the National Hydrocarbons Agency (NHA) in Colombia. Since 2012, these contracts have included an established framework for CBPs. This framework is the result of an analysis of social investment from the oil and gas industry, conducted by the United Nations Development Programme (UNDP) and NHA under a technical and financial cooperation agreement aimed at improving the impact of social investment from the industry in Colombia.

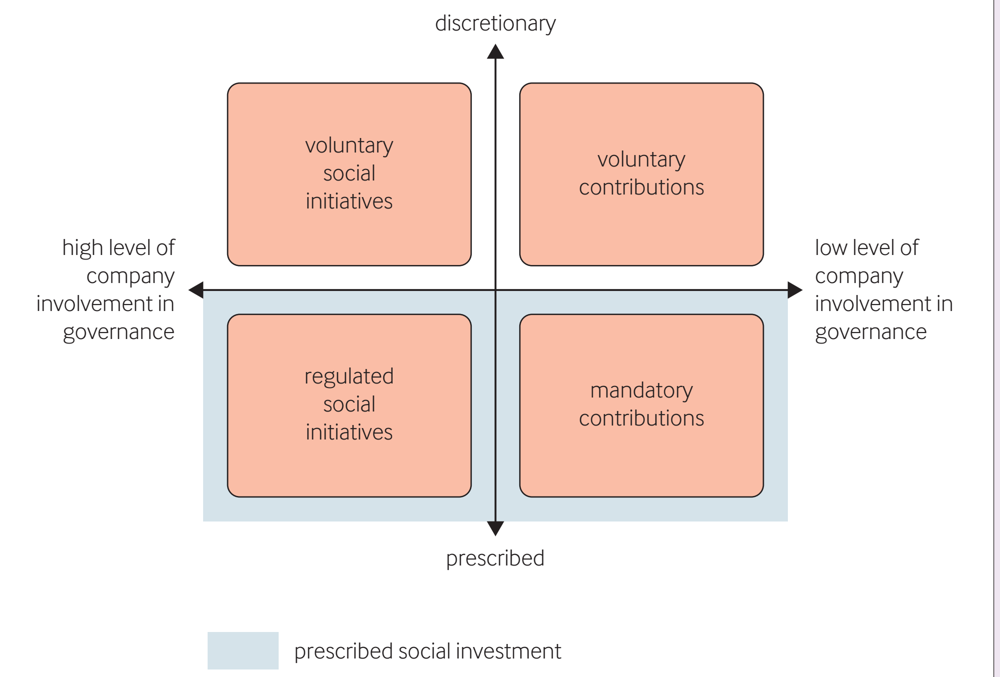
The GUA OFF-1 Block was awarded to Repsol and Ecopetrol in 2014. Repsol, as the operator, decided to work jointly with UNDP to design and implement the corresponding CBP. This was seen as an opportunity for Repsol, not only because of the technical experience of UNDP and their transparency in the use of resources, but also because UNDP had already worked with the Wayuu indigenous communities who had come to trust them. In addition, this work was seen as a good opportunity to implement the CBP guidelines developed by UNDP for NHA.

More than 2,000 Indigenous Peoples from 18 different Wayuu communities benefited from this programme and have been involved in all phases. Works were done to improve and repair water reservoirs, construct water suction systems and two micro aqueducts, and strengthen communities' capacities for the correct use and management of water.

The NHA's social investment guidelines enable contractual agreements to be aligned and articulated with the local and regional development plans, allow communities to participate actively, and enable the social investment impacts to be quantified and verified. They also make it possible to highlight the investment done by the industry in the regions where the CBPs are being implemented.

CATEGORIZING VOLUNTARY AND REGULATORY SI CONTRIBUTIONS: A PROPOSAL

As proposed in a research paper entitled *Beyond Voluntarism, The Changing Role of Corporate Social Investment in the Extractive Resources Sector* (McNab *et al.*, 2012) published by the Centre for Social Responsibility in Mining (CSRM) at the University of Queensland, contributions could be categorized according to two broad criteria: (1) whether the investment was made voluntarily or to meet a government requirement; and (2) whether the company was, or was not, involved in the governance of the funded initiatives. From there, the SI contributions would fall into four possible categories, as described below.



Source: McNab *et al.*, 2012

1. Voluntary social initiatives: company-controlled or managed social initiatives that the company has invested in of its own volition, and over which the company retains the ultimate control.
2. Voluntary contributions: social initiatives that a company chooses to support but does not manage (analogous to traditional corporate philanthropy and donations).
3. Regulated social initiatives: company-funded initiatives that have been undertaken at least in part in response to government requirements.
4. Mandatory contributions: payments made directly to government, or government-controlled funds, where the company has little or no influence over where and how the money is subsequently spent.

Reconceiving collaboration

WHAT IS NEW?

For a long time, companies have been using a combination of different models to implement their social investment programmes, with multistakeholder partnerships being one of many options.

Although there is no set definition of a multistakeholder partnership, the IFC's handbook on strategic community investment (IFC, 2010) lists the following features as commonly cited when referring to multistakeholder partnerships:

- Voluntary alliance bringing together stakeholders from different sectors, such as the public sector, businesses, civil society and international organizations.
- Complementarity of resources and skills to address a common issue.
- Modus operandi that safeguards interests and levels the playing field for those involved.

There are several strategic reasons to partner:

- Sharing risk.
- Leveraging expertise.
- Accessing skills and resources.
- Extending programme reach and ability to scale, enabling the move from a local impact to regional or national.
- Improving the likelihood of being successful.

Companies thus increasingly enter into partnerships with an ever wider range of stakeholders and stakeholder groups. However, they still mostly do it for the implementation of SI programmes and to leverage additional funds. Yet some companies are starting to reconceive partnerships in terms of using their soft power (as opposed to using money) to catalyse change.

PRACTITIONER PERSPECTIVES AND CHALLENGES

In the current cost-constrained environment, many companies consider the effectiveness of partnering in terms of delivering the best value. Questions such as *'Should I use an implementing partner or do it myself?'* start to arise. Companies then have to decide between using local implementing partners, which may be more economical than international NGOs but which may need more upfront investment to build local capacity where it is limited or non-existent. Consequently, companies are increasingly leveraging funding with other partners, such as donors, yet recognizing that donor spending is also declining.

HOW TO GO ABOUT IT

When devising their SI strategy, some companies systematically map and assess how they can contribute in non-financial ways by leveraging the company's core competencies and resources. Companies currently make non-cash SI contributions, most often in the form of employee volunteering, but the opportunities offered by other forms of non-cash contributions remain largely untapped or, if used, they are not 'recognized' as SI activities because they are not tied to the achievement of a specific objective nor are they reported on.

For example, in the course of business, companies collect and analyse a large amount of data (e.g. on taxes, royalties and other payments, the environment, socio-economics, etc.). Sharing this data with stakeholders may be useful and contribute significantly to the implementation of their own plans. The cost to deliver this data in a user-friendly form for the given audience may be marginal compared to the social benefit it can deliver.

Companies also have huge convening and lobbying powers. They can help facilitate contacts, communication and collaboration between stakeholders with whom they are in a relationship, and change can be initiated just by connecting people. Examples of such initiatives could include:

- linking local civil society organizations with international non-governmental organizations to build local capacity; and
- facilitating the state's presence in underserved areas, either to increase the delivery of social services or to trigger discussions on people's land rights/the local government's royalty entitlement, etc.

One area of collaboration which still seems largely unexplored is collaboration at the industry level, for example between different companies operating in the same territory that are likely to be facing the same social challenges. While there would be advantages to working together, industry collaboration on SI, and more generally on social performance, seems to most practitioners to be impractical and to go against reputational objectives. This also used to be the case for environmental performance, yet regional industry alliances have emerged in response to the pressing need to accelerate the pace of improvement in environmental performance of some new oil and gas developments.

CANADA'S OIL SANDS INNOVATION ALLIANCE (COSIA)

COSIA is an alliance of 12 Canadian oil sands producers formed in March 2012. *'Through COSIA, participating companies capture, develop and share the most innovative approaches and best thinking to improve environmental performance in the oil sands, focusing on four Environmental Priority Areas (EPAs)—greenhouse gases, land, water and tailings. (...) To date, COSIA member companies have shared 936 distinct technologies and innovations that cost almost $1.33 billion to develop. These numbers are increasing as the alliance matures and expands. Through this sharing of innovation and application of new technologies, members can accelerate the pace of environmental performance improvements.'*

From the COSIA website (2016) at www.cosia.ca

ADDITIONAL GUIDANCE ON PARTNERSHIPS

- Chapter 7 (p81) of the IFC's handbook on strategic community investment (IFC, 2010) details the strategic reasons to partner and offers key elements of a partnership agreement.
- Tool No. 4 of the ICMM *Community Development Toolkit* (ICMM, 2012) provides useful guidance for analysing potential partners and their suitability partnering with a company, and defining what areas of mutual interest can be shared in regional community development programmes.

Conclusion: a summary of key changes in SI since 2008

Table 1 (below) presents the main evolutions in SI approaches and practices between the time of the publication of IPIECA's *Creating successful, sustainable social investment: Guidance document for the oil and gas industry* (2008) and today.

As the table shows, the past decade has seen an expansion of the SI perimeter, and as SI gets closer to the business, it becomes harder to define what SI is and what it is not. This expansion does not mean that companies are spending more but instead that they are probably reallocating resources in ways that also deliver social outcomes for stakeholders. This is a key component in improving competitiveness in a market where people are increasingly asking for more from the industry. However, at an industry level and to allow a genuine benchmarking between companies, it is important that each company is transparent about what SI means and what the composition of the company's SI basket is.

Table 1 Evolutions in SI approaches (2008–2017)

2008	2016–17
• SI's stated objective is to benefit external stakeholders.	• Dual objective of benefiting external stakeholders *and* addressing business needs
• Community development approach to SI, under the responsibility of a single department	• More of an integrated approach to SI, in which several functions have a role in its delivery
• SI is clearly distinct from local content	• Some local content activities fall under the SI banner (e.g. STEM education at the national level, vocational skills and enterprise development)
• SI is clearly distinct from impact mitigation	• Blurred lines between SI and impact mitigation
• SI not often measured in terms of its contribution to socio-economic development but mostly in terms of spending	• Companies are going beyond measuring SI spending, and are trying to implement M&E frameworks to demonstrate both their social impact and the return on investment of SI
• SI seen as a voluntary contribution	• Regulatory or licence-mandated contributions also considered as SI
• Companies are mainly positioned as a partner in a funder or co-funder role	• New ways of partnering, leveraging on non-cash contributions

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Appendix 1: References and further reading

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Appendix 2: Acknowledgements

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We welcome any feedback that you have on this document. Please contact the IPIECA secretariat at: info@ipieca.org

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IPIECA

IPIECA is the global oil and gas industry association for environmental and social issues. It develops, shares and promotes good practices and knowledge to help the industry improve its environmental and social performance, and is the industry's principal channel of communication with the United Nations.

Through its member-led working groups and executive leadership, IPIECA brings together the collective expertise of oil and gas companies and associations. Its unique position within the industry enables its members to respond effectively to key environmental and social issues.

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