# Chapter 3: Assess the Local Context for CI

KNOW WHAT YOU'RE GETTING INTO BEFORE ENGAGING

Once a company has defined its business case, its vision and role, and the competencies and resources it can best offer to support community development, the next step is to understand the local "ecosystem" it is entering and the implications for community investment. There are often multiple variables specific to the local context that need to be understood before a company engages with local stakeholders on community investment. These can range from historical legacies and conflict settings, to elite capture and gender issues, to issues relating to local governance or the availability of capable local partners. Local context analysis considers how community investment efforts can be helped or hindered by these broader-level challenges. At the project level, tools such as stakeholder mapping and analysis can help a company to directly link site-specific risks, issues, and opportunities with its CI strategy.

The injection of new resources through CI can help communities improve their livelihoods and rebuild their social and economic infrastructure. It can also enhance their ability to work collaboratively to achieve shared goals. At the same time, who a company chooses to talk to (and through), to work with, and to target for CI benefits can profoundly impact power structures and social outcomes. This means that companies need to guard against inadvertently creating perceptions of bias, causing conflicts around resource allocation, or deepening tensions between and within local governance structures. Such decisions should be grounded in local knowledge of the types of issues discussed in this chapter.

Figure 3.1: Variables of the Local Context
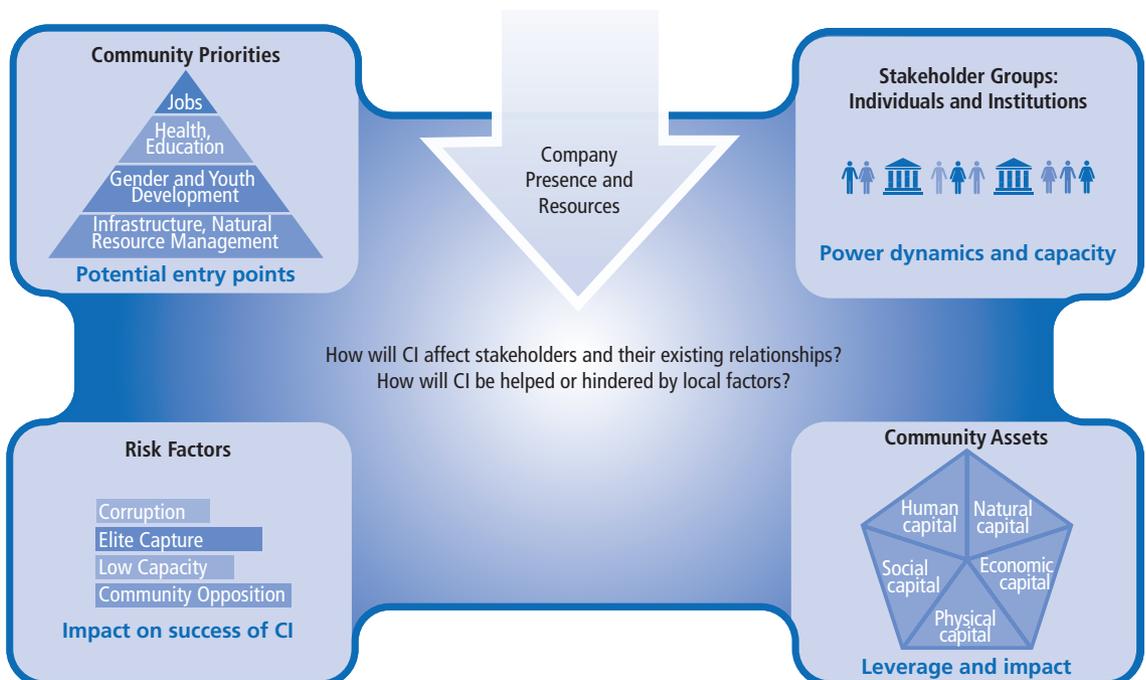
MAP THE SOCIAL LANDSCAPE: ACTORS, INSTITUTIONS, DYNAMICS, RELATIONSHIPS

Companies do not need to start from scratch to build their knowledge of the local operating context. There are many existing sources of information that can be readily accessed. For example, many companies undertake socioeconomic baseline studies as part of their environmental and social impact assessments; they use stakeholder identification and analysis techniques to identify potential risks and prioritize stakeholder groups for engagement; and they conduct public consultations on project impacts. This usually provides a pretty good picture of the project area, the likely project impacts, and which stakeholders will be affected and how.

Collect Targeted Data to Inform CI

Because much of the assessment work related to local communities tends to be project-centric and undertaken using a "risk lens," it does not always focus on gathering some of the broader pieces of information needed for CI planning. Going this route means also using an "opportunities lens." This type of social analysis needs to situate the company as one player within a dynamic and complex network of interrelated local actors and institutions (see Figure 3.1) and to examine the nature of these relationships and systems in shaping local development processes and outcomes.

Assessment work of this nature typically covers the following areas:

- Identification of potential opportunities to enhance or generate local benefits (assuming that risk mapping has already been done at an earlier stage)

- Mapping of potential partner organizations and institutions, and their capacities

- Mapping of other development initiatives and programs at the local, regional, and national levels (including government priorities and plans)

- Analysis of social networks and systems and the potential for collaboration and program synergies (including key actors and their roles in social mobilization and delivery)

- Analysis of stakeholder groups and sub-groups that need to be included in the CI process along with their capacity-building needs

- Identification of obstacles, gaps, or deficiencies in the prevailing "system" that could prevent or pose risks to collaborative planning and delivery of CI programs

Identify and Analyze Stakeholders

Stakeholders are persons or groups who are directly or indirectly affected by a company's operations as well as those who may have interests in and/or the ability to influence the company's activities (either positively or negatively). Identifying which stakeholders to target ensures that CI is strategic and will help a company respond to site-specific social risks while also taking advantage of opportunities to have a positive impact in its areas of operation. Stakeholder analysis also informs the development of a company's "eligibility criteria" (discussed in Chapter 6). It can be a means to identify those for whom the company can make the greatest difference in terms of development impact. Wherever possible, a company should build on stakeholder identification already undertaken for prior processes, including impact assessments and early engagement activities.

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In the context of CI, stakeholder identification and analysis might involve the following steps:[11]

1. Determine who your stakeholders are.

2. Using a process similar to Figure 3.2, map your stakeholders according to the degree to which they are affected by the project (horizontal axis) and the level of influence they might have over company activities (vertical axis).

Figure 3.2: Mapping Stakeholders

Stakeholder Map

supportive
neutral
supportive with conditions
opposed
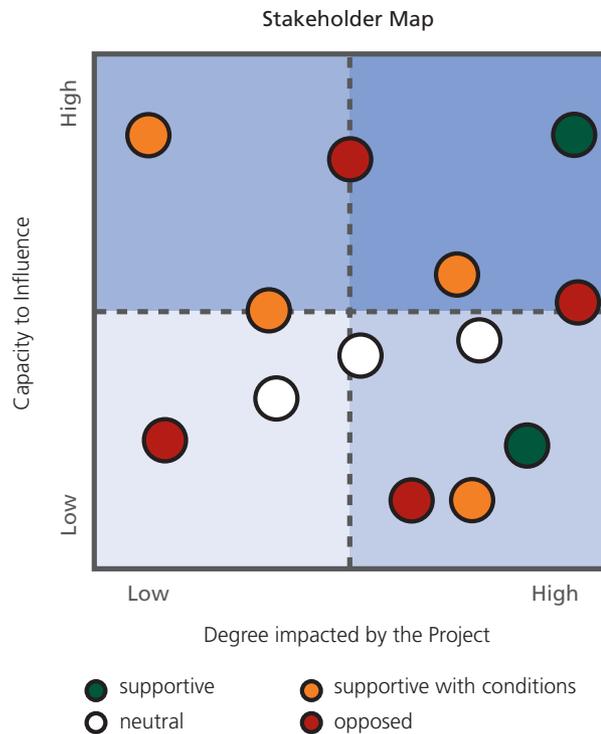
Further analysis of these stakeholders can help a company assess to what degree its CI strategy (or existing programs) responds to each of the key stakeholder groups—and the potential risks or opportunities associated with each. Questions to consider may include:

• Which stakeholders are impacted by the project (how and to what degree)?

• Of those impacted, which are benefiting from the project (how and to what degree)?

• Which stakeholders are not benefiting (and does this pose any risks to the company's business objectives)?

• Which of these stakeholders are supportive of the company and its operations? Which groups are opposed, and which are neutral?

• How might the company's CI strategy address the various stakeholders identified (e.g., keep supportive stakeholders happy and/or help address the concerns of less supportive stakeholders)?

BIG-PICTURE ISSUES AND CHALLENGES THAT CAN AFFECT CI

Local variation and complexity is what makes CI challenging and often unpredictable. Adaptation to the local context is vital. The following is a list of some of the most common issues that have presented challenges on the ground. As these are strategically important for CI planning and management, companies should be aware of such issues—and prepared to tackle them, as applicable.

Historical Legacy

In some places, the past actions of governments and private companies have left a legacy of mistrust among the local population. In some cases this mistrust has been in response to environmental damage, land disputes, unfair compensation, broken promises, corrupt practices, non-transparent behavior, and/or human rights abuses. In other cases, CI has been used as a means to "manage" community disturbances, which has had the inadvertent effect of rewarding violent behaviors and encouraging more of the same. Such patterns of company-community relations, and the accompanying breakdown of trust, can become deeply ingrained and difficult to change once they are established.

Companies entering into this type of setting need to fully understand the historical grievances of local communities and the behavioral patterns engendered before beginning any discussion on community investment. In such cases, longer lead times may be required to undertake conflict assessment and resolution, facilitation and trust-building processes, and stakeholder engagement to allow patterns and perceptions to change in ways that can enable effective CI.

Gender and Inclusion[12]

At the core of CI strategy is the establishment of a multi-stakeholder process that will engage and represent many different groups and sub-groups within the target population. Cultural norms and values are important determinants in shaping community decision making and participation. Some communities may not historically favor participation and inclusion; others do. Similarly, cultural values shape gender relationships and the extent to which women can participate in local decision making. This can present a pitfall for companies who, in good faith, undertake engagement processes they assume are participatory. Experience shows that without specific measures to ensure their inclusion, the most vulnerable groups are typically excluded from, or underrepresented in, the development process. When this happens, the interests and opinions of these groups are likely to be overlooked, resulting in further marginalization.

Addressing gender imbalances in CI processes is a particularly challenging matter. Even when women are "formally" present during meetings, established power relations can shape their behaviors and hinder their effective participation in decision making. Gender-responsive facilitation and techniques, accompanied by attention to gender in monitoring and evaluation, can help to address these issues. Some practical steps to promote women's participation include: participatory techniques, awareness raising, support around the non-traditional roles women can perform, use of gender-sensitized facilitators, timing meetings to accommodate women's schedules, and organizing separate women's meetings.

Elite Capture[13]

Some communities can be highly stratified, with power structures dominated by traditional "elites" who control most of the community decisions regarding resource use and management. While these elites can provide important support early in the CI process by helping to mobilize community participation and engaging with the company, they may also distort decision making and "capture" funds and resources.

Elite capture poses a major threat to CI. It undermines representation, participation, and fairness in the distribution of benefits. This can lead to perceptions of bias in the allocation of resources, which in turn can be damaging to a company's reputation and its CI program.

While undoubtedly challenging, certain measures can be taken to reduce the risk of elite capture. Information sharing and transparency are particularly powerful tools as they help to level the playing field by making information broadly accessible. Engagement and consultation processes should also be carefully managed in order to avoid consolidating decision-making power in the hands of a select few, and to ensure that the views of chosen representatives are "validated" by the wider communities they are meant to represent. Finally, having a grievance procedure in place to receive complaints around CI can serve to gather early feedback and increase transparency.

Conflict and Post-Conflict[14]

Planning and managing a community investment program in a conflict or post-conflict setting is a complicated task even for experienced practitioners. The key risks include the possibility of CI exacerbating existing tensions by favoring certain groups over others and the danger of sparking new conflicts over CI resources. At the same time, the needs are great in conflict and post-conflict environments, and CI is often one of the few channels for socioeconomic development. Done well, it can play an important role in bringing groups together around shared interests, facilitating collaborative processes, and strengthening the capacities of local actors.

Understanding the history of the conflict in the project area and the often complex interrelationships is critical. In such settings, the measure of effective engagement may not necessarily be the absence of conflict and disagreement but, rather, the ability of the different parties to maintain a constructive dialogue. Companies can facilitate this process by being transparent in their actions, engaging with all players, treating everyone with respect, and sharing information openly. Numerous tools and approaches exist to guide companies operating in conflict settings. (See also Useful References section.)

Local Governance Issues[15]

In some settings, government can serve as an effective partner, contributing to strong local participation, accountability, and the long-term sustainability of community development efforts. In practice, however, the potential for "good governance" can be hindered by a variety of factors. Corruption and vested interests, for example, can pose major difficulties for engaging local government stakeholders—especially where government representatives or traditional authorities fear community-led planning processes might threaten the status quo. There are also numerous examples where community hostility has been directed at companies due to local development benefits from private sector projects not materializing as a result of corruption or lack of government capacity. The power dynamics between elected and traditional authorities can also cause governance challenges. For a company, these complex interrelationships can complicate the decision about whom to work with and how to establish meaningful tripartite partnerships around CI.

Other issues that relate to local governance include historical distrust between government authorities and communities, lack of resources and institutional capacity, patronage politics, and lack of political will. At the extreme, poor governance can go hand in hand with human rights abuses and security issues, impacting the ability of a company to build productive relationships with local stakeholders. Depending on the local context, the degree and the nature of engagement with the local government will vary. Careful analysis of local governance settings, good legal provisions, and smart CI program design features that emphasize transparency and participation should help a company manage potential downsides. Past lessons point to the importance of promoting CI without circumventing local government, and implementing initiatives to build local government capacity and promote accountability and inclusiveness.

Availability of Reliable Local Partners[16]

While good practice encourages companies to work, wherever possible, with and through NGOs, community-based organizations (CBOs), and other local groups, this can be easier said than done. In some contexts, the lack of viable local partners presents a serious dilemma for companies wanting to support community development. Experience has shown that even where there are local NGOs and CBOs, these organizations can lack capacity, accountability, transparency, or representativeness. CBOs in particular are often informal in structure and tend to reflect the power structures and cultural values of their communities. This can make it difficult for them to adopt new approaches, such as participation and inclusion, that may run counter to traditional practices. These issues do not mean, however, that companies should not persevere in trying to work with, support, and develop local organizations as part of their long-term commitment to sustainable local development. Rather, it means that companies should be realistic in their expectations, understand the limitations, and be prepared to invest time and patience in a long-term process of capacity building and mutual learning.

Map Project Issues, Risks, and Opportunities to Determine Where CI Can Be Most Effective

Related to stakeholder analysis is the identification of the key issues and sources of risk and opportunity in the project's area of influence (see Tool 5 for more guidance on assessing risks and opportunities). This type of mapping will help a company to formulate its specific business case for CI at the site level and determine the degree to which its CI strategy might respond to such risks and opportunities. While CI is not meant to be used as a primary risk mitigation tool, it can nevertheless be effective in addressing certain project risks and other issues of concern to a company, or as a means of targeting particular groups of stakeholders.

ARACRUZ CELLULOSE (BRAZIL) - MAPPING KEY STAKEHOLDER ISSUES TO INFORM COMPANY STRATEGY[17]

To inform its sustainability strategy, Aracruz Cellulose, a Brazilian company and world leader in the production of bleached eucalyptus pulp, consults its employees and stakeholders to learn about key issues and priorities in relation to the company's activities. In the graph below, identified issues are plotted on a "materiality matrix" according to the degree of importance to stakeholders (vertical axis) and the degree of impact upon the business (horizontal axis).

Priority issues that could be potentially addressed, in part, through CI are highlighted (our emphasis).

Other companies can use similar mapping exercises to identify and rank priority issues, risks, or opportunities related to local communities to determine where CI might be used most effectively.
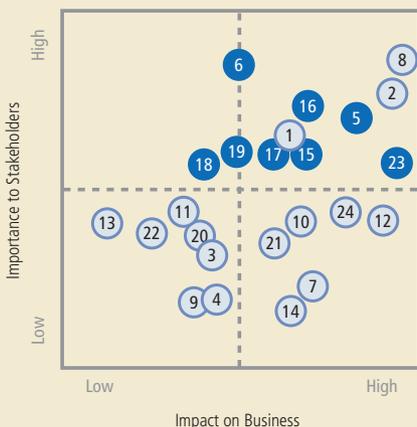
1. Ethical behavior
2. Corporate governance
3. Climate change
4. Product responsibility
5. **Community impacts of plantations**
6. **Biodiversity impacts of plantations**
7. Technical management
8. FSC certification
9. Use of genetically modified organisms
10. Energy use
11. Emissions, effluents and waste
12. Emissions, effluents and waste
13. Toxic/hazardous chemicals used
14. Transport impacts

15. **Local and regional economic impacts of Aracruz activity**
16. **Relationships with Indians**
17. **Relationships with Quilombolas**
18. **Opposition from groups to plantations/agribusiness**
19. **Impacts on fishing communities**
20. Occupational health and safety
21. Workforce diversity and equal opportunity
22. Labor rights and practices
23. **Wood supply from third parties**
24. CSR related requirements for outsourced work and suppliers

Consider Approaches for Understanding Community Dynamics and Relationships

Relationships within and among stakeholder groups are constantly changing and evolving. Because such dynamics can have direct implications for CI outcomes and overall relations between the company and its stakeholders, it is useful to try to understand the range of interests, motivations, and interrelationships.

Before looking at the tools and approaches for understanding community relationships and dynamics (see Table 3.1), it is important to highlight three points. First, NGOs, CBOs, local governments, and communities are complex entities. Second, their interests and needs vary, and at times may be at cross purposes. Third, these type of assessments are, in and of themselves, a form of intervention. Given the importance of managing expectations around CI, if a company is not yet prepared to fully engage communities on the topic, it may wish to keep the process low key by using existing channels (e.g., ongoing consultation processes or survey work around its environmental and social impact assessment) to collect this additional data.

Table 3.1: Useful Approaches for Understanding Community Relationships and Dynamics[18]		
Approach	**Definition**	**Purpose**
Participatory Rural Appraisal (PRA)	Techniques that incorporate knowledge and opinions of local people in the processes of data collection, action planning, and measuring results.	Empower communities' decision-making processes and facilitate community planning and monitoring.
Social Network Analysis (SNA)	The mapping and measuring of relationships and flows among people, groups, organizations, or other information/knowledge processing entities (see Tool 4 for details).	Identify important actors, relationships, sub-groups, roles, and network characteristics to answer questions about resources, influence, and information.
Appreciative Inquiry/Assets Mapping	A methodology for discovering, understanding and fostering innovation via the gathering of stories, visions, and other forms of dialogue.	Empower organizations, networks, and communities to take charge of their futures and engage in a visioning and strategic planning process building on assets and best practices already present in the system.

Identify Local Institutions and Potential Partners

Assessing who is who and which organizations could be potential partners for CI is an important part of understanding the local context. Partnerships are a cornerstone of strategic community investment. Ideally, they should be pursued in the early planning stages as part of a company's sustainability and exit strategies. Partnering both supports local capacity and helps avoid the risk of creating dependence on the company. Where possible, it is good practice to explore working through existing organizations or programs before going out and creating new ones.

INSTITUTIONAL MAPPING: AREAS FOR INVESTIGATION

- **Reach** (local, regional, national, and international)
- **Thematic areas of expertise** (health, capacity building, water)
- **Delivery capacity**, including staffing
- **Existing relationships**, contacts, and networks
- **Geographical areas** of operation
- **Core values** (which should be compatible with the company's)
- **Reputation** and track record

When identifying local institutions and programs, consider government, business, NGOs, civil society organizations, donor agencies, and foundations. The aim of identifying and mapping local institutions is to:

- Find out what programs and initiatives already exist locally that the company could support

- Find out the government's development priorities and programs

- Find out what type of expertise and delivery capacity exists locally

- Identify potential implementation partners

- Understand what others are doing to avoid duplication of efforts

- Learn which programs have worked well, which have not, and why

For further guidance, see Tool 3 on institutional mapping.

USE THIS INFORMATION TO FACILITATE STRATEGIC PLANNING FOR CI

Mapping the social, institutional, and stakeholder landscape will enable a company to gauge the extent to which the local setting is conducive to sustainable community investment and to plan accordingly. Specifically, this knowledge will feed directly into the planning process for CI by helping to:

- **Define the program scope for CI.** The more supportive the local context, the more ambitious the scope of the CI program and activities can be.

- **Determine the capacity-building strategy.** The timing, level of effort, and specific strategies for local capacity building will in large part be driven by the needs, characteristics, and challenges of the local context.

- **Determine the choice of implementation model.** The legal and regulatory context, as well as the existence of local capacity, programs, and partners that the company can work with or through, will help determine which delivery mechanisms work best in a given context.

- **Develop the parameters for a handover or exit strategy.** One of the key considerations of a viable handover or exit strategy is the level of readiness and capability of local development actors to sustain and drive the development agenda in their communities after the company withdraws or reduces its support.