



# Stakeholder Engagement:

A Good Practice Handbook for Companies  
Doing Business in Emerging Markets





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# Introduction

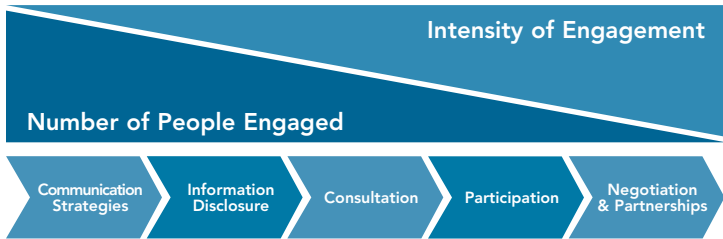
In 1998, IFC published its first Good Practice Manual, *Doing Better Business through Effective Consultation and Disclosure*. Since then, our continued experiences in working with our clients in emerging markets have significantly advanced our thinking about the centrality of stakeholder engagement to all other aspects of environmental and social performance. We are not alone in this shift. The risks associated with poor stakeholder relations – and the opportunities provided by constructive ones – are now better understood by the private sector and financial investors alike. Companies that have grasped the importance of actively developing and sustaining relationships with affected communities and other stakeholders throughout the life of their project, and not simply during the initial feasibility and assessment phase, are reaping the benefits of improved risk management and better outcomes on the ground. As approaches to consultation and disclosure change from a short-term means of meeting regulatory and lender requirements, to a longer-term, more strategic channel for relationship-building, risk mitigation, and new business identification, new approaches and forms of engagement are evolving.

As part of IFC's ongoing commitment to capture and share global knowledge and good practice with our clients and wider audiences, we have prepared this new and updated reference, *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*. In doing so, we have drawn on IFC's own learning and experiences of the past nine years, as well as the current thinking and practices of our client companies and other institutions. This handbook aims to provide the reader with the good practice "essentials" for managing stakeholder relationships in a dynamic context, where unexpected events can and do occur, and facts on the ground change.

## TOWARDS A BROADER CONCEPT OF "ENGAGEMENT"

When consultation activities are primarily driven by rules and requirements, they tend to become a one-time set of public meetings, typically around the environmental and social assessment process. This type of consultation rarely extends in any meaningful way beyond the project planning phase, and is seldom integrated into core business activities or measured in terms of its effectiveness in building constructive working relationships. Today, the term "stakeholder engagement" is emerging as a means of describing a broader, more inclusive, and continuous process between a company and those potentially impacted that encompasses a range of activities and approaches, and spans the entire life of a project (see Figure 1). The change reflects broader changes in the business and financial worlds, which increasingly recognize the business and reputational risks that come from poor stakeholder relations, and place a growing emphasis on corporate social responsibility and transparency and reporting. In this context, good stakeholder relations are a prerequisite for good risk management.

FIGURE 1: SPECTRUM OF STAKEHOLDER ENGAGEMENT



## ABOUT THIS HANDBOOK

The focus of this handbook is on stakeholder groups “external” to the core operation of the business, such as affected communities, local government authorities, non-governmental and other civil society organizations, local institutions and other interested or affected parties. We have not addressed engagement with suppliers, contractors, distributors, or customers, because interaction with these parties is a core business function for most companies and subject to national regulations and/or established corporate policies and procedures.

The handbook is divided into two parts. Part One contains the key concepts and **principles** of stakeholder engagement, the **practices** that are known to work, and the **tools** to support the delivery of effective stakeholder engagement. Part Two shows how these principles, practices, and tools fit with the different phases of the project cycle, from initial concept, through construction and operations, to divestment and/or decommissioning. Each of these phases presents different environmental and social risks and opportunities for the project and, as such, different practices in stakeholder engagement need to be employed and integrated into management systems at each stage.

## □ □ □ Companies should design their engagement strategies in line with the needs of their respective projects.

The handbook endeavors to provide a comprehensive overview of good practice in stakeholder engagement. **Not all the guidance offered is applicable to all types or scales of projects.** Companies should design their engagement strategies in line with the needs of their respective projects. For example, companies that manufacture products with name-brand recognition may need to do more consultation than companies that produce intermediate products. Similarly, those working on smaller projects with minimal impacts or few stakeholder issues may find that many of the approaches or examples provided in the Handbook go beyond what is necessary for their purposes. For this reason, **readers are encouraged to be selective in determining which approaches and actions make the most sense in their particular context.**


## TIPS FOR SUCCESSFUL ENGAGEMENT

As we endeavor to help our clients achieve better project *outcomes*, we see again and again the value of high-quality engagement. For this reason, we encourage you to be proactive in managing what can be a sometimes difficult but ultimately rewarding process, and offer a few of our own lessons learned to help you get started.

### Get in early

Relationship-building takes time. Many of the hallmarks of good relationships – trust, mutual respect, understanding – are intangibles that develop and evolve over time, based on individual and

collective experiences and interactions. For this reason, companies are now beginning to engage with stakeholders at a much earlier stage of a project than in the past. This is especially true for larger, more complex or controversial projects, where companies are initiating engagement at the very early pre-feasibility or pre-exploration phases, signaling to communities and other local stakeholders that their views and well-being are considered important.



## Companies are now beginning to engage with stakeholders at a much earlier stage of a project than in the past.

Taking a proactive approach means fighting the instinct to delay consultation because it is still early days and you don't have all the answers yet or are worried about raising expectations. The reality, most likely, is that people's expectations are already raised in some form or other, and that speculation about the project and the company is beginning to circulate. Early engagement provides a valuable opportunity to influence public perception and set a positive tone with stakeholders early on. Be clear upfront that there are still many uncertainties and unknowns, and use early interactions with stakeholders as a predictor of potential issues and risks, and to help generate ideas and alternative solutions on early design questions.

### Don't wait until there is a problem to engage

In the high-pressure context of getting a project up and running, interacting with stakeholders when there doesn't seem to be any urgent need to do so can be viewed as a low priority and not a particularly good use of scarce time and resources. However, if a conflict or crisis does arise, the absence of established relationships and channels of communication puts the project at an immediate disadvantage in trying to manage the situation. First,

## Engaging with stakeholders from the start...enables a proactive cultivation of relationships that can serve as “capital” during challenging times.

communities and their representatives are much less likely to give a company they don't know (and have not had regular contact with) the benefit of the doubt. Second, trying to initiate contact with affected stakeholders when the company is in a reactive, defensive or crisis management mode is less than ideal, and can create lasting negative perceptions that are difficult for the company to later overcome. Furthermore, reaching out to third parties such as local government officials or NGOs for assistance as allies or intermediaries only after a problem occurs may be more difficult due to perceived reputational risks of being associated with the company. Engaging with stakeholders from the start – as part of your core business strategy – enables a proactive cultivation of relationships that can serve as “capital” during challenging times.

### Take a long-term view

Establishing and maintaining good relationships requires a long time-horizon. Companies who take this view tend to make different types of decisions. They invest in hiring and training community liaison staff and see the value of consistently following through on their commitments to stakeholders. They invest in translating information about their project into languages and formats that make sense to the local population and do so on an ongoing basis. They make the effort to personalize relationships through informal and social interactions, and work through their employees to build links to local communities. They take grievances seriously and deal with them in a reliable and timely manner. They listen more and learn



from the community. Their senior managers stay involved with stakeholder activities and integrate this function into their business plans. Importantly, companies that focus on lasting relationships think in terms of the bigger picture and do not allow short-term interests (such as negotiating the lowest possible compensation rates) to jeopardize their broader social license to operate in the area.

### Tailor the process to fit your project

Businesses should scale their stakeholder engagement strategies relative to the risks and impacts their project is likely to create. There is no one-size-fits-all approach when it comes to engagement. The type of relationship the private sector should try to develop with its stakeholders, and the resources and level of effort that it should invest, will differ according to the nature, location, and scale of the project; the phase of its development; and the interests of the stakeholders themselves. Small projects with minimal impacts on the surrounding population may only need to focus on the information disclosure and communication side of the engagement spectrum, whereas larger projects with greater degrees of complexity and wide-ranging impacts on multiple stakeholder groups will need to adopt a more strategic and sophisticated approach in order to effectively manage the process.

Companies need to be prepared for the fact that they are entering into a *pre-existing yet dynamic context*, with established histories and cultures, and often complex political, social, and economic relations between groups that can be thrown into flux by the advent of a project and the development process that accompanies it. In other words, stakeholder relations can become politicized and complicated, and can lead to or exacerbate conflicts and other unanticipated outcomes. There is no easy formula for addressing these challenges, except to try to manage the process proactively and by adapting some of the established good practice approaches and principles described in this handbook to fit your own local context.

□ □ **Small projects with minimal impacts may only need to focus on the information disclosure and communication side of the spectrum.**

### **Manage it as a business function**

Like any other business function, stakeholder engagement needs to be managed. It should be driven by a well-defined strategy and have a clear set of objectives, timetable, budget, and allocation of responsibilities. All staff should be made aware of the program, and understand why it's being undertaken and what implications it might have for project outcomes. Companies that take a systematic (rather than ad-hoc) approach that is grounded in business operations, are likely to get better results in terms of the time and resources they invest, and are able to track and manage stakeholder issues and risks more effectively. Allocating responsibilities for stakeholder engagement to business units and mainstreaming it into project operations increases the chances that it will serve the purposes of the project, rather than becoming a costly peripheral exercise that is out of touch with operational realities and raises expectations that cannot be met. As with other key business functions, direct reporting lines and the engagement of senior management is critical.



## MANILA WATER COMPANY: REAPING THE BENEFITS OF STAKEHOLDER ENGAGEMENT

From its inception in 1997, **Manila Water Company** in the **Philippines** has sought to have a proactive and open relationship with its stakeholders, including customers, local NGOs and government. Good stakeholder relationships are viewed as being fundamental to the core business of the company, which is to provide clean, safe water and sewage services to approximately half of Manila's population.

When Manila Water acquired the East concession from the government operator, it launched a "Walk the Line" program in which all company staff – from managers to district level representatives – visit their customers, including residents of informal settlements, to consult with them on the delivery of these essential services to their community.

As a result of this engagement and other initiatives, Manila Water has significantly improved its service delivery. Between 2004 and 2006, the percentage of households having a 24-hour water supply jumped from 26% to 95%. At the same time, water losses from the system were reduced from 63% to 35.5%. From 325,000 households served at the start of 2004, there were more than 1,000,000 in 2006, including over 848,000 urban poor.

The company's proactive stakeholder engagement strategy has also led to a number of partnerships that have benefited local communities, including housing reconstruction through Habitat for Humanity and micro-financing to start small businesses through the Bank of the Philippine Islands. Manila Water has established Engagement Plans for key NGO stakeholders, the media, and investors that include quarterly dialogues and visits to the company's sustainable development and community projects.

# PART ONE:

## KEY CONCEPTS AND PRINCIPLES OF STAKEHOLDER ENGAGEMENT

This section presents a series of definitions, concepts and good practice principles for stakeholder engagement that are generally applicable across the range of project activities. Later, Part Two takes a closer look at how these specific practices and approaches may be most helpful during different phases of a project.

### Who are stakeholders?

Stakeholders are persons or groups who are **directly or indirectly affected by a project**, as well as those who may have **interests in a project** and/or the ability to **influence its outcome**, either positively or negatively. Stakeholders may include locally affected communities or individuals and their formal and informal representatives, national or local government authorities, politicians, religious leaders, civil society organizations and groups with special interests, the academic community, or other businesses.

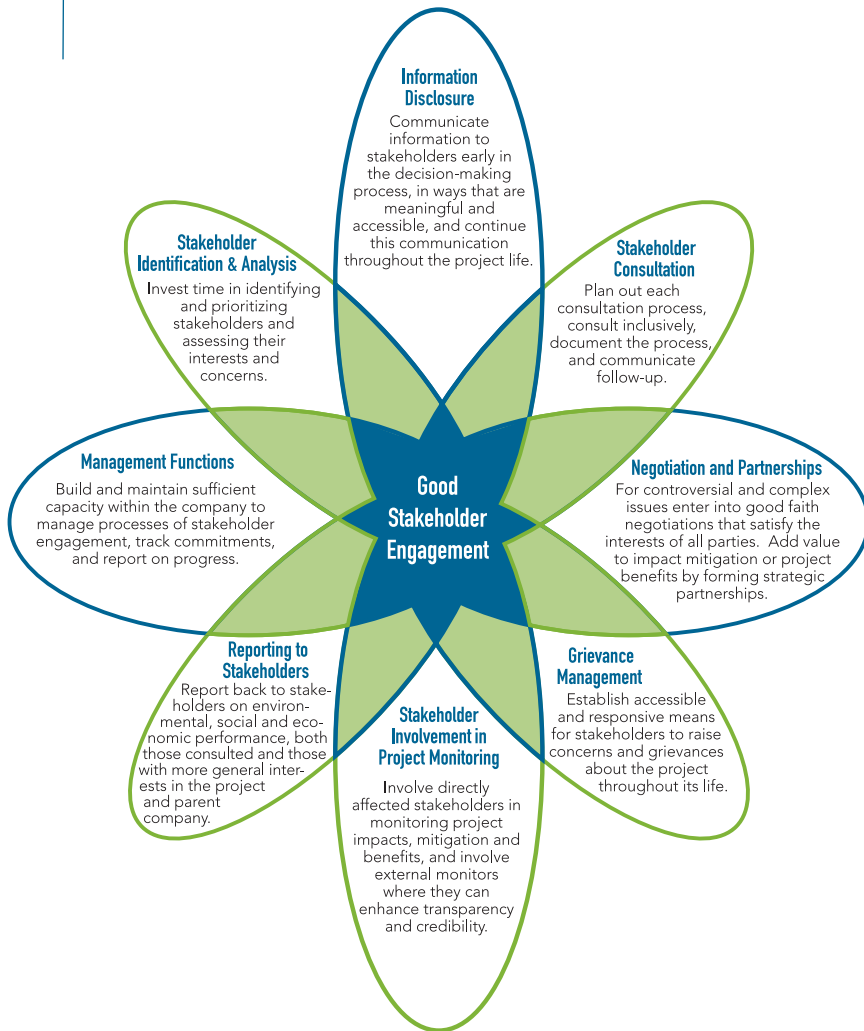
The “stake” that each of these different individuals or groups has in a project or investment will vary. For example, there may be people directly affected by the potential environmental or social impacts of a project. Others may be resident in another country altogether, but wish to communicate their concerns or suggestions to the project company. Then there are those who might have great influence over the project, such as government regulators, political or religious leaders, and others active in the local community. There are also stakeholders who, because of their knowledge or stature, can contribute positively to the project, for example, by acting as an honest broker in mediating relationships.

### **What are the building blocks of stakeholder engagement?**

Stakeholder engagement is an umbrella term encompassing a range of activities and interactions over the life of a project. These can be divided into eight components (see Figure 2), each of which will be discussed in a separate section below:

- Stakeholder Identification and Analysis
- Information Disclosure
- Stakeholder Consultation
- Negotiation and Partnerships
- Grievance Management
- Stakeholder Involvement in Project Monitoring
- Reporting to Stakeholders
- Management Functions

**FIGURE 2: KEY COMPONENTS OF STAKEHOLDER ENGAGEMENT**



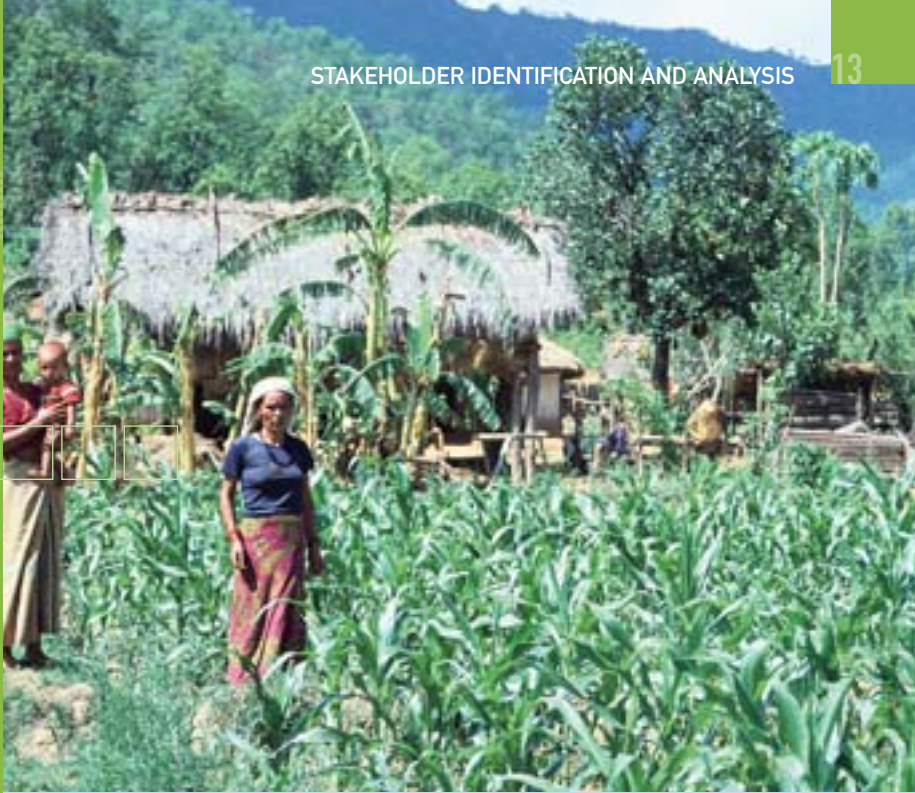
# Stakeholder Identification and Analysis

What's in this section?

- 14 Identify those stakeholders directly and indirectly affected by the project
- 15 Identify those whose "interests" determine them as stakeholders
- 16 Be strategic and prioritize
- 18 Refer to past stakeholder information and consultation
- 19 Develop socio-economic fact sheets with a focus on vulnerable groups
- 20 Verify stakeholder representatives
- 22 Engage with stakeholders in their own communities
- 23 Remember that government is a key stakeholder
- 24 Work with representative and accountable NGOs and community-based organizations
- 26 Recognize employees as a good channel of communication







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## Stakeholder Identification and Analysis

The first step in the process of stakeholder engagement is stakeholder identification—determining who your project stakeholders are, and their key groupings and sub-groupings. (Remember that certain stakeholder groups might be pre-determined through regulatory requirements.) From this flows stakeholder analysis, a more in-depth look at stakeholder group interests, how they will be affected and to what degree, and what influence they could have on your project. The answers to these questions will provide the basis from which to build your stakeholder engagement strategy. Here it is important to keep in mind that not all stakeholders in a particular group or sub-group will necessarily share the same concerns or have unified opinions or priorities.

## ✓ Identify those stakeholders directly and indirectly affected by the project

When identifying affected stakeholders, a systematic approach often works well, starting with delineating the project's geographic sphere of influence. Here, think not only about the primary project site(s), but also all related facilities, including associated facilities, transport routes, areas potentially affected by cumulative impacts, or unplanned but predictable developments. Use this analysis to establish and articulate your **project's area of influence** and determine who might be affected and in what way.

This process will begin to reveal those most directly affected by the project, whether from the use of land at the project site or the effects of air and water emissions, from off-site transportation of hazardous materials, or even the socio-economic effects of job creation throughout the supply chain. A quick and practical technique for undertaking this type of **stakeholder mapping** exercise is "impact zoning" (see Box 1). By mapping the sphere of influence of different types of environmental and social impacts, the project company can begin to identify distinct groups by impact area, and from this prioritize stakeholders for consultation. For larger-scale projects, with different phases to their development, mapping out both the near-term and future facilities may assist the company to identify potential "cumulative impacts" on stakeholder groups that might not have been evident by just looking at the immediate project.

While priority should be given to individuals and groups in the project area who are directly and adversely affected, drawing the line between who is affected and who is not can be challenging. Even with the best of efforts, problems can arise. Communities lying just outside of the designated project impact area can "perceive" impacts or feel they have been arbitrarily excluded from project benefits. For these reasons, defining stakeholders too narrowly should also be avoided.

**BOX 1: HOW TO IDENTIFY STAKEHOLDERS THROUGH IMPACT ZONING**

1. Draw a sketch map of the key design components of the project, both on and off site, that may give rise to local environmental or social impacts (e.g., the project site; ancillary infrastructure such as roads, power lines, and canals; sources of air, water, and land pollution).
2. Identify the broad impact zones for each of these components (e.g., the area of land take, air and water pollution receptors, etc.).
3. After identifying and mapping broad stakeholder groups, overlay those groups over the impact zones.
4. Through consultation with relevant stakeholder representatives, verify which groups are potentially affected by which impacts. This exercise may be performed more efficiently by using aerial photographs.

Source: *Doing Better Business Through Effective Consultation and Disclosure*, IFC, (1998).

### ✓ Identify those whose “interests” determine them as stakeholders

For some projects, the most vocal opposition may come from stakeholders outside the affected area – in other parts of the country, from other countries altogether, or even from overseas. Underestimating their potential influence on project outcomes may pose risks. It is therefore important to also include in your stakeholder analysis those groups or organizations that are not adversely affected, but whose *interests* determine them as stakeholders. “**Interest-based**” analysis and mapping can help clarify the motivations of different actors and the ways in which they might be able to influence the project. For this set of stakeholders, cost-effective solutions (newsletters, websites, targeted public meetings) can establish and maintain open channels of communication. Choosing

not to engage with these parties creates the risk that their issues may get discussed through other outlets such as the media or political process. While this may happen anyway, it is usually better to be proactive in trying to manage such risks by offering opportunities for constructive dialogue.

□ □ **It is important to keep in mind that the situation is dynamic and that both stakeholders and their interests might change over time.**

### ✓ **Be strategic and prioritize**

It is not practical, and usually not necessary, to engage with all stakeholder groups with the same level of intensity all of the time. Being strategic and clear as to whom you are engaging with and why, *before* jumping in, can help save both time and money. This requires prioritizing your stakeholders and, depending on who they are and what interests they might have, figuring out the most appropriate ways to engage. Stakeholder analysis should assist in this prioritization by assessing the significance of the project to each stakeholder group from their perspective, and vice versa. It is important to keep in mind that the situation is dynamic and that both stakeholders and their interests might change over time, in terms of level of relevance to the project and the need to actively engage at various stages. For example, some stakeholders will be more affected by a particular phase of a project, such as construction activities.

When prioritizing, it might be helpful to consider the following:

- What type of stakeholder engagement is **mandated by law** or other requirements?

## GLAMIS GOLD: STAKEHOLDER ANALYSIS IN THE MARLIN GOLD MINE PROJECT

Stakeholder identification and analysis can be a challenging exercise. It is at times not sufficient to focus only on the communities and other stakeholders that are actually impacted by the project, but also those who may perceive that they are adversely impacted or who consider themselves the representatives of impacted people.

**Glamis Gold Ltd.** experienced such a situation in the development of the **Marlin gold mine**, which is located in two municipalities in **Guatemala**. About 87 percent of the property, including the ore bodies and processing facilities, are located in San Miguel, whose population is more than 95 percent indigenous (Mam). The remaining 13 percent of the property, occupied by the mine's administrative facilities, are located in Sipacapa, whose population is more than 77 percent indigenous (Sipakapense).

Early stakeholder analysis led the company to focus the initial consultation process on the municipality of San Miguel and three small villages where the ore bodies and mine processing facilities would be located. Consultations and community development efforts were less intensive in Sipacapa, because most of the villages were at some distance from the mine and its transportation routes. However, local activist and political interests in Sipacapa linked with national and international NGOs mounted a campaign against the Marlin project with the support of some members of the Catholic Church. The result was that the opposition to the mine was centered in Sipacapa, a municipality only minimally affected by the mine. While independent assessments determined that Sipacapa was not at significant risk for either health effects or surface water pollution, the opposite impression among local residents led them to protest the project and to question the consultation process.

- Who will be **adversely affected** by potential environmental and social impacts in the project's area of influence?
- Who are the **most vulnerable** among the potentially impacted, and are special engagement efforts necessary?
- At **which stage** of project development will stakeholders be most affected (e.g. procurement, construction, operations, decommissioning)?
- What are the various **interests** of project stakeholders and what **influence** might this have on the project?
- Which stakeholders might help to **enhance** the project design or reduce project costs?
- Which stakeholders can best **assist with the early scoping** of issues and impacts?
- Who strongly **supports or opposes** the changes that the project will bring and why?
- Whose opposition could be **detrimental** to the success of the project?
- Who is it **critical** to engage with first, and why?
- What is the **optimal sequence** of engagement?

### ✓ Refer to past stakeholder information and consultation

Referring to historical stakeholder information related to your project or locality can save time and flag up risks, liabilities, or unresolved issues that can then be prioritized and managed in relation to the different strategic alternatives being considered. If your project is an **expansion of a prior investment or operation**, possible sources of prior information include existing stakeholder databases; consultation and grievance logs; environmental and social impact assessment studies and consultation processes completed for an earlier phase of the project; annual environmental monitoring reports; and community investment plans of the company, local government, or other businesses in the same locality.

For **greenfield projects**, regulatory authorities and other public sector and international development agencies may have published reports and plans that identify project stakeholders and their interests. If your project will be located in an **industrial estate**, you may wish to investigate whether the creation of the estate was subject to an environmental impact assessment process or involved stakeholder consultation.

### ✓ **Develop socio-economic fact sheets with a focus on vulnerable groups**

For complex projects likely to impact upon people and the environment over a large geographic area, or affect vulnerable groups, it may be useful to compile socio-economic information for distribution to project staff and external consultants working in the proposed project area. Collecting this type of data in advance can help ensure that any future stakeholder engagement activities are culturally appropriate from the outset, and that the groups most vulnerable or potentially disadvantaged by the proposed project are identified early on. An experienced social scientist familiar with the local area would be needed to develop such fact sheets, which could then be used and expanded throughout subsequent phases of the project.

Descriptions of the social and cultural dimensions of an area may include information on:

- population numbers and mapped locations
- demographic characteristics of the local population
- the status of women, economic livelihoods (permanent, seasonal, migrant labor, unemployment), land tenure, and natural resource control
- social organization and power dynamics
- levels of literacy and health care
- ability to access technical information
- cultural values and perceptions

For additional guidance, refer to IFC's Good Practice Note, "Addressing the Social Dimensions of Private Sector Projects" which can be downloaded at [www.ifc.org/enviro](http://www.ifc.org/enviro).

### ✓ Verify stakeholder representatives

Identifying stakeholder representatives and consulting with and *through* them can be an efficient way to disseminate information to large numbers of stakeholders and receive information from them. When working to determine representatives, however, there are a number of factors worth considering. First, try to ensure that these individuals are indeed true advocates of the views of their constituents, and can be relied upon to faithfully communicate the results of engagement with the project company back to their constituents. One way to do this is to seek *verification* that the right representatives have been engaged, by talking directly to a sample of project-affected people. Ground-truthing the views of the designated representatives in this way can help highlight any inconsistencies in how stakeholder views are being represented. Legitimate stakeholder representatives could be, but are not limited to:

- elected representatives of regional, local, and village councils
- traditional representatives, such as village headmen or tribal leaders
- leaders (chairmen, directors) of local cooperatives, other community-based organizations, local NGOs, and local women's groups
- politicians and local government officials
- school teachers
- religious leaders

In addition, be aware that the very act of establishing certain people as the "liaison" between the local population and the project confers upon them a certain degree of power and influence. In certain situations, this can be perceived as empowering one group (or set of individuals) relative to another, which can lead to tensions



## WESTERN CHINA: CONFIRMING THE LEGITIMACY OF STAKEHOLDER REPRESENTATIVES

In Western China, a junior domestic chemical company developed a facility in an existing industrial plant surrounded by agricultural and residential land. The company needed to acquire a relatively small portion of agricultural land from a number of local farmers for its solid waste dumping site. Rather than engaging the affected community directly in the process of discussing land acquisition and compensation issues, the company decided to work instead through a few village council members in determining and dispensing compensation.

In this case, the council members the company chose did not truly represent the affected community. Without a broader means of consultation and verification, transparency surrounding the process of payments was very limited. The end result was that the compensation payments did not reach the affected people and the company found their access to the dumping site blocked by angry villagers demanding the outstanding compensation money for their losses. The situation proved to be a costly learning experience for the company both in terms of damaged stakeholder relations and having to make compensation payments twice.

or conflict. In other cases, it can expose these individuals to new pressures from their peers and other community members. The process can also be subject to manipulation by those seeking to capture benefits or influence outcomes to serve their own interests. Again, broadening channels of communication, using direct verification from time to time, and not being overly reliant on a single source for intermediation can help with transparency and accountability.

### ✓ Engage with stakeholders in their own communities

In general, companies that choose a venue where stakeholders feel more comfortable - most likely at a location within the community – tend to have more productive engagement processes, for the following reasons:<sup>1</sup>

- It lends **transparency** to the process. Community members can witness the process and stay informed about what is being discussed on their behalf, and what has been agreed at the close of consultation or negotiations.
- It increases **accountability** of local leaders. Community members will know what they are entitled to demand, and they will be able to monitor its delivery and avoid corruption.
- It sends the **message that companies value the input of communities** enough to travel there and spend time there.
- It contributes to community members' feeling of **ownership** over the engagement process. Community members say that the opportunity to have input into public meetings gives them a sense of having a role in the outcome of decisions.
- Finally, it allows community members to **identify their own representatives**, preventing illegitimate representatives from claiming that they speak for communities.

Adapted from "Stakeholder Consultation Issue Paper," Corporate Engagement Project (November 2004). [www.cdainc.com](http://www.cdainc.com)

### ✓ Remember that government is a key stakeholder

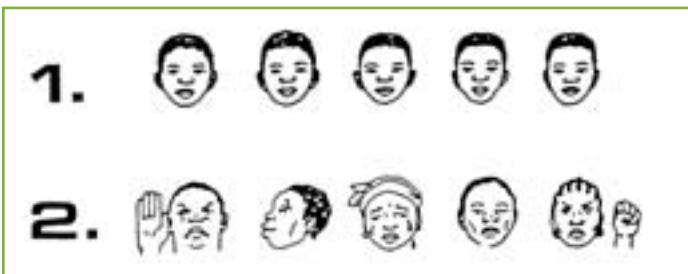
There are many important reasons to establish and maintain good working relationships with governmental authorities at different levels, and to keep them informed of the project's activities and anticipated impacts. Government support can be critical to the success of a project, and routine engagement with various regulatory and public service authorities is often required as part of doing business. On a practical level, local government authorities may have long-established relationships with project-affected communities and other local and national stakeholder groups, and as such can play a role in convening and facilitating discussions between the project and stakeholder representatives. Local government can also partner with private companies in many respects, for example, in providing services, communicating information to the local population, or integrating local development plans with the operational needs of the project.

Keeping track of **government-led consultation with stakeholders** on issues related to your project is highly recommended. Such consultation may be required as part of regional economic planning, environmental permitting or exploration licensing, compensation for land and assets, or the design and management of infrastructure. It is important for your company to be aware of these consultations as they might have implications for future stakeholder relations. For example, if the quality or extent of consultations carried out by government turns out to be inadequate, it may give rise to grievances, or pose risks that a private company will later need to manage. These include raising false expectations or creating misperceptions about the project. More seriously, if consultations are a legal obligation of government prior to the granting of licenses or concessions, for example, failure to meet such obligations may jeopardize your company's operating license.

Therefore, where there are questions around the government's consultation process or unresolved stakeholder issues, it is in your company's interest to try to find out the nature of such concerns and, to the extent feasible, take actions to address the situation.

### ✓ Work with representative and accountable NGOs and community-based organizations

Non-governmental organizations (NGOs) and community-based organizations (CBOs), particularly those who represent communities directly affected by a project, can be important stakeholders for companies to identify and engage on a proactive basis. NGOs may have expertise valuable to effective stakeholder engagement. For example, they can be sources of local knowledge, sounding boards for project design and mitigation, conduits for consulting with sensitive groups, and partners in planning, implementing and monitoring various project-related programs. However, it is important to carry out initial research regarding the local power dynamics and existence of special interest groups to ensure that any intermediary organizations, such as NGOs, are truly representative of and accountable to the community interests they claim to support and represent. If there is NGO opposition to your project, engaging early to try and understand the concerns or critiques being raised can offer an opportunity to manage these issues before they escalate or find another outlet for expression.



Two views of what constitutes a "community."

Source: Rifkin, 1980

## GUATEMALA: STAKEHOLDER ENGAGEMENT AT A NATIONAL LEVEL – THE ROLE OF GOVERNMENT

When stakeholder engagement is required on a national rather than local level, it may be more appropriate for the government rather than a private company to convene and facilitate the public debate. This was the case for **Glamis Gold's Marlin project in Guatemala**. Public reactions to the first gold mine operation in Guatemala sparked a national debate on the development impact of the mining sector and the contribution of foreign investors to the national and local economy.

In order to manage public expectations and create a forum to facilitate the dialogue among key stakeholders, the government called for the formation of a high-level commission that would mediate conflicts emerging from the implementation of the Marlin project and propose changes to the mining law. The commission was asked to take into considerations issues that were brought to the public's attention by national and international NGOs as well as the Catholic Church.

Members of the commission included government, Catholic Church representatives, an environmental NGO, and university representatives. The commission enabled the company to have a formal forum where they could interact with key stakeholders and helped defuse the tension surrounding the mining debate. In August 2005, the commission produced a report that included guidelines for the reform of the mining law. Based on this report, the Guatemalan Parliament is currently debating new legislation.

- Feedback from the local workforce can be a way to identify emerging issues and concerns of local communities.**

- Recognize employees as a good channel of communication**

Local communities tend to be viewed as those “outside” the company gates. In reality, however, a good part of your workforce may be part of these communities or reside among them. Whether implicitly or explicitly, employees communicate messages about the company and the project to the outside world and help to create perceptions as well as pass along information. This provides a great opportunity for companies to leverage this built-in channel of communications as a means of outreach and dissemination to the local population. Feedback from the local workforce can also be a way to identify emerging issues and concerns of local communities. Companies who do this well make an effort to keep their employees well-informed, involve them in the company’s stakeholder engagement strategy, and recruit their help as front-line ambassadors in relationship-building with the local population.









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## Information Disclosure

Disclosure is a formal-sounding term for making information accessible to interested and affected parties. Communicating such information in a manner that is understandable to your stakeholders is an important first (and ongoing) step in the process of stakeholder engagement. All other activities, from consultation and informed participation to negotiation and resolution of grievances, will be more constructive if stakeholders, including affected communities, have accurate and timely information about the project, its impacts, and any other aspects that may have an effect on them.

### ✓ Be transparent

Good practice involves taking steps to increase transparency and accountability as a means of promoting understanding about your project and engendering public trust. Adopting a “presumption in favor of disclosure” means being forthcoming with information whenever possible, especially if there is no compelling reason not to share it. Remember that a lack of information can lead to the spread of misinformation about a project that can be both damaging to a company’s reputation, and undermine efforts to engage in an informed dialogue with stakeholders. This is an area where **perception matters**. If companies are viewed as closed or secretive, consumer confidence and public trust can be affected. Sometimes stakeholders care less about the actual content of the information being disclosed than they do about the *principle* of openness and transparency.

## □ □ Give people the information they need to participate in an informed manner.

### ✓ Apply good practice principles

- **Disclose early** – with the aim of providing relevant information to targeted stakeholders in advance of decision-making. At a minimum, explain next steps and be clear about which project elements are fixed and which can be changed or improved upon, based on consultation and participatory inputs.
- **Disclose objective information** – to the extent possible, and be open about the project. In short, “tell it like it is.” Refrain from exaggerating the good news, such as employment opportunities, or playing down the bad, such as anticipated noise levels and traffic disturbances during the construction period. If actual numbers are available, give these out, even if they are only estimates. In the long run it is safer to say, for example, that:

*“at present, we estimate a need for about 200 new short-term unskilled jobs and 20 new semi-skilled permanent jobs,”* rather than promising that *“there will be lots of jobs.”*

- **Design disclosure to support consultation** – Where appropriate, treat the disclosure of project and environmental and social information as an integral part of stakeholder consultation. Give people the information they need to participate in an informed manner. Crucially, leave sufficient time between the provision of information about the benefits and disadvantages of the project (or changes to project operations and their implications) and the start of consultations. People need time to think about the issues and weigh the trade-offs. Do not expect that stakeholders hearing or seeing information about a project for the first time will be immediately ready to make decisions about what they want.
- **Provide meaningful information** – in a format and language that is readily understandable and tailored to the target stakeholder group. The aim should be for the information provided to enable people and organizations to make informed judgments about changes that will affect their lives. This may mean that information will be required in different formats in order to meet the needs of various audiences. Points to consider in determining what forms this information should take and how it gets presented include: level of technical detail, local language and dialects, cultural sensitivity, roles of women and men, ethnic composition of communities, literacy levels, community leadership structures, and local methods of disseminating information within stakeholder groups.
- **Ensure the accessibility of information** – by thinking through how the intended recipient will most readily receive and comprehend the information. For example, the regulatory requirement of disclosing information in locations open to the general public

(offices of government environmental regulators, local planning authorities, etc.) is a necessary, but not fully sufficient, means to disseminate information of importance to stakeholders. Especially with affected communities, it may be more constructive to disclose information via public meetings, smaller gatherings of specific stakeholder sub-groups, through the use of individual conduits and intermediaries (such as the head of a local village council, or church or traditional leaders), or through the dissemination of a summary of the key information in the local language, for example via the newsprint and broadcast media, road side displays, or direct mail. In general, it is a good idea to ask for stakeholder input into the consultation process – stakeholders can often readily tell you what type of information they want and need, in what type of format, and how and when they would like to be engaged.

### ✓ Weigh the risks and benefits

There will be situations in which disclosing certain types of information at sensitive stages in the project cycle might entail risks. It is understood, for example, that in the very early stages of project development, revealing your hand to your competitors about what you intend to do could pose serious business risks. Such factors will need to be considered in deciding what to disclose and when. Other reasons for non-disclosure might include: commercial confidentialities and proprietary information, information of a personal privacy, safety, or individual security nature; or situations where releasing information very early in the development of a project might unnecessarily raise public expectations, cause speculative behavior, or create unnecessary fears. However, considerations for non-disclosure need to be weighed against the need for stakeholder groups to be informed in order to protect their interests. In general, experience shows that companies committed to transparency and accountability help promote the long-term profitability of their investments.

- Experience shows that companies committed to transparency and accountability help promote the long-term profitability of their investments.

### ✓ Manage information on sensitive and controversial issues

There are certain stakeholder issues, such as land acquisition and resettlement for example, that may be particularly sensitive and thus carry risks to the company if information about them is not communicated and managed effectively. In these cases it may be better to release information about the issue *at the same time* as conducting face-to-face consultations. In this way, any misinformation and immediate reactions of the affected parties can be addressed right away with the facts. In preparing information to support stakeholder consultation on controversial issues, it may be helpful to employ the following measures:

- **Tailor the information** to the different affected stakeholders.
- Present the “facts” and be as **transparent** as possible.
- Explain the **uncertainties**, and the limits of these uncertainties (i.e. the “worst”, “best” and “most likely” scenarios).
- Explain what input is needed from stakeholders and how it will be used in the **decision-making** process.
- Explain what stakeholders can do and **whom they can contact** to get more information.

### **SASOL, MOZAMBIQUE: DISCLOSURE OF A BACKGROUND INFORMATION DOCUMENT**

To facilitate stakeholder involvement during the initial stage of Sasol's offshore hydrocarbon exploration EIA process in Mozambique, the company prepared a Background Information Document (BID). The BID was widely distributed among all the stakeholders identified at the time, through e-mails and postings, and was made available on the webpage created by Sasol for the EIA process. The purpose of the BID was to notify stakeholders of Sasol's intended activities, provide information on the exploration project, explain the EIA process and invite stakeholders to comment and participate in this process. The BID also referred to relevant legislation, provided general information on key project activities, and highlighted key issues regarding the potential impacts of these activities. In order to promote better understanding of the proposed activities by local stakeholders, the document was produced in a brochure format, using non-technical language, color maps, and figures to explain the process, and then distributed to the public. The BID was made available in Portuguese and English and used to support the company's public consultation program.

# Stakeholder Consultation

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Stakeholder consultation is really about initiating and sustaining constructive external relationships over time.





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## Stakeholder Consultation

As discussed in the previous section, the disclosure of information should support consultation. Consultation is a two-way process of dialogue between the project company and its stakeholders. Stakeholder consultation is really about initiating and sustaining constructive external relationships over time. Companies that start the process early and take a long-term, strategic view are, in essence, developing their local “social license to operate.”

For projects that have environmental and social impacts, consultation will not be a single conversation but a series of opportunities to create understanding about the project among those it will likely affect or interest, and to learn how these external parties view the project and its attendant risks, impacts, opportunities, and mitigation measures. Listening to stakeholder concerns and feedback can be a valuable source of information that can improve project design and outcomes and help a company to identify and control external risks. It can also form the basis for future collaboration and partnerships. For stakeholders, a company's consultation process is an opportunity to get information, as well as to educate company staff about the local context in which a project will take place, to raise issues and concerns, ask questions, and potentially help shape the project by making suggestions for the company to consider and respond to.

## FIVE STEPS FOR ITERATIVE CONSULTATION

The *iterative* nature of the consultation process is essential. Regardless of what stage of the project consultation is taking place, the basic steps in the process will essentially remain the same and can be repeated as needed over the life of the project.

### 1. Plan ahead

Before beginning a stakeholder consultation process, it is useful to think about who needs to be consulted, over what topics, and for what purpose? Getting clear answers for these questions up front can save you time, reduce costs, and help keep expectations in check. For projects with multiple stakeholder groups and issues, preparing a more formal **Stakeholder Engagement Plan** in advance is advisable. (See Appendix 3 for sample contents of such a plan).

**BOX 2: CORE VALUES FOR THE PRACTICE OF PUBLIC PARTICIPATION**

*Different organizations sometimes use different terminology – be it “consultation,” “public consultation,” or “public participation” – to express similar concepts and principles. The core values of the International Association for Public Participation are as follows:*

1. The public should have a say in decisions about actions that could affect their lives.
2. Public participation includes the promise that the public’s contribution will influence the decision. Public participation promotes sustainable decisions by recognizing and communicating the needs and interests of all participants, including decision-makers.
3. Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
4. Public participation seeks input from participants in designing how they participate.
5. Public participation provides participants with the information they need to participate in a meaningful way.
6. Public participation communicates to participants how their input affected the decision.


*Source: International Association for Public Participation, [www.iap2.org](http://www.iap2.org)*

For simpler projects and project expansions, it may be sufficient to verify that certain key questions have been considered. These may include the following:

- **Purpose** – What are the strategic reasons for consulting with stakeholders at this particular phase of the project? These may span a wide range of objectives, from meeting regulatory requirements and negotiating compensation, to obtaining

access to community land for survey work, building trust relationships, or managing expectations in general.

- **Requirements** – Are there requirements for consultation that need to be met at this stage of the process? These may be legal or regulatory requirements, internal corporate policy requirements or conditions of the lenders or shareholders.
- **Stakeholders** – Who are the key stakeholder groups that need to be consulted during this phase of the project? What are the likely issues that they will wish to discuss? What are their interests and why?
- **Scoping of priority issues** – Are there any high risk groups or issues requiring special attention at this stage? Are there vulnerable groups in the project area or topics that are particularly sensitive or controversial? Advance planning may be required to tailor the consultation specifically to these needs.
- **Techniques** – Which techniques and methods will be most effective in communicating with the different stakeholder groups? Traditional or customary means of consultation and decision-making may be relevant here. Consider using participatory methodologies where appropriate and engaging skilled practitioners to facilitate the process.
- **Responsibilities** – Who within the company (or externally) is responsible for what activities? Are timetables, responsibilities and lines of reporting for consultation activities clear?
- **Documentation** – How will the results of the process be captured, recorded, tracked, and disseminated?



## ADASTRA MINERALS: ADAPTING DISCLOSURE AND CONSULTATION TO THE LOCAL CONTEXT

When consultants working for **Adastra Minerals** in **DRC** (Congo) initiated public engagement relating to the proposed **Kolwezi Tailings Project** in Katanga Province, they faced a number of challenges. Aside from local officials, few of the potentially affected community members spoke the national language (French) and literacy rates were very low. Communication had reverted to the oral tradition in many areas, because paper had become expensive and difficult to obtain. There was no newspaper published in the town of Kolwezi, no billboards, no functioning telephone system, and no postal system.

In order to overcome some of these obstacles, the community engagement process made extensive use of the six local radio stations in the area, which use both French and Swahili. Oral communications proved very effective once a network of key informants had been established. Special posters depicting likely impacts were developed to overcome the lack of literacy at EIA meetings and local community presentations were delivered in both Swahili and French to overcome language barriers. Mobile phones were also widely used as a means of contacting key people and mobilizing others, both by means of direct calls and text messages. Considerable time was spent holding a series of village level meetings, to overcome the logistical challenge associated with bringing many people to a single site where no public transport existed and where communications were limited.

## 2. Consult using basic principles of good practice

There is no one right way of undertaking consultation. Given its nature, the process will always be context-specific. This means that techniques, methods, approaches and timetables will need to be tailored for the local situation and the various types of stakeholders being consulted. Ideally, a good consultation process will be

- **targeted** at those most likely to be affected by the project
- **early** enough to scope key issues and have an effect on the project decisions to which they relate
- **informed** as a result of relevant information being disseminated in advance
- **meaningful** to those consulted because the content is presented in a readily understandable format and the techniques used are culturally appropriate
- **two-way** so that both sides have the opportunity to exchange views and information, to listen, and to have their issues addressed
- **gender-inclusive** through awareness that men and women often have differing views and needs
- **localized** to reflect appropriate timeframes, context, and local languages
- **free** from manipulation or coercion
- **documented** to keep track of who has been consulted and the key issues raised
- **reported back** in a timely way to those consulted, with clarification of next steps
- **ongoing** as required during the life of the project

**There is no one right way of undertaking consultation. Given its nature, the process will always be context-specific.**

**BOX 3: WHAT MAKES COMMUNITIES “TRUST” A COMPANY?**

Trust becomes a more tangible and less abstract notion when it is seen in its cultural context and when it is associated with **predictability**. When trust is defined as, “knowing when your expectations are met” it demystifies the notion of trust and produces a more objective definition with which to work.

Over and over, communities have shared examples of some of the non-financial and concrete aspects of relationships with companies that matter to them and that would make them “trust” a company:

- The company acknowledges or publicly states that it needs the community’s trust to gain a social license to operate.
- Communities are consulted and have a say in issues that concern them.
- There is a mechanism or procedure for holding the company accountable for their activities.
- Communities are kept informed about companies’ future prospects or plans.
- Meetings with company staff on an informal and personal basis.
- The company is known to be reliable and predictable, and it is known that the company will follow through on what it promises.
- Company staff walk through town and socialize rather than using a car.
- Company staff socialize informally with local people.
- The company makes an effort to solve little problems for people.
- The company uses language that people understand.

*Source: “Stakeholder Consultation Issue Paper,” Corporate Engagement Project (November 2004). For more information go to: [www.cdainc.com](http://www.cdainc.com)*

□ □ **Documenting consultation activities and their outcomes is critical to effectively managing the stakeholder engagement process.**

### **3. Incorporate feedback**

Consulting people entails an implicit “promise” that, at a minimum, their views will be considered during the decision-making process. This does not mean that every issue or request must be acted upon, but it does mean being clear with people about which aspects of the project are still open to modification based on their input, and which are not. It also means taking feedback received during the consultation process seriously and making best efforts to address issues raised through changes to project design, proposed mitigation measures, or development benefits and opportunities. Inevitably there will be limitations, both commercial and practical, in the degree to which stakeholder demands can be met. At other times, making modifications as a result of stakeholder feedback will make good business sense and contribute to local development, or can be done as a gesture of good faith and relationship-building.

### **4. Document the process and results of consultation**

Documenting consultation activities and their outcomes is critical to effectively managing the stakeholder engagement process. When and where did such meetings take place? With whom? Around what topics and themes? And with what results? If commitments to stakeholders have been made during or as a result of these consultations, these too need to be documented. The benefits of keeping such a record or “log” of stakeholder consultations are many. It may be part of ESIA regulatory requirements or valuable later on in satisfying the due diligence inquiries of potential financial institutions and other equity partners,



especially those who might come into a project at a late stage. It can be a useful tool in demonstrating that the views of affected people and influential stakeholders have been incorporated into the project's environmental and social mitigation strategies. Such documentation also provides the basis for reporting back to stakeholders on how their views have been addressed.

## 5. Report back

Communities sometimes express frustration that companies show up on their doorstep to consult on an issue and then are not heard from again – or at least not until the next time they come, and that too about a totally different matter. It is both good practice and common courtesy to follow up with stakeholders whom you consulted, to let them know what has happened and what the next steps in the process will be. Apart from this, there are also practical benefits of follow-up, such as double checking information, and testing or refining proposed approaches and mitigation measures before implementing them. In addition, the process of reporting back to stakeholders on which of their concerns will be addressed and how, as well as explaining what suggestions were not taken on board and the reasons why, can help establish credibility, manage expectations, and reduce consultation fatigue or cynicism. All of these are important when taking a long-term view of stakeholder engagement.

- It is both good practice and common courtesy to follow up with stakeholders whom you consulted, to let them know what has happened and what the next steps in the process will be.**

**BOX 4: TIPS FOR ENGAGING WHEN AUTHORITIES DO NOT ALLOW COMMUNITIES TO ORGANIZE THEMSELVES**

In such cases, companies have found ways to engage through:

- Negotiating with the government for the establishment of an elected **“village communication committee.”** The sole purpose of this elected committee is to discuss company-community related affairs such as social programs. The condition is that the committee is not involved in politics in any way.
- **Suggestion boxes** work in some contexts, not in others. The company needs to make sure that villagers know who is emptying the boxes and reading the messages.
- Hiring (preferably female) staff that conduct **regular home visits** to collect statistics or disseminate public health information. Such people are well-positioned to get a good sense of the social and political issues in the community.
- Independent **NGOs or foundations** usually have more space to engage with stakeholders on an informal basis, even in areas where group gatherings are more difficult.

Source: “Stakeholder Consultation Issue Paper,” Corporate Engagement Project (November 2004). For more information go to: [www.cdainc.com](http://www.cdainc.com)

### SIBERIAN-URALS ALUMINUM COMPANY: CAPACITY-BUILDING TO ENABLE STAKEHOLDER PARTICIPATION

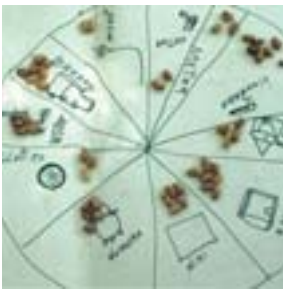
Public consultation and disclosure can be challenging in countries where local communities lack the capacity to engage with the private sector and where local governments are the most influential stakeholder. The environmental and social impact assessment (ESIA) process for the **Siberian-Urals Aluminum Company's (SUAL)** new aluminum complex in a remote region of **Russia** (Komi Republic) revealed the lack of experience of the local communities with large industrial developments and the related public consultation and disclosure activities. Often, during the process, their voices were not heard and frequently overpowered by local government or NGOs that did not necessarily represent their interests. The ESIA process made it clear that capacity building was necessary to empower *all* the project stakeholders to participate equitably and effectively in the public consultation and disclosure process. By sponsoring such a program, SUAL gained an opportunity to proactively manage the risks posed by negative local perceptions about its own transparency and credibility.

SUAL organized three stakeholder capacity-building events, including visits to the project sites, which succeeded in reaching a much broader constituency of stakeholders and improving the relationship between the communities, local government and the company. Feedback from participants conveyed that the program was useful in improving their understanding of the proposed project, while also tempering expectations about the possible development impacts and direct benefits of the project. The company's managers received first-hand experience of the concerns of the communities, a clear picture of the potential risks to the company, and a sense of the mitigation measures they would need to consider in further implementation of the project. The discussions and inputs from participating stakeholders allowed the company to better understand expectations regarding the content of and methods for presenting the assessment findings during the public consultation and disclosure hearings.

The company's commitment to good stakeholder engagement practices and an inclusive consultation process have been recognized by the Corporate Social Responsibility community in Russia and demonstrate that there are also wider benefits related to enhanced image and reputation to be gained from such efforts.

## INFORMED PARTICIPATION

Informed participation is a more intensive and active form of consultation. Typically, participation involves a more **in-depth exchange of views and information**, leading to **joint analysis and decision-making**. This increased level of involvement tends to generate a shared sense of ownership in a process and its outcomes. The more a particular stakeholder group is materially affected by a component of the project, the more important it is for them to be properly informed and encouraged to participate in matters that have direct bearing on them, including proposed mitigation measures, the sharing of development benefits and opportunities, and implementation or monitoring issues. Resettlement planning, designing and implementing community development programs, and engagement with indigenous peoples' groups are good examples of where informed participation by affected stakeholders can lead to better outcomes on the ground. In certain situations, capacity-building programs may be needed to enable affected stakeholders (particularly local communities and organizations) to be able to participate fully and effectively in the process.



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**The more a particular stakeholder group is materially affected by a component of the project, the more**

**important it is for them to be properly informed and encouraged to participate in matters that have direct bearing on them.**

## ✓ A word about participatory tools, techniques and methodologies

There is a vast amount of reference literature and tool kits detailing the variety of participatory techniques and methodologies that can be employed as part of the stakeholder engagement process. However, as is the case with most aspects of the process, the choice of methods will depend on the context and the type of stakeholders being engaged. What works well in one cultural context or with one particular set of stakeholders may be less-effective elsewhere. For this reason, we have chosen not to go into detail on any specific tools or techniques, but rather to point out that participatory methodologies are meant to increase the level of involvement of stakeholders in the process and elicit responses that you may not get, for example, through large public meetings. Participatory methods can be particularly useful when trying to build integrated solutions to complex project issues or for engaging specific sub-groups within a community (e.g. women, youth, vulnerable groups, minorities or the elderly). Participatory techniques can be effective in situations where literacy and education levels are low, but also with educated and well-informed groups where there is controversy or complexity, and a need to build consensus around possible solutions.

In situations where the engagement process is complicated or special attention to cultural appropriateness is needed to ensure informed and meaningful participation, it is best to seek out experienced specialists to assist you in designing and facilitating the process. Some examples of participatory tools, techniques and methods include:

- participatory workshops
- focus groups
- role play
- historic timelines and trends
- participatory rural appraisal (PRA) techniques

- seasonal calendar
- daily schedules
- semi-structured interviews
- Venn diagrams
- local institutional analysis
- resource mapping and village maps
- poverty and vulnerability mapping
- wealth ranking and other forms of ranking for decision-making
- joint identification of issues and possible solutions

#### **BOX 5: USEFUL REFERENCES ON PARTICIPATORY METHODS AND TECHNIQUES**

##### GTZ Mapping Dialogue

<http://www.nonformality.org/blog/wp-content/uploads/2006/12/mappingdialogue.pdf>

Participation works! 21 Techniques of Community Participation for the 21st century, New Economics Foundation

[www.neweconomics.org/gen/z\\_sys\\_publications.aspx](http://www.neweconomics.org/gen/z_sys_publications.aspx)

Participatory Learning and Action series, International Institute for Environment and Development (IIED), London

[http://www.iied.org/NR/agbioliv/pla\\_notes/index.html](http://www.iied.org/NR/agbioliv/pla_notes/index.html).

Participatory methods toolkit: A practitioner's manual

[http://www.viwta.be/files/30890\\_ToolkitENGdef.pdf](http://www.viwta.be/files/30890_ToolkitENGdef.pdf)

World Bank on Participation and Civic Engagement

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTPCENG/0menuPK:410312~pagePK:149018~piPK:149093~theSitePK:410306,00.html>

## CONSULTATION WITH INDIGENOUS PEOPLES

Indigenous peoples, as social groups with identities that are distinct from dominant groups in national societies, are often among the most **marginalized** and **vulnerable** segments of a population. They can be subject to different types of risks and severity of impacts including loss of identity, culture, traditional lands, and natural resource-based livelihoods. If a project will directly affect indigenous groups and their traditional or customary lands under use, early engagement is an essential first step in building longer-term processes of consultation, informed participation, and good faith negotiation. In many countries there are special legal, statutory, and/or regulatory obligations for consulting indigenous peoples if they are to be impacted by a project. Similar requirements are also often a condition of lender financing or part of a company's own policies. In addition, the obligations of *government* to consult with indigenous communities under law or international conventions (see Box 6), and the manner in which they carry out this engagement, may have implications for private sector companies



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When consulting with indigenous peoples, try to involve the representative bodies in the prior design of materials for disclosure, and in deciding how people and groups wish to be accessed, where the consultations will take place, the chronology of consultation (there may be expectations of who will be consulted in what particular order) and the language and format to be used during the consultations. Also, allow sufficient time for collective decision-making processes, and review the grievance mechanism established for this phase of the project to make sure it is appropriate and accessible.

### ✓ “Pre-consult” where possible

To the extent possible, “pre-consult” with indigenous communities through their representative institutions to determine the issues for consultation in advance of the consultation process itself. This is not to say that the agenda and content of the process should be restricted and unable to change during the course of the process, but rather that the key parties (government, representatives of the indigenous communities, and the project company) have a clear picture of the key issues from the outset. There are a number of questions worth considering in advance of the consultation process. These include:

- Who are the **affected** indigenous communities?
- Who are the **appropriate representatives** for consultation?
- Do the representatives require any **support** from experts or others in order to ensure that consultation is carried out on equal terms?
- What are the **key issues** for consultation?
- What **means and formats** for consultation will be most effective?
- What is the likely **timeframe** for consultation and discussion?
- Does the **government** have any **obligation** to consult under law and/or international conventions and has engagement occurred?
- What should be the **role of the government** during future consultation processes?
- What steps need to be taken to ensure the process is **free, prior, and informed**?

“Pre-consult” with indigenous communities through their representative institutions to determine the issues for consultation in advance.



**BOX 6: CONSULTATION REQUIREMENTS UNDER ILO CONVENTION 169 ON INDIGENOUS & TRIBAL PEOPLES**

*ILO Convention 169 on Indigenous and Tribal Peoples, adopted in 1989, is directed at governments and is binding on the 17 countries that have ratified it (13 of which are in Latin America).*

**Article 6**

1. In applying the provisions of this Convention, Governments shall:
  - (a) Consult the peoples concerned, through appropriate procedures and in particular through their representative institutions, whenever consideration is being given to legislative or administrative measures which may affect them directly;
  - (b) Establish means by which these peoples can freely participate, to at least the same extent as other sectors of the population, at all levels of decision-making in elective institutions and administrative and other bodies responsible for policies and programs which concern them;
  - (c) Establish means for the full development of these peoples' own institutions and initiatives, and in appropriate cases provide the resources necessary for this purpose.
2. The consultations carried out in application of this Convention shall be undertaken, in good faith and in a form appropriate to the circumstances, with the objective of achieving agreement or consent to the proposed measures.

**Article 15**

1. The rights of the peoples concerned to the natural resources pertaining to their lands shall be specially safeguarded. These rights include the right of these peoples to participate in the use, management and conservation of these resources.
2. In cases in which the State retains the ownership of mineral or sub-surface resources or rights to other resources pertaining to lands, governments shall establish or maintain procedures through which they shall consult these peoples, with a view to ascertaining whether and to what degree their interests would be prejudiced, before undertaking or permitting any programs for the exploration or exploitation of such resources pertaining to their lands. The peoples concerned shall wherever possible participate in the benefits of such activities, and shall receive fair compensation for any damages which they may sustain as a result of such activities.

Source: [www.ilo.org](http://www.ilo.org)

See also: "ILO Convention 169 and the Private Sector: Questions and Answers for IFC Clients" at [www.ifc.org/enviro](http://www.ifc.org/enviro)

### ✓ Identify appropriate representatives

Careful identification of indigenous peoples' representatives is an essential part of preparation for the consultation process. It may be that no one simple form of engagement can take place, as there may be more than one community, or different ethnic or other groups within a community, making it more appropriate to invite a range of representative individuals and groups to the consultation activities. When selecting representatives, it may be useful to consider the following:

- Who are the **elected officials** of the territorial jurisdictions impacted by the project or measure? To what extent do these authorities **adequately represent** indigenous peoples?
- Who are the **traditional leaders** of the indigenous peoples?
- Given that indigenous communities are not necessarily homogeneous, are there groups, such as **women, youth**, and the **elderly**, who are not represented by either of the above? Are parallel communications needed for these groups?

**Careful identification of indigenous peoples' representatives is an essential part of preparation for the consultation process.**

### ✓ Identify priority issues for consultation

Pre-consulting with indigenous peoples' representatives and other institutions or organizations that work with them can provide insights as to the subjects that tend to be particularly important for indigenous peoples during the consultation process. These may include:

- **timetable** for the consultation process and its relation to the characteristics of decision-making processes in indigenous communities

- **nature** of the project, footprint area, and potential **adverse impacts** on indigenous peoples, lands, and resources
- methods and criteria to be used to **identify** indigenous peoples impacted by the project
- measures proposed to **address adverse impacts** of the project and **participation** of indigenous peoples in the design and implementation of such measures
- access to **indigenous lands** when carrying out environmental and social assessments
- acquisition of land and **compensation** procedures
- identification and protection of **culturally sensitive sites**
- control of effects of **influx of outside workers**
- **benefits** of the project from the perspective of the indigenous community
- **capacity-building** and/or access to legal advice to enable informed participation

### ✓ Give special care to cultural appropriateness

To help promote the informed participation of indigenous communities, special care should be given to the form and manner in which information is communicated. The aim is to ensure cultural appropriateness, and to help affected communities gain a genuine understanding of the impacts of the project and the proposed mitigation measures and benefits. Ways to do this include translating project information into the appropriate indigenous languages, taking oral traditions into account, and developing audio-visual materials where appropriate. It may also be necessary to adopt non-document based means of communication, such as community briefings and radio programs. A key question to pose is whether all members of the community understand how the project may affect them and are able to communicate their concerns, leading to their potentially benefiting from the project.

## ✓ Share responsibilities with government for disclosure and consultation

In some sectors, such as natural resource extraction for example, government may be required to engage with indigenous communities prior to the involvement of a private company in the project. The manner in which such consultation takes place and the level of stakeholder satisfaction following such engagement can have direct implications for the project company that is subsequently granted an exploration license in an area impacting indigenous communities. For this reason, it is advisable to conduct due diligence on prior consultations with indigenous peoples to determine at what stages such engagement took place and what commitments were made or what unresolved issues still exist. Depending on the stage of the process, some consultation must be carried out by the government or under government supervision, while the consultation around the actual exploration or production can be carried out in a more autonomous manner by the private sector company. In the case of a natural resources project, for example, there may be the following stages at which consultation with potentially affected indigenous communities can be particularly important. This is not an exhaustive list and indicates that consultation is best viewed as an integrated and ongoing process:

- original development plan for the area where the possibility of exploration is considered
- the granting of an exploration license to a private company
- the beginning of the exploration phase of the project
- the conclusion of the exploration phase
- the granting of a production, exploitation, extraction, or mining license to a private company
- the commencement of production or extraction
- changes in a project (production processes, construction of new facilities, etc.)

## SAKHALIN ENERGY INVESTMENT COMPANY: A PARTICIPATORY PROCESS FOR THE SAKHALIN INDIGENOUS MINORITIES DEVELOPMENT PLAN

Sakhalin II is an integrated oil and gas offshore and onshore development project for the recovery, processing, and export of oil and gas from offshore oil fields on and around Sakhalin Island, in the Far East of the Russian Federation. There are approximately 3,500 indigenous people on the island, in four groups; the Nivkhi, Uilta, Evenki, and Nanai. Some are directly affected, some indirectly affected, and others not affected at all by the project. The company, Sakhalin Energy Investment Company – SEIC, undertook the development of a Sustainable Indigenous Minorities Development Plan (SMDP), in order to comply with policy requirements of potential lenders, and to improve relationships with indigenous people on the island following protests against all of the oil and gas operators on Sakhalin. The SIMDP had two broad objectives: to mitigate the impacts of the project on indigenous peoples and to provide a framework for the delivery of socio-economic benefits to the indigenous communities.

### The Consultation Process

As relations between the indigenous peoples and all oil and gas companies on Sakhalin Island had not been optimal, it was decided to be as participatory as possible in developing the plan, so as to allow communities a greater degree of ownership. This entailed ensuring that the process not only involved Sakhalin minority community leaders, but also ordinary community members who would not otherwise have had an opportunity to interact with the company and/or authorities.

The first round of consultations focused on ascertaining priorities for benefits-sharing components, and were also used to gather input for mitigation planning. The process, which engaged community leaders and members of the indigenous communities who were directly affected by the project, involved nearly 200 people, or more than 5 percent of the entire indigenous population of the island. Information about the process was disseminated through formal channels, such as the company's community liaison officers, as well as informally through the network of clans. The indigenous

## SAKHALIN ENERGY INVESTMENT COMPANY

*continued*

communities on the island were not homogenous. Different clans had differing views and interests due to their differences in locations, occupations, and family ties. Consultations were also held with indigenous peoples and other stakeholders, including Oblast officials, other oil company operators, non-governmental organizations, and social development and indigenous experts.

A **Working Group** of company staff and consultants, Oblast representatives, and Sakhalin Indigenous Minorities Peoples Council members was formed to provide guidance and feedback to the company team preparing this plan. **Working Group Committees** composed of Oblast, indigenous, and civil society representatives as well as company staff/consultants were also set up to advise on appropriate mitigation measures, indigenous peoples' development projects, and other forms of benefits sharing.

A **second round of consultations** was held in the early autumn of 2005 to report back to stakeholders with a tentative outline of the project components selected. This was followed up by a **third round of consultations** which lasted three months and had the objective of assessing the proposed mitigation measures and social program benefits that had been developed based on previous rounds of consultations. The process was then expanded to include areas not directly affected by the project but included in the benefits-sharing as part of a strategy of inclusion of all Sakhalin indigenous peoples.

### **Making Consultation Accessible**

As the majority of the consultations took place in the winter months, special attention needed to be made to ensure that more vulnerable community members, such as the "babushkas" (grandmothers) could attend. Special transportation was arranged when necessary, or younger members of the community accompanied the more elderly. As central a location as possible was chosen and the meetings were timed to coincide with the end of the fishing day. Food and beverages were served as they comprise an essen-

## SAKHALIN ENERGY INVESTMENT COMPANY

*continued*

tial part of any social gathering. As is the custom, everyone was given an opportunity to voice his or her views, even if the subject matter did not seem directly related to the plan. Time was given to attendees to express their general frustrations and problems. Attention was paid to giving all attendees respect and to seeking consensus, which meant that the meetings could be very long, but that people felt that they had a role.

### Participation Fosters Ownership

Through the process of wide consultations and involvement of all sectors of the indigenous community on Sakhalin island, by the time the plan was agreed and launched it was widely felt to be the plan of the indigenous peoples of Sakhalin and one which they had developed themselves. As their representatives to the Working Group put it in print, "Sakhalin Energy's SIMDP is an unprecedented positive approach. It involves genuine collaboration... Decisions have been made collectively and Indigenous Peoples have been treated as equal partners. We have been able to establish a dialogue with Sakhalin Energy, which has helped us to build mutual trust and understanding."

### Other Benefits of a Participatory Process

Apart from the obvious benefit of the development of a plan that accurately reflects the priorities and concerns of indigenous peoples, there have been other benefits. The process itself has led to an improvement in relations between not only the Sakhalin minorities and the company, but also between the government authorities and the indigenous peoples. Although differences of opinions inevitably still occur, the process has established a channel of communication in which issues can be resolved. Furthermore, the Sakhalin minority community leaders have grown in confidence, increased their capacity, and feel more empowered to lead their communities as well as represent the interests of indigenous peoples in the Russian Federation vis-à-vis the government and any company investing on the island.

*Source: Courtesy of European Bank for Reconstruction and Development (EBRD) Staff*

## GENDER CONSIDERATIONS IN CONSULTATION



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Depending on the nature and scale of a project, your company's arrival into a community has the potential to affect many different aspects of people's lives. It is important to keep in mind that it is likely to **affect men and women differently**. In most societies, men and women play different roles within the private and public

spheres. With these different and complex roles come differential access to resources and finances, to contacts and relationships, to personal skills development, and to opportunity and power. Consulting primarily with men provides only half of the story. Partial information can lead to both risks and missed opportunities. For most companies, failing to consult adequately with women is not deliberate, rather it happens because engaging women in the consultation process usually requires awareness and concerted effort.

The following tips may be helpful when thinking about how to more fully integrate women's perspectives into your consultation process.

### ✓ Get the full picture

Experience shows that men and women often have different priorities, different perspectives on key issues, and may be differentially impacted by a project or program – with women bearing disproportionate negative impacts. Good practice encourages seeking out the views of women, because they provide companies with a more complete picture of potential risks, impacts, and opportunities relating to their project. For example, a company's programs or policies may have unintended effects on gender dynamics in a



## □ □ □ □ □ Consulting primarily with men provides only half of the story.

community through indirect impacts such as increased alcohol consumption, domestic violence, and prostitution, or they can exacerbate existing inequalities between men and women.

Men and women may also view the same resource differently. For example, men may use a forest for hunting and wood, whereas women rely on it for foraging and medicinal plants. Taking women's views into consideration can help a company to better understand, predict, and mitigate impacts and, in doing so, enhance a project's social performance. Women's views should also be sought out when designing employment, compensation, and benefits programs, as these may require special targeting in order to facilitate more equitable distribution.

### ✓ Disaggregate your data

During the course of the environmental and social assessment process, companies collect a good deal of information from affected communities and other stakeholders. To allow this data to better serve you in terms of understanding gender differences related to your project, it should be disaggregated by gender. The more likely it is that your company is going to use the data for decision-making purposes, the greater the need for disaggregated data. For example, if a company wants to support a community program in education or micro-credit, it will gain from the added insights disaggregated data provides in understanding how this program may benefit men and women differently. Or, knowing that men in the project-affected communities are more likely to prioritize employment and infrastructure while women rank health and

education higher might have implications for how a company chooses to allocate its resources for social investment.

A related point is making sure you have a representative sample by gender when undertaking surveys and interviews. Given that most interviews are done with the “head of household” – which usually means men – this requires finding other ways to get an equivalent female sample. Female-headed households are also an important group to target, since single mothers and widows are likely to represent some of the most vulnerable households in the community.

**Often, the key to getting more women in the room is to make meetings more accessible and convenient.**

**✓ Pay attention to team composition and emphasis**

“Culturally appropriate” consultation can sometimes mean that women are more comfortable talking to other women. Survey teams and community liaison staff should have female members who can conduct discussions and interviews or receive grievances from women where needed. Having female staff of the company present during consultations targeted at women can also be helpful and create a channel for communication and relationship-building between local women and the company. However, it is not just about women or hiring women, but about having a **team that is gender-aware** and can facilitate situations in a way that allows both men and women to express their views. Consultants typically take their lead from the company that hires them, so communicating the importance of gender to your teams is essential.

### ✓ Get more women in the room

Often, the key to getting more women in the room is to make meetings more accessible and convenient. For example, consider providing child care near the meeting space; choose a time of day, date, and location convenient for women; ask networks with predominantly female membership to encourage their members to participate; and consider providing transportation to and from the meeting venue.

### ✓ Use active facilitation

Women's participation can be facilitated in public meetings or workshops through a number of different techniques, such as increasing the amount of time spent in smaller groups; having some group-work that is single sex; asking specifically *"What do the women in the room think about this issue?"*; and/or using games, drama, or drawing to increase women's level of comfort and contribution. An alternative could be to have the first part of a workshop or meeting in plenary to explore community-wide issues, and then to divide into smaller working groups (e.g. women, men, youth, elderly) so that issues of concern or priority to those specific groups can be explored in greater detail.

### ✓ Hold separate meetings

Since in many cultures women's voices are often not effectively present or heard in traditional meetings or workshops, it may be necessary to take special steps to create a venue in which women's own issues and concerns can be raised. Common practices include having focus group meetings with women, or calling separate women's meetings specifically for your purposes, or as an additional item at an existing meeting where women have gathered. It is advisable to reach out to women through as many different networks as possible, including parents' school meetings,

mothers' or women's clubs and associations, artisan groups, women's cooperatives, health promoters, and church or other religious groups.

### ✓ Raise priority issues for women

It is not uncommon for discussions to become dominated by men and the issues that matter most to them. But what do the women want to talk about? Active intervention may be required to identify issues that are important to women and to make sure they are given equal weight. This includes getting such issues onto the meeting agenda, raising them in group discussions, and including them in survey questionnaires.

### ✓ Remember that “women” are not a homogenous group

It is helpful to keep in mind when trying to engage women that they are not a homogenous group. All women will not necessarily have the same interests or priorities. Therefore, when involving women in consultations, attention is needed to ensure representation of different perspectives across socioeconomic, caste, ethnic, and religious lines. Marital status and age can also be important factors. It may also be useful to identify and consult with NGOs or community-based organizations that represent women from minority groups.

**Active intervention may be required to identify issues that are important to women and to make sure they are given equal weight.**

## INDO EGYPTIAN FERTILIZER COMPANY: GENDER-SENSITIVE COMMUNITY ENGAGEMENT

The consultation and community engagement process for an **Indo Egyptian Fertilizer Company (IEFC)** fertilizer plant and crushing facility project was particularly sensitive to gender issues, considering the location of the project in lower **Egypt**, half way between Edfu and Luxor, a very traditional area of the country. In order to enable women community members to have a voice in decision-making and the Environmental and Social Impact Assessment process, the consultants, Cairo University's Center for Advancement of Post-Graduate Studies and Research in Engineering Studies (CAPSCU) and the Center for Environmental Research and Studies (CERS), took a number of deliberate steps. They ensured that the consultant teams included a number of women professors; they included women-only focus groups and interviews as part of the survey and consultation process in the three villages closest to the proposed project location; and the data results fed back to the company were disaggregated by sex as well as other variables.

One of the outcomes of this process was that issues specifically raised by women were brought to the fore. While the main areas of discussion for the communities as a whole were around the potential economic opportunities for local people, especially young people, and the installation of the best available pollution technologies to mitigate air emission and dust particulates, women had different concerns. Unlike the men, women worried about impacts relating to the increased number of outsiders coming into the area (the predominantly male workforce at the new plant and facility), as well as the increased pressure this influx might have on basic infrastructure such as health and education facilities.

**BOX 7: USEFUL REFERENCES ON GENDER AND ENGAGEMENT**

CIDA policy and resource materials on Gender Equality

<http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/EMA-218123616-NN9>

Gender Checklist, Asian Development Bank

[http://www.adb.org/Documents/Manuals/Gender\\_Checklists/Resettlement/resettlement0300.asp?p=gencheck](http://www.adb.org/Documents/Manuals/Gender_Checklists/Resettlement/resettlement0300.asp?p=gencheck)

Gender Manual, A Practical Guide for Development Policy Makers and Practitioners, Department for International Development

<http://www.dfid.gov.uk/pubs/files/gendermanual.pdf#search=%22gender%20assessment%20guide%20DFID%22>

Gender and Participation, Bridge – Institute of Development Studies (IDS) UK

[http://www.bridge.ids.ac.uk/reports\\_gend\\_CEP.html#Participation](http://www.bridge.ids.ac.uk/reports_gend_CEP.html#Participation)

Gender Training Manual, Oxfam

[http://publications.oxfam.org.uk/oxfam/results.asp?sf\\_01=CTITLE&TAG=&CID=&st\\_01=gender+training+manual&SORT=SORT\\_DATE%2FD](http://publications.oxfam.org.uk/oxfam/results.asp?sf_01=CTITLE&TAG=&CID=&st_01=gender+training+manual&SORT=SORT_DATE%2FD)

OECD Gender Tipsheets

[http://www.oecd.org/document/34/0,2340,en\\_2649\\_34541\\_18962\\_90\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/34/0,2340,en_2649_34541_18962_90_1_1_1_1,00.html)

# Negotiation and Partnerships

What's in this section?

- 64 Understand when you should negotiate
- 64 Negotiate in good faith
- 65 Choose a style of negotiation that is likely to build relationships
- 66 Negotiate strategic partnerships







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## Negotiation and Partnerships

Negotiation and consultation are different, but related, processes along the spectrum of greater engagement. While consultation tends to be more open-ended, with the intent of exchanging views and information, negotiation intends to reach agreement on a specific issue or set of issues. Because effective negotiation rarely happens in a vacuum, laying the groundwork by establishing trust and credibility through a prior process of consultation is important. Companies who are perceived as engaging with stakeholders only when it seems to suit their purposes or when they want something from communities may be undermining their own interests. Consultation offers, among other things, a valuable opportunity to “humanize” the relationship between the company and neighboring communities through face-to-face interaction, and to foster more realistic expectations through dialogue. Without this, the project can more easily be regarded by stakeholders as an impersonal entity with unlimited resources from which maximum financial gain should be extracted. With negotiation and partnerships – as with so many other things – the quality of stakeholder relationships are key to facilitating mutually acceptable outcomes.

## ✓ Understand when you should negotiate

Negotiation is useful in certain circumstances. Companies usually negotiate when an agreement from stakeholders is needed in order to proceed, for example when seeking rights to land and other resources. In the case of compulsory land acquisition and involuntary resettlement, negotiation offers the chance to reach a settlement outside of any legal proceedings to determine levels of compensation. While this is not appropriate in every situation, where it is an option, it can often yield a better result in terms of reducing time and red tape, and creating a higher level of satisfaction among affected land owners.

Negotiated agreements might also be appropriate in sensitive situations where stakeholder concerns present a significant risk to project operations or company reputation. In addition to consultation, the negotiation process may provide further assurance to affected parties by giving them a greater say in the outcome. It also provides them with the additional clarity, predictability, and security of a signed agreement detailing precisely what the company commits to doing, and the roles, if any, for the affected stakeholders.

## ✓ Negotiate in good faith

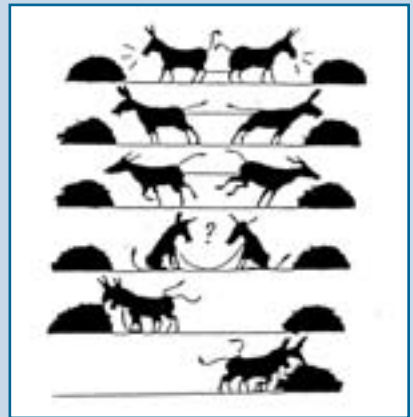
Negotiations with stakeholders should be entered into in “good faith,” that is, conducted with an open mind, a willingness to engage in the process, and a genuine desire to build solutions and to reach agreement. Good faith negotiations are transparent, considerate of the available time of the negotiating parties, and deploy negotiation procedures and language readily understood and agreed to by all parties. Some key principles to keep in mind are:

- involvement of legitimate representatives
- willing engagement free from coercion or intimidation
- joint exploration of key issues of importance

- equal access to the best available information
- use of participatory approaches
- accessibility in terms of timing and location
- provision of sufficient time for decision-making
- mutual respect and sensitivity for cultural and other differences
- flexibility, consideration of multiple options, and willingness to compromise
- documented outcomes
- inclusion of a grievance mechanism to address any issues arising in the implementation of the agreement

### ✓ Choose a style of negotiation that is likely to build relationships

Good faith negotiations work best when conducted pursuant to the rules of “interest-based” consensual agreements. This approach seeks to deliver an outcome for all negotiating parties that satisfies, if not their initial proposals on entering the discussions, at least the deeper interests and motivations that lie behind them. For example, initial demands by communities for cash compensation are often a “position,” since there may be other ways to satisfy the reason why this cash is being demanded (e.g. employment opportunities, restored status for traditional leaders, provision of social infrastructure or services). This particular style of negotiation, driven by principles of joint problem-solving and consensus-building, tends to strengthen relationships between the negotiating



Without communication, participation, and joint decision-making, neither will be successful.

Source: University of East Anglia, School of Development Studies

parties and often works best when facilitated by a third party acceptable to all sides. Other styles of negotiation that focus on one party seeking to “win” the best deal it can, regardless of the consequences for the other parties or their relationship with them, are often not sustainable and generally fail to exploit the opportunity to build relationships at the same time as reaching an agreement.

### ✓ Negotiate strategic partnerships

Beyond consultation, participation, and negotiation on the engagement continuum, lie strategic partnerships between companies and communities and/or other stakeholders, such as government or NGOs. Instead of negotiated programs or agreements being implemented primarily by the company, strategic partnerships are about **joint activities and collaborative efforts** which can lead to the building of social capital. The common interest that brings parties together is often some aspect of development, such as environmental stewardship, public health, social inclusion and community investment, or local economic development. Some general characteristics of effective partnerships are:

- a common objective or strategic interest
- the pooling of cash or in-kind resources by all parties
- sharing of information, transparency, and joint fact-finding
- drawing on the core and complementary competencies of each of the parties
- sharing the risks and benefits associated with the venture, both financial and reputational



## INDIA: NEGOTIATING A BEST ENVIRONMENTAL STANDARD FOR LEAD BATTERY MANUFACTURING AND COLLECTION

The annual health cost of lead poisoning in children is estimated at over \$600 million in India and \$43 billion in the U.S. Manufacturing, handling and disposing of batteries for automotive, telecom and other applications are the greatest sources of lead toxins in the environment worldwide. To address this issue, **Occupational Knowledge (OK) International** saw the need to establish an international environmental standard for certification of lead battery manufacturing and collection.

To develop and promote the standard, known as BEST or “Better Environmental Sustainability Targets,” OK International and two Indian NGOs partnered in 2002 with one of India’s largest battery manufacturers, **Amara Raja**, to undertake a pilot audit of their operations. Through observation and testing, areas for improvement in sustainable environmental and health practices were identified. The pilot-testing led to the drafting of the first BEST standard for battery manufacturing.

The move from a draft to a certification standard, however, required negotiation with all concerned parties. For this purpose, a diverse multi-stakeholder forum was convened in India. Twenty-three organizations participated, representing all key sectors, including large battery purchasers such as Hero Honda and Tata Motors, local and international agencies, industry experts, and health and environmental organizations. Through a series of technical meetings, the group carefully reviewed and debated the draft standards and audit results, proposed changes in the standard as needed, and, in some cases, began to review related guidelines in their own sectors. Deliberations led to a final draft standard with agreed criteria for certification that will undergo two public disclosure and consultation periods prior to being finalized. Equally important, the engagement process created an alliance among a diverse constituency and encouraged battery purchasers to expect best practice from their suppliers. Through stakeholder engagement, the negotiation solidified multi-sectoral commitment to building a BEST international eco-label for lead battery manufacturing.

## HOLCIM, VIETNAM: STAKEHOLDER PARTNERSHIPS FOR HABITAT CONSERVATION

In the Ha Tien Plain, a remote area of southwest Vietnam, the population has experienced an influx of migrant labor over the past 15 years, with people seeking economic opportunities for rice and shrimp farming and work in local cement factories. One of these cement factories, **Holcim Vietnam**, was financed by the IFC. The land-use changes as a result of the factory led to significant and escalating loss of the local natural habitat—a complex mix of seasonally flooded grasslands, wetlands, limestone towers, sandstone hills, and mangrove forests—despite growing awareness of the area's biodiversity value.

As the project progressed, it became clear that any effective intervention for habitat conservation would require a common agenda and collaboration among a number of key stakeholders. In 2002, discussions commenced around the role of each of these stakeholder groups: the convening power of IFC; the local influence of the Holcim cement company; the technical expertise of local NGOs and academics; the mandating authority of the local government; and the active support of the local population. All of these stakeholders would be needed to secure a successful outcome. The next step in the process was to design a model to reach the desired outcome of sustainable resource management and conservation.

Feasibility studies and mapping exercises took place in the first quarter of 2003, funded through a joint agreement between IFC and Holcim. In May 2003, a stakeholder workshop was held to discuss results among all parties and agree on a site for the pilot project. A joint Memorandum of Understanding was drawn up to provide the formal authorization for the pilot to proceed. By February 2005, the pilot had yielded tangible results. More than 200 households in one of the poorest provinces of Vietnam had seen their income double through sustainable harvesting of resources from a community-managed wetland/grassland, while at the same time safeguarding the last pristine habitat of its kind in the Mekong Delta.

# Grievance Management

What's in this section?

- 70 Process is important
- 70 Scale the mechanism to project needs
- 72 Put it in writing and publicize it
- 72 Bring in third parties where needed
- 73 Make it accessible
- 75 Response time and transparency matter
- 75 Keep good records and report back
- 76 Don't impede access to legal remedies



A good process can enhance outcomes and give people satisfaction that their complaints have been heard, even if the outcome is less than optimal.





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## Grievance Management

For projects with environmental and social impacts, grievances are a fact of life. How a company responds (or is perceived to be responding) when such grievances surface is important and can have significant **implications for business performance**. A grievance mechanism should be scaled to fit the level of risks and impacts of a project. It should flow from a company's broader process of stakeholder engagement and business integrity principles, and integrate the various elements of engagement discussed in the preceding sections. In fact, having a good overall community engagement process in place and providing access to information on a regular basis can substantially help to prevent grievances from arising in the first place, or from escalating to a level that can potentially undermine business performance. Thus, from a basic risk-management perspective, spending the time and effort up front to develop a well-functioning process is a good investment.

Ideally, grievance procedures should be in place from the beginning of the social and environmental assessment process and exist throughout construction and operations through to the end of project life. As with the broader process of stakeholder engagement, it is important that management stays informed and involved so that decisive action can be taken when needed to avoid escalation of disputes. The following points are worth considering when setting up a mechanism for addressing external grievances.

### ✓ Process is important

For affected communities and other stakeholder groups seeking to have their complaints resolved, the perception of transparency and “fairness of process” is important. A good process can enhance outcomes and give people satisfaction that their complaints have been heard, even if the outcome is less than optimal. When designing grievance procedures, think about whether they will be readily understandable, accessible and culturally appropriate for the local population. It is important to clarify at the outset who is expected to use this procedure, and to assure people that there will be neither costs nor retribution associated with lodging a grievance. The entire process – from how a complaint is received and reviewed, through to how decisions are made and what possibilities may exist for appeal – should be made as transparent as possible through good communication.

### ✓ Scale the mechanism to project needs

Grievance mechanisms should be designed to fit the context and needs of a particular project. Smaller projects with relatively straightforward issues might have simpler means of addressing complaints, such as through community meetings, community liaison personnel and suggestion boxes allowing for anonymity. Larger, more complex projects will likely need a more formalized process and mechanism,

and a higher level of dedicated resources for receiving, recording, tracking, and resolving complaints. However, grievance mechanisms should not be thought of as a substitute for a company's community engagement process or vice-versa. The two are complementary and should be mutually reinforcing.

Even in the same project, not all grievances can or should be handled in the same way. For example, a complaint about a company truck running over chickens in the road may be readily resolved through direct interaction between the complainant and the company's community liaison staff (with a more formal grievance process only as a back up if staff are not responsive). However, allegations of widespread ground water contamination, for example, may be of such a serious or urgent nature that they require immediate intervention by senior managers and subsequent



### **LONMIN, SOUTH AFRICA: TOLL-FREE TELEPHONE HOTLINE**

**I**n South Africa, Lonmin, the world's third-largest platinum producer, found that a particularly effective means for allowing the public to report concerns or complaints relating to Lonmin's operations – especially with regard to environmental, health and safety, community, and security issues – has been a toll-free telephone hotline established by the company. A register is kept of these complaints and any responses provided. In addition, regular meetings are arranged with specific sub-groupings of affected stakeholders to discuss particular problem areas, for example noise and vibration associated with new open-cast mining operations. Stakeholders are also invited to raise their more general concerns in regular stakeholder forum meetings involving Lonmin management and key stakeholder groups.

mediation. In other words, consider creating different levels of redress within your grievance mechanism that correspond to the scale and seriousness of the complaint.

**Grievance mechanisms should not be thought of as a substitute for a company's community engagement process or vice-versa. The two are complementary and should be mutually reinforcing.**

#### **✓ Put it in writing and publicize it**

A policy or process for addressing complaints cannot be effective if nobody knows about it. A company's grievance procedures should be put into writing, publicized, and explained to relevant stakeholder groups. Simply put, people should know where to go and whom to talk to if they have a complaint, and understand what the process will be for handling it. As with all information, it should be provided in a format and language readily understandable to the local population and/or communicated orally in areas where literacy levels are low. As a general rule, it should not be overly complicated to use nor should it require legal counsel to complete.

#### **✓ Bring in third parties where needed**

Sometimes, ensuring "fairness of process" for affected individuals or groups requires certain measures to level the playing field of perceived power. At a minimum, communities need to have access to information. Companies can facilitate this by providing project-related information in a timely and understandable manner. In cases where significant imbalances in knowledge, power, and influence

exist, a company may wish to reach out to other partners to assist in the process. In terms of advocacy, an NGO might be brought in to assist local communities and advocate on their behalf. Where mediation is desired, academic or other local institutions may be sought out to play an “honest broker” role in mediating between the company and stakeholder groups. In certain circumstances, it can be good practice for a company to provide funding for such third-party advice or facilitation in a way that is acceptable to all parties and doesn’t compromise the integrity of the process.

### ✓ Make it accessible

Projects that make it easy for people to raise concerns and feel confident that these will be heard and acted upon can reap the benefits of both a good reputation and better community relations. One of the best ways to achieve this is to localize your points of contact. Hire people with the right skills, training, and disposition for community liaison work and get them into the field as quickly as possible. Maintaining a regular presence in the local communities greatly helps to personalize the relationship with the company and engender trust. Talking with a familiar face who comes to the village regularly, or lives nearby, creates an informal atmosphere in which grievances can be aired and sorted out, or referred up the chain of command. This is usually more convenient and less intimidating to people than having to travel distances to the company offices during business hours to file a formal complaint.

- Maintaining a regular presence in the local communities greatly helps to personalize the relationship with the company and engender trust.**

## MINERA YANACOCCHA: DIALOGUE ROUNDTABLES AS A MECHANISM FOR CONFLICT RESOLUTION

The largest gold mining company in Peru, **Minera Yanacocha**, has had serious conflicts with local communities around its Yanacocha Gold Mine, sparked by a mercury spill along a section of road that passed through three villages. Local groups alleged that the company was adversely impacting the water, air, health and livelihoods of surrounding villages and that the mine development was occurring without adequate community consultation.

The creation of the *Mesa*, a roundtable for dialogue, resulted from complaints filed with the IFC's Compliance/Advisor Ombudsman (CAO). The Assembly of the *Mesa*, composed of representatives of 52 registered organizations – including national government, members of the affected communities, NGOs, church groups, the Chamber of Commerce, the company, and the Board of Directors elected by the Assembly – meets monthly. Its mission is to “address and resolve the conflicts between the Minera Yanacocha and the community of Cajamarca with the participation of public and private institutions in a transparent, open, independent and participatory manner.”

The *Mesa* has successfully created a new “culture of dialogue” and helped defuse tensions between the company and community through the respectful and tolerant nature of the actively facilitated, multi-stakeholder discussions. For example, an independent and participatory water quality and quantity study took place as a result, with accompanying recommendations on how to address these issues. The company's Hazardous Material and Emergency Response Plan has also now been revised as a result of this process. However, there are still issues that the *Mesa* has not yet addressed and the mechanism also faces challenges regarding public perceptions in the broader community of its representativeness, independence and transparency. Furthermore, because the *Mesa* has been receiving financial and technical support from the IFC's CAO since its inception, the sustainability of the mechanism into the future remains a question.

Source: Report of the Independent Evaluation of the Mesa de Dialogo y Consenso CAO - Cajamarca May 2005  
[http://www.cao-ombudsman.org/pdfs/MESA\\_%20Evaluation\\_%20Report\\_%20Final\\_%20English.pdf](http://www.cao-ombudsman.org/pdfs/MESA_%20Evaluation_%20Report_%20Final_%20English.pdf)

### ✓ Response time and transparency matter

It is good practice for a company to publicly commit to a certain time frame in which all recorded complaints will be responded to (be it 48 hours, one week or 30 days) and to ensure this response time is enforced. This helps allay frustration by letting people know when they can expect to be contacted by company personnel and/or receive a response to their complaint. Combining this with a transparent process by which stakeholders can understand how decisions are reached inspires confidence in the system. During critical time periods, such as construction, it is important to have an immediate response to time-sensitive complaints, such as a fence being knocked down by a contractor, for example, and livestock getting out. A related issue is making sure that company personnel receiving grievances (typically community relations staff) have the authority to resolve basic complaints themselves, as well as a direct reporting line to senior managers if the issue is more serious or costly to address.

**It is good practice for a company to publicly commit to a certain time frame in which all recorded complaints will be responded to.**

### ✓ Keep good records and report back


Whether it is simply keeping a log book (in the case of small projects) or maintaining a more sophisticated database (for bigger projects with more serious impacts), keeping a written record of all complaints is critical for effective grievance management. The record should contain the name of the individual or organization; the date and nature of the complaint; any follow-up actions taken; the final result; and how and when this decision was communicated to the complainant. In some countries, detailed personal information such as passport numbers are required to officially “register” a grievance. This can be intimidating to stakeholders and discourage them from

using the mechanism. Overly personal data should therefore be optional and kept confidential unless required to disclose to authorities. In addition to informing the complainant of the outcome (in writing where appropriate), it is also good practice as part of the broader community engagement process to report back periodically to communities and other stakeholder groups as to how the company has been responding to the grievances it has received.

### ✓ Don't impede access to legal remedies

If the project is unable to resolve a complaint, it may be appropriate to enable complainants to have recourse to external experts. These may include public defenders, legal advisors, legal NGOs, or university staff. A company may find that it can work in collaboration with these third parties and affected communities to find successful resolution of the issues. However, this is not always possible, and situations may arise where complainants will choose to pursue legal recourse. Under these circumstances, companies should be familiar with the judicial and administrative channels for dispute resolution available in the country of operation and should not impede access to these mechanisms.





## EXXONMOBIL: MULTI-PARTY COMMISSION TO ADDRESS GRIEVANCES ON THE CHAD-CAMEROON PIPELINE PROJECT

Sometimes, having representatives from different stakeholder groups participate in decision-making related to grievances can help increase the credibility and legitimacy of the process. In **Cameroon**, **Exxon Mobil** faced the challenge of having to acquire land in a large area where there is no private property recognized by the state and a complex land-use system that led to multiple individuals having claims on the same piece of land. The company needed to develop a fair and transparent process whereby it could establish eligibility for compensation and address grievances.

A **multi-party commission** was established that included government officials, village chiefs, traditional authorities, ExxonMobil representatives, and two NGOs selected through a competitive bidding process. The Commission undertook a systematic, village-by-village process of “social closure,” whereby they reviewed each compensation agreement along the pipeline route, and determined whether it was in compliance with the broader environmental and social management plan. For cases of non-compliance, the commission determined appropriate corrective measures. To promote transparency, final compensation payments took place at public hearings in the affected villages, with one of the NGOs serving the role of “witness” to the process.



# Stakeholder Involvement in Project Monitoring

What's in this section?

- 80 Promote participatory monitoring
- 81 Explore the potential benefits of external monitoring



External monitoring of a company's environmental and social commitments can strengthen stakeholder engagement processes by increasing transparency and promoting trust.



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## Stakeholder Involvement in Project Monitoring

One way to help satisfy stakeholder concerns and promote transparency is to involve project-affected stakeholders in monitoring the implementation of mitigation measures or other environmental and social programs. Such participation, and the flow of information generated through this process, can also encourage local stakeholders to take a greater degree of responsibility for their environment and welfare in relation to the project, and to feel empowered that they can do something practical to address issues that affect their lives. Participatory monitoring also tends to strengthen relationships between the project and its stakeholders.

If local capacity is lacking, your company may wish to consider **capacity-building** and training programs to enable project-affected people or local organizations to acquire the technical skills necessary to participate in effective monitoring. Companies which have done so say it is in their own best interests to ensure that any groups monitoring their project have a sound technical understanding of the process, as it leads to more accurate and credible monitoring results and enables informed dialogue.

### ✓ Promote participatory monitoring

Participatory monitoring goes beyond the company consulting with affected stakeholders on environmental monitoring data. It requires the **physical presence of affected individuals at the time that monitoring takes place**, and involves methods and **indicators meaningful to the stakeholders** concerned. In some jurisdictions, the participation of project-affected stakeholders in monitoring environmental and social impacts and mitigation can be a regulatory requirement. It is also good practice. In relation to any type of stakeholder involvement in project monitoring, care should be taken in the choice of representatives and the selection process should be transparent.

Participatory monitoring might include, for example,:<sup>2</sup>

- involvement of affected stakeholders in **scientific sampling** methods and analysis – many local groups are quite able to understand such techniques without professional training whereas others may need some capacity building
- **observations** by affected parties, triangulated to strengthen validation

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2. Source: Adapted in part from: the Global Development Research Centre  
<http://www.gdrc.org/uem/e-mgmt/10.html>

□ □ □ **An external monitor can help increase both the accountability of the project and the credibility of the monitoring results.**

- **group discussions** on the success of mitigation or benefit measures and/or on how to manage new issues that have arisen
- the adaptation of conventional **participatory techniques** to the purpose of assessing changes in the physical and socio-economic environment over time, such as a seasonal calendar, daily/weekly schedules, resource and land-use maps, and wealth ranking

While some companies may be skeptical about the technical ability of local stakeholders to assist in monitoring, many companies who have tried this approach have found the learning curve to be much more rapid than they had predicted.

✓ **Explore the potential benefits of external monitoring**

External monitoring of a company's environmental and social commitments can strengthen stakeholder engagement processes by increasing transparency and promoting trust between the project and its key stakeholders. Companies benefit by receiving an objective assessment of their environmental and social performance, which can help defuse external criticism and strengthen support from local stakeholders. An **external monitor** can also help increase both the **accountability** of the project and the **credibility of the monitoring results** in the eyes of affected communities and civil society groups by serving as an independent and objective source of information and reporting. External monitors may be NGOs, government regulators, academics and scientists, community representatives, technical experts, or eminent persons.

For particularly complex or controversial projects, where objectivity and transparency are key, it can be good practice to establish an **independent monitoring panel** or group to oversee and report on the project's environmental and social performance. This body might include project stakeholder representatives, internationally recognized technical experts and/or eminent persons. Critical to the success of such a panel is a composition that is **trusted** and **technically capable**, and whose monitoring reports are disclosed publicly. The same concept can be applied to smaller projects, but with a scaled-down panel comprising community representatives and local emissaries or academics.

### EXXONMOBIL: EXTERNAL MONITORING OF THE CHAD CAMEROON PIPELINE

**F**or the Chad Cameroon pipeline project, operated by ExxonMobil, an External Compliance Monitoring Group (ECMG) was contracted to monitor and evaluate the performance of the operator and the two governments in implementing their environmental commitments contained in the project's Environmental Management Plan. The ECMG, a consulting firm paid for by ExxonMobil (with IFC serving as an intermediary) undertook at least four site visits per year up until the project completion date, and confers with the project companies' representatives, the affected populations, NGOs, and other parties responsible for environmental compliance monitoring. All ECMG reports are public documents made available (in English and French) through the World Bank's and ExxonMobil's websites.

*\*For more information on setting up an external monitoring mechanism for complex projects, please see: External Monitoring of the Chad-Cameroon Pipeline Project: Lessons of Experience, IFC (September 2006) [www.ifc.org/enviro](http://www.ifc.org/enviro)*



### **BAKU-TBLISI-CEYHAN PIPELINE: NGO MONITORING IN AZERBAIJAN AND GEORGIA**

Monitoring of the **Baku-Tblisi-Ceyhan Pipeline** project by national NGOs was a recommendation that arose during the construction phase of the project. BTC took up this recommendation, with support from IFC and EBRD, with the view that constructive and well-informed NGO monitoring could be useful to the company in helping to improve the performance of the project. However, a number of NGOs in the pipeline countries lacked the experience and financial resources to effectively perform a monitoring role. The challenge for BTC was to find a way to provide a learning process and financial support for the NGOs without financing them directly, in order to preserve their independence.

To achieve this, BTC engaged third-party organizations to facilitate the implementation of the NGO monitoring program in Azerbaijan and Georgia. (In Turkey, a facilitating organization was not engaged because the experience and capacity of Turkish NGOs was generally greater than in Azerbaijan and Georgia, and a number of Turkish NGOs were already involved in the project.) The facilitating organizations were able to establish a number of Working Groups in both Azerbaijan and Georgia. Members of each Working Group received training in monitoring and auditing techniques, as well as presentations and information sessions about the project from BTC staff. Throughout the monitoring period, BTC provided access to construction sites and documentation, supported by meetings with relevant BTC and contractor personnel. The objectives of the program were as follows: (i) to enable participating NGOs to acquire the skills to plan and implement a program of objec-

## BAKU-TBLISI-CEYHAN PIPELINE

*continued*

tive monitoring and reporting of the BTC pipeline to international standards; (ii) to provide the NGOs with transferable skills to monitor environmental and social impacts of other projects; and (iii) to publicly demonstrate that BTC is taking their commitment to transparency seriously.

Participants from the Azerbaijan program visited Georgia during March 2005 to share their experiences, and this cooperation between the two countries is expected to continue as the programs progress. This level of formal collaboration between industry and civil society is seen as providing a model for future developments in the Caucasus region.

### Azerbaijan

In Azerbaijan, BTC formed a partnership with Open Society Institute (OSI) Azerbaijan. OSI acted as a coordinator for the NGOs and contributed vital funds to support the participating NGOs. It also established a registration, training and mentoring system for the NGOs. Azeri NGOs subsequently identified five monitoring themes (social, land and worker rights, local content, cultural heritage, and environment), formed a group for each theme, and created smaller working groups to perform the monitoring on behalf of the others. They also took part in training on monitoring, evaluation, and reporting techniques and received presentations about the BTC project.

### Sharing Experience with the Chad-Cameroon Pipeline

OSI brought in Catholic Relief Services to provide training in monitoring techniques, using the expertise of an NGO monitor on the



## BAKU-TBLISI-CEYHAN PIPELINE

*continued*

Chad-Cameroon pipeline project. There are few projects equivalent to the BTC pipeline, so this was an opportunity to share valuable experience from a comparable project. The Chad-Cameroon NGO monitor continued to support the Azeri NGOs while they prepared and implemented their monitoring plans and wrote their reports.

### Georgia

In Georgia, the Eurasia Foundation's Pipeline Monitoring and Dialogue Initiative (PMDI) is assisting NGOs in Tbilisi and along the pipeline corridor. PMDI is a "facilitated monitoring" program to build an expert cadre of NGO monitors and encourage informed participation by a wide variety of NGO representatives in monitoring the impact of the pipeline route. Many NGOs responded to the initial invitation to register, and a selection process resulted in the formation of three Working Groups: Waste Management, Reinstatement, and Social and Human Rights. NGO training and monitoring was successfully achieved in December 2005 and further capacity building began in 2006.

*Source: The BTC Pipeline Project: Lessons of Experience, IFC (September 2006) available at [www.ifc.org/envirolessons](http://www.ifc.org/envirolessons)*



# Reporting to Stakeholders

What's in this section?

- 88 Tips for reporting back to project-affected stakeholders
- 89 International standards for reporting on stakeholder engagement
- 92 Reaching a wider audience through sustainability reporting
- 93 Benefits of sustainability reporting





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## Reporting to Stakeholders

In both personal and business relationships, follow-through is important. The same principle applies to stakeholder engagement. Once consultations have taken place, stakeholders will want to know which of their suggestions have been taken on board, what risk or impact mitigation measures will be put in place to address their concerns, and how, for example, project impacts are being monitored.

In addition to **reporting back** to project-affected groups and other stakeholders as part of the consultation process, there are other types of reporting that target a different set of stakeholders.

**Sustainability reporting**, for example, provides companies with an opportunity to communicate information to a much wider range of stakeholders about the environmental, social, economic, and governance performance of the business. It also offers a platform to report back on the process of stakeholder engagement itself, such as who has been consulted, on what topics, and with what results. Consequently, a number of international codes and standards for corporate reporting now include requirements for implementing and reporting on stakeholder engagement.

### ✓ **Tips for reporting back to project-affected stakeholders**

Keeping track of the many commitments made to various stakeholder groups at various times, and communicating progress made against these commitments on a regular basis, requires planning and organization (see Box 8). The following considerations may be helpful when devising the reporting component of your stakeholder engagement strategy:

- Determine what **information** needs to be reported to which stakeholders, by what **method** and **how frequently**.
- Regularly **update your commitments register** and disclose progress to affected and interested parties. In particular, publicize any **material changes** to commitments or implementation actions that vary from publicly disclosed documents.
- Make monitoring results **publicly available**, especially reports of any external monitors.
- Regularly report on the **process of stakeholder engagement as a whole**, both to those stakeholders who are directly engaged, and to other interested parties.
- **Translate** information reported to stakeholders into local languages and easily understandable formats.



### LONMIN, SOUTH AFRICA: REPORTING BACK TO AFFECTED STAKEHOLDERS ON KEY MONITORING DATA

In Lonmin's platinum mining operation in South Africa, air and water quality data in surrounding communities is monitored by independent consultants and reported back both to relevant regulatory bodies and the affected communities. Recently, communities have asked to be involved in the selection of monitoring consultants, and the company has agreed. A similar situation exists for crack surveys before and after blasting at the open pit mining areas, as well as for noise monitoring. Lonmin hosts a quarterly Health & Environmental Forum where environmental monitoring results are reported and discussed with concerned community members and civil society groups.

### ✓ International standards for reporting on stakeholder engagement

In recent years, international reporting standards for business have begun to include requirements for reporting on stakeholder engagement activities and performance. In many cases companies will already be in compliance with these standards, or require only minimal modifications in how they measure and report out. For others, new policies and procedures for stakeholder engagement and performance reporting will need to be put in place. Meeting such standards can benefit companies by helping them to access new markets (for example, by meeting global vendor and supplier requirements), secure eligibility for socially responsible investment (SRI) listings, and improve their standing compared with their competitors. Information on some of the principal international standards is given in Box 9.

**BOX 8: USING SOFTWARE PROGRAMS TO TRACK  
STAKEHOLDER CONSULTATION AND COMMITMENTS**

Various software packages and internet-driven services exist for tracking consultation activities and commitments to stakeholders on large projects. A random selection are given below.\*

- **Comm-Trac™** - Environmental health and safety data management software that establishes a “compliance dashboard” to automatically remind managers to meet environmental compliance commitments.
- **Credit 360** – a web-based data management system that facilitates data collection and aggregation for reporting and communication purposes. [www.credit360.com](http://www.credit360.com)
- **Entropy System™** – environmental, social, and economic performance, web-based, software that also facilitates stakeholder engagement and provides a framework for managing risks in relation to stakeholders.
- **REACT** – an on-line record of research, engagement, and consultation exercises undertaken by local authorities across a district.
- **Smart Dialogue™** – manages large numbers of consultees, maintains an audit trail, and provides feedback to participants and decision-makers.
- **3PTracking™** – captures and tracks financial and in-kind commitments by stakeholders involved in multi-stakeholder and cross-sector partnership projects.

\* IFC has not verified the effectiveness of these products or services.

**BOX 9: INTERNATIONAL STANDARDS  
FOR REPORTING STAKEHOLDER ENGAGEMENT**

**AA1000 Stakeholder Engagement Standard** – managed by AccountAbility, an open-source framework for improving the quality of the design, implementation, assessment, communication, and assurance of stakeholder engagement, including customer care, issue-based engagements (e.g. human rights), and reporting and assurance. [www.accountability21.net](http://www.accountability21.net)

**Dow Jones Sustainability Index** - sets standards for corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting. [www.sustainability-indexes.com](http://www.sustainability-indexes.com)

**FTSE4Good Index Series** – a series of benchmark and trackable indices for socially responsible investors. Inclusion criteria for oil, gas, and mining companies include commitment to respect the core ILO labor standards (or be signatories to the UN Global Compact, SA8000 or OECD Guidelines for Multi-national Enterprises); respect indigenous peoples; consult with independent local stakeholders; integrate human rights concerns into its risk assessment; and report on human rights performance to the public.

[http://www.ftse.com/Indices/FTSE4Good\\_Index\\_Series/index.jsp](http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp)

**Global Reporting Initiative (GRI)** – a comprehensive set of social, economic, environmental, and governance indicators, including a sub-set on stakeholder engagement. [www.globalreporting.org](http://www.globalreporting.org)

**Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises** – promotes consultation

**BOX 9: INTERNATIONAL STANDARDS  
FOR REPORTING STAKEHOLDER ENGAGEMENT** *continued*

and cooperation between employers and employees; disclosure of information on material issues regarding employees and other stakeholders; and adequate and timely communication and consultation with the communities directly affected by the environmental, health, and safety policies of the enterprise and by their implementation. [www.oecd.org](http://www.oecd.org)

**SA 1000** – a voluntary, third-party certification standard developed by Social Accountability International (SAI), aimed at companies interested in auditing and certifying labor practices in their facilities and those of their suppliers and vendors. [www.sa-intl.org](http://www.sa-intl.org)

**UN Global Compact** - commits signatory companies to support and respect the protection of internationally recognized human rights and make sure that they are not complicit in human rights abuses. [www.unglobalcompact.org](http://www.unglobalcompact.org)

**✓ Reaching a wider audience  
through sustainability reporting**

In general, sustainability reporting is aimed at a **wide, multi-stakeholder audience** and forms an integral part of a company's overall stakeholder engagement and communications strategies. The report should be viewed as complementary to, but not a substitute for, the disclosure of information about specific projects to targeted stakeholder groups, or as an alternative to reporting back directly to stakeholders on the outcome of prior consultation.

Ideally, a sustainability report should be reliable and clear, and provide a balanced view of the good as well as not-so-good news. As good practice moves more and more toward verification of information and ensuring that reports cover the issues that are most important, or “material,” to stakeholders, a number of companies are having their reports independently verified by a third party. The content, scope, and quality of sustainability reporting varies tremendously among companies but in general tries to strike the right balance between the following considerations:

- **Materiality** – focusing in detail on the company’s key economic, social, and environmental risks, activities and impacts, and how they are being managed, rather than reporting many activities superficially
- **Stakeholder responsiveness** – providing information that responds to actual stakeholder expectations and interests, rather than only what the business would like its stakeholders to know or “thinks” they want to know
- **Context** – reporting information that is contextualized so that proper judgments can be made as to their significance. For example, the creation of 50 new jobs may be highly significant in a small, poor rural community, but less significant in a larger economically developed urban area
- **Completeness** – providing sufficient coverage of issues to enable stakeholders to draw their own conclusions about a company’s performance

### ✓ Benefits of sustainability reporting

Companies that undertake sustainability reporting cite a number of benefits which vary by country and sector, and include:

- Increased trust and support from key stakeholders (e.g. customers and local communities)

- Improved brand and reputation (see Manila Water Company example)
- Better relationships with governments and investors
- Boost to staff morale and loyalty (staff are often cited as key audiences for reports)
- Enhanced ability to bounce back from reputational crises
- Attractiveness to socially responsible investors
- Opportunities to improve corporate systems and efficiency
- Product and service innovation (as a result of better understanding of stakeholder needs)
- Added ability to differentiate in the marketplace





## MANILA WATER COMPANY: REPORTING TO STAKEHOLDERS

In 2004, the **Manila Water Company** in the **Philippines** established a Sustainable Development Cluster, comprising a diverse group of staff from across the company at all levels, to develop a Sustainable Development Strategy for the company. The strategy outlines the company's approach to integrating sustainability issues into its operations and includes performance indicators to focus activities and monitor progress, as well as objectives and targets for improvement. The Sustainable Development Strategy is an evolving framework that continues to ground and direct the company's operations. It provides a foundation for the company's strategy, operations, engagement with stakeholders, and external reporting.

In 2005, Manila Water demonstrated its commitment to transparency when it became the first national company to release an annual Sustainability Report based on the Global Reporting Initiative's *Sustainability Reporting Guidelines*. A follow-up sustainability report was released in 2006, reporting on the company's operations and progress in 2005 and its future plans. These reports are rooted in a systematic assessment of the sustainability impacts and benefits related to each aspect of Manila Water's business and linked to its sustainability policy, performance indicators, objectives, and targets.

The reports provide a basis for the company's ongoing monitoring and reporting of performance, and strategy for improvement. Manila Water's annual Sustainability Report is also used as a basis for ongoing consultation and engagement with staff, its customers and communities, and other stakeholders. It also inspired its parent company, the Ayala Corporation, to require all of its subsidiaries to produce their own Sustainable Development Reports in 2007, as well as one, unified report for the whole group. The company is also often invited to share its experience globally and to provide guidance to other utilities in developing countries.

**BOX 10: GRI INDICATORS**

The Global Reporting Initiative (GRI) provides a standardized set of indicators against which companies can measure their sustainability performance. Indicators include the following topics:

**ECONOMIC**

- Economic Performance
- Market Presence
- Indirect Economic Impacts


**ENVIRONMENT**

- Materials
- Energy
- Water
- Biodiversity
- Emissions, Effluents, and Waste
- Products and Services
- Compliance
- Transport

**LABOR PRACTICES AND DECENT WORK**

- Employment
- Labor/Management Relations
- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity



 **BOX 10: GRI INDICATORS** *continued***HUMAN RIGHTS**

- Investment and Procurement Practices
- Non-discrimination
- Freedom of Association and Collective Bargaining
- Abolition of Child Labor
- Prevention of Forced and Compulsory Labor
- Complaints and Grievance Practices
- Security Practices
- Indigenous Rights

**SOCIETY**

- Community
- Corruption
- Public Policy
- Anti-Competitive Behavior
- Compliance

**PRODUCT RESPONSIBILITY**

- Customer Health and Safety
- Product and Service Labeling
- Marketing Communications
- Customer Privacy
- Compliance

Further indicators are provided for the following industrial sectors: financial services; logistics and transportation; mining and metals; public agencies; tour operators; telecommunications; and the automotive industry.

**BOX 10: GRI INDICATORS** *continued*

GRI reporting requirements specifically relating to company performance in stakeholder engagement include\*:

- 3.9 Basis for identification and selection of stakeholders
- 3.10 Approach to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group
- 3.11 Type of information generated by stakeholder consultations
- 3.12 Use of information resulting from stakeholder engagements

*\*The GRI numbering of indicators helps financial analysts more readily find the information they are looking for and also increases the comparability of reports from different companies.*

*Source: Global Reporting Initiative. For more information go to [www.globalreporting.org](http://www.globalreporting.org)*

# Management Functions

What's in this section?

- 100 Coordinate activities and assign overall responsibility
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- Stakeholder engagement should be managed as one would manage any other business function.



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## Management Functions

Increasingly, good practice points to incorporating stakeholder engagement activities into a company's environmental and social management system. In practice this means making its management systematic by integrating it with core business activities. To achieve this, managers will need to identify critical points in the life of the project where stakeholder engagement will be needed, and determine who will deliver these actions and how they can be integrated with core business functions. This involves trying to work out how best to deliver and integrate a number of different aspects of engagement discussed in the previous sections, including:

- ongoing stakeholder analysis and the assessment of stakeholder concerns from a “risk” perspective
- the hiring and training of **community liaison officers**
- consultation processes designed to meet the **company’s own policies** and/or **compliance requirements of lenders and regulators**
- **input and suggestions** received from stakeholders on project design and proposed mitigation measures
- **grievance mechanisms** that capture and respond to stakeholder concerns
- the involvement of local stakeholders in **project monitoring**
- **reporting** information to stakeholders

(Part Two of this handbook identifies some of the key management tasks for each phase of the project cycle.)

Most importantly, stakeholder engagement should be managed as one would manage any other business function — with **clearly defined objectives and targets, professional, dedicated staff, established timelines and budget, and senior management responsibility and oversight**. Some good practice principles for managing stakeholder engagement processes are given below.

**Consistency of information conveyed to stakeholders by different teams or business units within the company is important.**

**✓ Coordinate activities and assign overall responsibility**

Over the life of the project, affected communities and other interested parties will likely interact with a variety of representatives from within the project company. It is essential that this diverse set of engagement activities be coordinated. **Consistency of information**

- □ □ **When hiring community liaison staff, consider people who will be able to develop and maintain good working relationships with the local communities.**

conveyed to stakeholders by different teams or business units within the company is important, as is keeping track of such activities in order to reduce inefficiencies, confusion, and conflicting messages or commitments. This is usually best achieved by giving a senior manager overall responsibility for stakeholder engagement. This **high-level oversight** not only helps to underscore the importance of the function, but is needed in order to effectively implement the strategy and coordinate the various activities across the company.

### ✓ **Hire, train, and deploy the right personnel**

Initial stakeholder analysis will provide you with a sense of the type of stakeholder groups the project will need to engage during different phases of the project cycle. Engaging different types of stakeholders requires different skills and staffing considerations. For example, engaging with local communities might require one or more field-based community liaison officers, whereas engagement with government officials or local, national, and international organizations will likely require different skill sets and more direct involvement of senior managers. For projects where the stakeholder engagement process is likely to be complex or sensitive, consider bringing in social advisors or other expert staff to help design and facilitate the process and assist with participatory methodologies and other specialized techniques.

When hiring community liaison staff, consider people who will be able to develop and maintain good working relationships with the

local communities. Since their job will involve listening and responding to local concerns and suggestions, qualities to look for include:

- good people and communication skills
- a good understanding of the local language and community/cultural dynamics
- open-mindedness and respect for the views of others
- a solution-oriented approach
- a high integrity/degree of trustworthiness
- a genuine commitment to the position and its goals

### ✓ Create clear reporting lines between the community liaison function and senior management

In order to be effective, community liaison officers need to have the authority to negotiate on behalf of the company. This requires a clear reporting structure and clarification as to which decisions they can take unilaterally, and which are to be passed on to higher levels within the company. Direct reporting lines also enable senior managers to more effectively control risks by being kept informed of this type of field-level information in a timely manner. The more likely it is that the concerns of local stakeholders might pose a risk or reputational issue for the project, the more important it is for community liaison officers to have a direct channel to senior managers.

- The more likely it is that the concerns of local stakeholders might pose a risk or reputational issue for the project, the more important it is for community liaison officers to have a direct channel to senior managers.**



### ✓ Communicate the strategy internally

If stakeholder engagement is to be truly integrated into day-to-day business operations, the concept needs to be “owned” by all staff. Every business unit needs to be aware of the strategy and understand why the company is committing time and resources to this endeavor. Too often, stakeholder engagement programs are compartmentalized within the company and regarded as a “soft concept” that is the domain of a few community liaison staff. Avoiding this fate means taking the time to communicate the message internally. By clarifying the links between stakeholder engagement and environmental and social performance – as well as its potential to impact on reputation and project outcomes – you can raise awareness that **stakeholder relations is a collective responsibility** and give staff across the company an incentive to serve as “ambassadors” in helping to cultivate and maintain good working relationships with external stakeholders.

### ✓ Develop and maintain a stakeholder database

A current and regularly updated stakeholder engagement database can be a useful management tool. Ideally, it should contain details of the various stakeholder groups (their representatives, interests and concerns); details of any consultations held (including when these took place, the topics discussed and results); any commitments made by the project company, both those outstanding and those already delivered; and a record of specific grievances lodged and the status of their resolution. Maintaining such a database is important for **continuity purposes**, especially in the transitions between project phases where personnel changes are common. It can also come in handy for **reporting purposes** or when a company might need to demonstrate the adequacy of its consultation process.

### **SASOL, MOZAMBIQUE: ESTABLISHMENT OF A STAKEHOLDER DATABASE FOR THE EIA PROCESS**

In conjunction with gaining rights to off-shore hydrocarbon exploration in **Mozambique**, **Sasol** developed an initial list of stakeholders and discussed it with key government agencies. Based on the feedback received, an expanded stakeholder list was developed and contacted by the company. This became an iterative process, with additional contacts being either supplied by existing contacts or joining the process in response to media advertisements or public meetings. The expanded list was converted into a database containing names, affiliations, contact numbers, and e-mail addresses (where applicable). The stakeholder database became a very useful company tool, used throughout the public engagement process to ensure ongoing communication with all interested and affected parties.

### **✓ Develop and maintain a commitments register**

Doing what you say you will do is essential when it comes to building trust and establishing good working relationships with stakeholders. Timely follow-through requires keeping track of all the various commitments made to stakeholder groups (affected communities, local government, lenders, NGOs, or other organizations) over the life of the project. Typically, the number of commitments made to stakeholders is highest in the early phases of the project around the scoping and environmental and social assessment processes, and relating to grievances and monitoring of impacts during construction. A "commitments register" has emerged as a good practice management tool to record and follow up on a company's many environmental and social commitments made

## BAKU-TBLISI-CEYHAN PIPELINE: KEEPING TRACK OF COMMITMENTS MADE IN THE ESIA

For the Baku-Tblisi-Ceyhan Pipeline project, the Environmental and Social Impact Assessment (ESIA) documents contained hundreds of management and mitigation measures that the company had committed to implement. Because these commitments were scattered across various sections of the documentation, the company initially experienced difficulty organizing these commitments into actions, so that the environmental and social management program for the project could be developed. To overcome this, a comprehensive list of all of the commitments was developed in a “Commitments Register.” The register clearly laid out each commitment, its original source, and where in the management program the commitment would be covered.

Once established, the commitments register was a valuable tool in the development of the environmental and social management system. It served as a link between the ESIA documentation and management system and provided a mechanism whereby commitments made could be followed through to actions on the ground. However, extracting the commitments into a register for the BTC project after the fact was a time-consuming process. It was also found that once extracted from the original documentation, the commitments were often vague, responsibility for implementation was not always clear, and there was significant duplication of commitments.

A lesson learned from the project is that clear and concise language should be used when making commitments and a register of commitments is recommended as part of the overall ESIA documentation deliverable. Ideally, commitments registers could then be organized into a structure that is in line with the project phases (e.g. construction or operations) and sorted by issue (e.g. waste management) to provide greater clarity for both the company and the contractor as to responsibilities for implementation.

during the consultation process and contained in the various environmental and social assessment documentation and action plans. It should contain timeframes for action and, importantly, assign responsibility to the appropriate individuals, business units or implementing third party (which in some cases may be the contractor, an NGO or local government agency).

**Part of managing stakeholder relationships is keeping track of who is speaking on the project's behalf and what is being said by third parties.**

**✓ Stay in control of “third-party” engagement**

Part of managing stakeholder relationships is keeping track of **who is speaking on the project's behalf** and what is being said by third parties. External specialists and consultants, as well as government regulators, and NGOs and contractors working with the project company, may be required to interact with project stakeholders. There are times when such third-party engagement involves risks that will need to be actively managed. These include disclosure of project information that is inconsistent with that disseminated by the company; consultation activities that are culturally inappropriate or that exclude certain stakeholder groups; the raising of false expectations about project benefits (e.g., compensation levels and employment opportunities); the making of commitments on behalf of the company without having obtained prior agreement; and the failure to implement impact mitigation measures or community development projects to the satisfaction of the intended beneficiaries.

One way to reduce such risks is to have **project staff present during these interactions**, at least initially, and on a periodic basis thereafter. Where feasible, written terms of reference or contractual agreements can be helpful in clarifying the roles of third parties up front, while regular monitoring by project staff once activities are underway is an important means of **oversight and quality assurance**.

### ✓ **Manage contractor risk**

Perhaps more than other third parties, contractors have the potential to directly impact stakeholder relations through their behavior and day-to-day interactions with the local population. During the construction phase, contractors and their sub-contractors can have more frequent contact with local stakeholders than do project staff, and **affected communities often do not make a distinction between contractors and the company** – both are viewed as part of the “project.” Contractor actions can therefore pose a risk for companies that should be managed from the outset. This involves selecting contractors that have the capability to deal effectively with stakeholders and putting such requirements into their contract. Contractual requirements might include having their own mechanism for managing grievances, their own manager of community relations, and providing training for their staff and sub-contractors on how to interact with the local population. Company staff should be deployed to monitor contractor actions on the ground and to assist in resolving any complaints from project stakeholders about contractors.

### ✓ **Track changes in the quality of stakeholder relationships**

Because the quality of relationships can change over time and the frequency or intensity of engagement varies during different phases of a project, it might be useful to periodically “test the temperature” of your key stakeholder groups and their level of satisfaction with

the project in general and the engagement process in particular. An annual or semi-annual “**perception**” survey, independently administered, which uses the same set of questions over time to achieve continuity, is a tool some companies use to help them manage the stakeholder engagement process. By gauging changes in satisfaction levels and identifying the underlying causes, the survey information enables staff and managers to make adjustments to the process or take actions where necessary to get communications and relationships back on track.

### **COSAN SAIC: ESTABLISHING A COMMUNITY CONSULTATION PLAN AS PART OF AN ENVIRONMENTAL MANAGEMENT SYSTEM**

**C**osan SAIC, the leading sugar and fuel ethanol producer in Brazil, undertook an expansion of its facilities that involves a range of environmental issues, including waste water management, energy consumption, and production waste, among others. The particular region of Brazil in which the company is operating has more stringent environmental regulation than in other parts of the country. Along with providing corporate financing to the company, IFC advised Cosan SAIC in establishing its first-ever integrated Social and Environmental Management System for its facilities. In addition, the company’s senior management also committed to integrating community consultation into its management systems and appointed full-time staff to manage their implementation. Because the company is receiving a corporate loan, its commitment to prepare and implement community consultation plans as an integral part of its social and environmental management systems will apply to all future greenfield facilities of Cosan SAIC.

## LONMIN, SOUTH AFRICA: STRENGTHENING COMPANY MANAGEMENT OF STAKEHOLDER RELATIONS

**L**onmin, a large platinum mining company based in South Africa has had an historically poor relationship with its key stakeholders. However, since 2004 the company has taken active steps to try to transform these relationships and strengthen the company's management of stakeholder issues. Key elements of Lonmin's strategy include:

- Contracting an experienced international consultancy to facilitate the establishment and operation of a Stakeholder Engagement Forum
- Providing Lonmin staff and community members with the necessary capacity-building to effectively participate in this Forum
- Commissioning independent "Community Perception Surveys" annually to gauge satisfaction among key stakeholder sub-groupings in respect to Lonmin's activities
- Publicly disclosing and disseminating the results of these perception surveys
- Publishing a monthly newspaper focusing on tangible progress and results emanating from the stakeholder engagement process

These efforts have led to significant improvements in community support for Lonmin's activities to date. In addition, the company has made a concerted effort to improve its internal capacity to engage with key stakeholders and to more clearly define and focus these interactions to ensure consistent communication. This has entailed appointing an additional Relationship Manager, clarifying lines of communication both internally and externally, and identifying responsible managers within the company to manage community engagement activities.





## PART TWO:

# INTEGRATING STAKEHOLDER ENGAGEMENT WITH THE PROJECT CYCLE

This section discusses the specific practices and approaches that will be most helpful in implementing a successful stakeholder engagement process at each phase of the project cycle, including:

- Project concept
- Feasibility studies and project planning
- Construction
- Operations
- Downsizing, decommissioning, and divestment



# Project Concept

## GOOD PRACTICE POINTERS

- Refer to any past stakeholder information and consultation.
- Disclose and consult selectively in the very early stages.
- Disclose information on alternatives and design or location options.
- Where possible, engage with government during strategic planning.
- Review adequacy of any existing grievance procedures.
- Review potential legal, regulatory, and lender requirements for stakeholder engagement.
- Ensure that any project risk analysis includes stakeholder issues.
- For complex projects, consider forming a stakeholders' planning forum.



Stakeholder engagement at the early, **project concept stage** is about gauging potential local support for, or opposition to, different options and alternatives and identifying key issues and concerns that might affect the viability of a project. These concerns (and opportunities) should then get fed back into the decision-making process.

The key at this early stage is to engage with potential stakeholders in a way that protects competitive business interests, and yet also helps to identify risks and inform strategic choices. Consultation with stakeholders at the project concept stage should therefore be **highly selective and targeted**. For larger-scale projects, and those likely to be contentious with certain influential stakeholders, strategic choices made in the very early stages of project development can have far-reaching consequences

for future stakeholder relations. Engaging stakeholder groups early in relation to these strategic decisions and alternatives can help to avoid project opposition and other reputational risks, expensive re-design, and compensation payments. It can also increase the chances that local stakeholders will align with you around the value proposition of the project. Moreover, early engagement may provide valuable opportunities to align the employment, training, infrastructure, and service demands of the project with the related plans and priorities of government agencies and local communities.

There are of course **risks to engaging at such an early stage**. First, the reality is that the range of truly strategic options is often not great; although project information may still be disclosed, the room for responsive consultation may be limited. For example, project location may be dictated by the site of natural resources or the importance of accessing transport links or markets. The choice of production technologies may also be limited to those already proven and cost-effective. Second, where there is opportunity to engage stakeholders in defining the project concept, one should be aware that the very act of engaging directly with stakeholders when an investment is still uncertain can itself lead to unintended consequences.

Nevertheless, engagement with certain project stakeholders is inherent in the very process of gathering information to develop the project concept, including through dialogue with state regulators, conducting market studies, site exploration, scoping exercises, or geological surveys. Because human and financial resources at the project concept stage are often limited and the contracting of short-term specialists is commonplace, such initial dialogues and interactions need to be handled carefully, with a view toward managing expectations and ensuring that the first contact stakeholders have around a proposed project is a positive one.

**Strategic choices made in the very early stages of project development can have far-reaching consequences for future stakeholder relations.**

ACTION	FURTHER GUIDANCE
Refer to any past stakeholder information or consultation.	If your project is an <b>expansion of a prior investment or operation</b> , possible sources of prior information include: existing stakeholder databases; consultation and grievance logs; environmental and social impact assessment studies and consultation processes completed for an earlier phase of the project; annual environmental monitoring reports; and community investment plans of the company, local government, or other businesses in the same locality. For <b>greenfield projects</b> , regulatory authorities and other public sector and international development agencies may have published reports and plans that identify project stakeholders and their interests. If your project will be located in an <b>industrial estate</b> , you may wish to investigate whether the creation of the estate was subject to an environmental impact assessment process or involved stakeholder consultation.
Disclose and consult selectively in the very early stages.	With different strategic alternatives and options on the table, full public disclosure of information may not always be feasible or prudent and can lead to unintended consequences such as raised expectations, fears, or speculative behavior, as well as pose business risks vis-à-vis competitors. At the same time, early stage consultation can help identify key issues, inform design decisions, and provide opportunities for early relationship-building. Careful consideration is needed as to which stakeholder groups and their representatives should be consulted on potentially sensitive information regarding project concept and alternatives.
Disclose information on alternatives and design or location options.	Prepare information for selective stakeholder consultation that explains the different design options (including the “no project” scenario), and what each option will mean for the different stakeholder groups. For controversial or sensitive projects in particular, it is important to demonstrate to the public and project stakeholders that different sites, routes, approaches, and alternatives are being looked at and considered in an effort to respond to issues that have been raised. In some cases, it may be possible to consult local stakeholders in the choice of site or design options or even involve them directly in the selection process
Where possible, engage with government during strategic planning.	In many cases, strategic decisions related to location, capacity or other key project alternatives are determined through the strategic planning functions of the state <i>prior</i> to involvement of the private sector. Such government planning processes may involve stakeholder engagement to varying degrees, and entering into dialogue with the government agencies responsible for these higher-level stakeholder engagement processes can be an opportunity for your company to influence decisions and the quality of government-led public consultation, which could later affect your own stakeholder relations.

ACTION	FURTHER GUIDANCE
Review adequacy of any existing grievance procedures.	If your project is an extension of a prior investment or operation, review whether the existing grievance procedures are likely to be adequate for the new phase of the project.
Review potential legal, regulatory, and lender requirements for stakeholder engagement.	It is important to compare any formal or informal company policies on consultation, transparency, and information sharing against requirements by regulatory bodies and lenders, to ensure that your engagement strategy will meet all the necessary obligations.
Ensure that any project risk analysis includes stakeholder issues.	In addition to evaluating traditional risks – commercial, financial, technical, and reputational – conceptual design stage risk analyses should reflect and rank the potential environmental, political, and social risks that could be triggered by project stakeholders.
For complex projects, consider forming a stakeholders' planning forum.	If your project or investment will have significant impacts on a region and its population, consider convening a forum of local and regional representatives (e.g. government authorities, civil society organizations, community leaders, technical experts) who would meet on a regular basis to evaluate the different conceptual design options. The size and composition of a "stakeholder forum" can be tailored to fit the scale and profile of the project. Participants should be agreed with stakeholders and should be credible, representative, and have effective communication channels to their constituents. It is good practice for participants to be involved in determining and agreeing the forum's objectives and terms of operation.

## MINERAL EXPLORATION IN PERU: CHALLENGES AND BENEFITS OF EARLY STAGE CONSULTATION WITH COMMUNITIES

In its mineral exploration project in southern Peru, the company began community consultation in the very early stages of the exploration phase for a number of reasons. Early engagement was seen as a way to help the company address risks related to political sensitivities around mining in the area, especially within the context of strong civil society movements in Peru. Moreover, in areas where local communities own the land rights, Peruvian legislation requires companies to get the agreement of the local community before securing an exploration concession.

Some of the particular challenges during the exploration phase included explaining the nature of exploration to the communities, informing them about the differences between exploration and an actual mining operation, and trying to manage expectations in the face of uncertain outcomes. The company identified and worked with key stakeholder representatives to explain the details of the proposed exploration activities and relied upon them to take the information back to their local communities through public meetings. The consultation process resulted in the company successfully obtaining the exploration license with agreement from the local communities.

One of the lessons to emerge from the process was that, even though the social and environmental impacts of the exploration stage were not so significant, the real value of engaging with the local communities in the early stages of the project was in relationship-building, as community support was and will continue to be crucial to the company's ability to operate in the area.

## LAFARGE CEMENT: INVOLVING AFFECTED COMMUNITIES IN SITE SELECTION

The news that a quarry is to open up near a community is hardly ever warmly received. While Lafarge attempts to reduce impact on the environment and demonstrate benefits to the local economy, the public often views the project as synonymous with noise, vibrations and the desecration of the landscape. In Morocco, the Tetouan cement plant, which was originally built at the edge of the town, had come to be located right in the center following urban expansion. The plant was also starting to show signs of obsolescence. *Lafarge decided to build a new plant and invited the local population to think about where it should be located.* Visits to nearby sites were organized for residents so they could evaluate the level of nuisance. This turned out to be a good way of avoiding the Nimby (“not in my backyard”) syndrome. After several rounds of discussions, the new plant was moved a few kilometers away from its original site. Today the new cement plant is universally accepted.

Source: [www.lafarge.com](http://www.lafarge.com)

## TARGETED ENGAGEMENT AT DIFFERENT STAGES OF THE EXPLORATION PHASE

During the early exploration stages, a mining company operating in a remote area of Africa adopted different approaches for engaging the local communities at various stages of the exploration process:

- During the *aerial exploration phase*, the company spoke with community leaders and passed out flyers with a picture of the plane that would be flying at particularly low altitudes, so that people would be aware of this in advance and they could avoid raising concern among local people who were not used to seeing planes.
- Prior to *ground-based exploration*, the company undertook an Environmental Impact Assessment for the ground-based exploration phase and held consultations with government authorities, local communities and other stakeholders to identify the appropriate mitigation plans.
- During *drill testing*, the company was proactive in communicating the exploratory nature of the testing to surrounding communities, since the sight of drilling equipment can easily be misconstrued as active mining. This action helped to avoid the spread of false or premature information and manage expectations about the opening of a mine that could lead to unnecessary stress, raised expectations, or speculative behavior in the area.





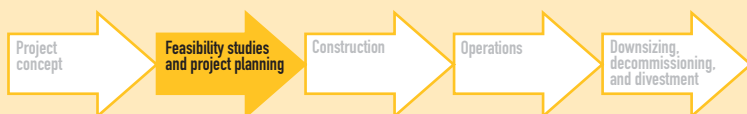


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# Feasibility Studies and Project Planning

## GOOD PRACTICE POINTERS

- Systematically identify project stakeholders and their interests.
- Review regulatory and financing requirements for stakeholder engagement on projects.
- Involve stakeholders in the “scoping” phase of ESIA studies.
- Seek input from stakeholders on how they wish to be consulted.
- Prepare a stakeholder engagement plan commensurate with project impacts.
- Provide information ahead of consultations on environmental and social impacts.
- Employ good practice in meeting or exceeding ESIA requirements on consultation.
- Use consultation to enhance mitigation and agree compensation and benefits.
- Maintain involvement with government-led consultation.
- Gauge the level of stakeholder support for your project.
- Keep partnerships short-term prior to the investment decision.
- Facilitate access to community liaison staff.
- Revisit prior consultation if it may become a source of grievance.
- Report changes in the evolving project design to stakeholders on a regular basis.
- Document the process and results of consultation.
- Accompany your ESIA consultants and stay involved in the process.
- Integrate stakeholder information across the project planning functions.



The most intense period of planned stakeholder engagement will likely take place during the project feasibility studies and ESIA process, which will help determine **whether or not to proceed** with a new project or expansion. At this stage, studies may be undertaken to establish a project's technical and financial feasibility and the commercial risks it faces, and to develop early engineering or operational designs. Most information about stakeholder concerns and aspirations at the feasibility stage is likely to derive from **targeted consultations**, directly related to the ESIA studies.

The essential elements of stakeholder engagement at the time of project feasibility are:

- Forward planning the engagement as one would any complex activity, with a schedule and sufficient staff with the right capabilities
- Focusing principal efforts on those stakeholders most affected by the project, whether because of proximity or vulnerability to change
- Demonstrating that people's opinions and ideas are receiving serious consideration, whether by "designing-out" identified risks, "designing-in" additional local economic or social benefits, or incorporating the views of stakeholders in testing the feasibility of various design and risk management options

For large-scale projects, and those with diverse and significant social and environmental impacts, part of this design and feasibility work is likely to involve engaging project stakeholders in environmental and social impact assessment (ESIA) studies. Companies with smaller-scale projects (such as expansion of an existing office block) may find that they are exempt from a regulatory requirement for an ESIA. Instead, it may be sufficient to simply follow national legal standards for design, construction, and environmental quality. However, where potential social and environmental risks and issues arise during the design of the project, these should be considered an integral part of project feasibility, and affected stakeholders should be involved in identifying means to avoid or mitigate these impacts to acceptable levels.

The timing of formal ESIA studies may not always be concurrent with that of other project feasibility studies, such as financial analysis, cost engineering, quantity surveying, and project risk analysis. As such, assessment of environmental and social impacts and the input of project stakeholders into this process should be fed into the larger feasibility equation, adding value to the project either in terms of cost efficiencies, the quality of design, risk management, or reputation.

ACTION	FURTHER GUIDANCE
<b>Systematically identify project stakeholders and their interests.</b>	As the design of the project progresses from its original concept toward a defined design, it is important to engage with stakeholders on a more systematic basis, either to inform formal ESIA studies or to provide information to input into other project feasibility studies and risk analysis.
<b>Review regulatory and financing requirements for stakeholder engagement on projects.</b>	Companies may have their own policies or shareholder policies on transparency, consultation, and sharing of information. These should be checked against requirements by regulatory bodies and lenders, to make sure engagement activities will be carried out in a way that meets all the various obligations.
<b>Involve stakeholders in the “scoping” phase of ESIA studies.</b>	For projects required to undertake formal ESIA studies, the systematic identification of which impacts and risks are to be assessed in the study can be greatly facilitated by involving project stakeholders (on a selective basis) in an initial process of “scoping.” Scoping involves gathering primary information with an emphasis on listening to issues of greatest concern to stakeholders. Consultation during scoping is good practice and should be used to supplement research and assessments based on professional judgment and the review of secondary sources.
<b>Seek input from stakeholders on how they wish to be consulted.</b>	If in doubt, ask different stakeholder groups how they would like to be consulted, including what type of information they would like to receive in what formats, as well as what timings, frequencies, and venues are most likely to meet their needs.

ACTION	FURTHER GUIDANCE
<p>Prepare a stakeholder engagement plan commensurate with project impacts.</p>	<p>This plan should guide stakeholder consultations and communications during the period of the main ESIA studies and other aspects of the project analysis and design. It should also be updated toward the end of the ESIA studies to provide a roadmap for engagement in monitoring the effectiveness of impact mitigation measures. For projects with less potential for significant impacts, formal plans may be less necessary. (See Appendix 3 for sample contents of a stakeholder engagement plan)</p>
<p>Provide information ahead of consultations on environmental and social impacts.</p>	<p>Before consulting with stakeholders on the environmental or social impacts of the project, prepare information about the project that is readily understood by those to be consulted. Include:</p> <ul style="list-style-type: none"> <li>• An overall description of the project and its main objectives, including its location and the timetable of the main events: construction phase, peak operational activity, decommissioning</li> <li>• A more detailed description of the project as it relates to topics for consultation or wider stakeholder engagement</li> <li>• An outline of the environmental and social impacts to be assessed during the consultation, and any provisional conclusions or predictions already reached</li> <li>• Any existing proposals for mitigation measures</li> </ul>
<p>Employ good practice in meeting or exceeding ESIA requirements on consultation</p>	<p>Different jurisdictions have different legal requirements for the level of stakeholder disclosure and consultation that should form part of the ESIA studies. At a minimum, regulations usually require the following engagement with stakeholders:</p> <ul style="list-style-type: none"> <li>• documentation of consultation within the ESIA report</li> <li>• disclosure of the draft ESIA report and management plan (or that portion of the management plan relevant to stakeholders) within a set time period</li> <li>• notification of affected stakeholders of those risks or impacts that might adversely affect them</li> <li>• a response by the project sponsor to comments from concerned stakeholders</li> <li>• preparation and dissemination of an Executive Summary of the ESIA report</li> </ul> <p>Beyond the minimum legal requirements for engagement, there are other good practice actions relating to consultation during the formal ESIA process that companies might choose to undertake (see Table 1). These measures help to ensure that stakeholders are genuinely integrated into the ESIA studies and are able to influence the project design. Good practice actions might include:</p> <ul style="list-style-type: none"> <li>• disclosure of meaningful project information before consultations begin</li> <li>• consultation to inform the scope of impacts for inclusion in the Terms of Reference of ESIA studies</li> <li>• working with stakeholders to identify and analyze baseline data</li> <li>• reviewing and amending proposed mitigation and benefit measures prior to disclosure of the draft ESIA report</li> <li>• disclosure of, and consultation on, the draft text of the final ESIA report, including the environmental and social management or action plan</li> <li>• ongoing consultation to monitor impacts and risks and the effectiveness of avoidance, mitigation and compensation measures</li> </ul>

ACTION	FURTHER GUIDANCE
Use consultation to enhance mitigation and agree on compensation and benefits.	Use consultation to broaden and discuss the range of options available to eliminate, offset or reduce potential adverse environmental and social impacts. The local knowledge of directly affected stakeholders and the innovations and wider experiences of many non-governmental organizations and the scientific community may help make mitigation measures more effective. Consultation is also an essential tool for coming to agreement with project-affected stakeholders on what compensation measures they will find acceptable, as well as in designing benefits programs that are targeted and culturally appropriate.
Maintain involvement with government-led consultation.	It is important to be aware of the requirements for government-led consultations, as they may impact your company's future stakeholder relations. Inadequate government-led consultations can give rise to grievances, raise expectations, or create misperceptions about a project, and failure by the government to meet obligations may jeopardize the viability of your project. (See page 23 for more on government-led consultations.)
Gauge the level of stakeholder support for your project.	<p>There may be situations where, despite the best efforts on the part of a company to reduce negative impacts and demonstrate net benefits to local stakeholders, the project remains controversial and not all stakeholder groups are supportive. A key question you may need to ask in the early planning stages is whether there is sufficient support from local stakeholders to proceed. The answers to the following questions may help you make the decision:</p> <ul style="list-style-type: none"> <li>• Is there satisfaction with the <b>manner and extent</b> to which stakeholders have been informed and consulted to date?</li> <li>• Are there any unresolved stakeholder concerns that constitute a <b>commercial or reputational</b> risk to the project?</li> <li>• Is there any <b>material objection</b> to the project from stakeholders that government authorities or lending institutions might take into consideration when approving the project on environmental, social, or economic development grounds?</li> <li>• If objections exist, are they resolvable or irreconcilable? Are they aimed at the <b>project concept</b> itself (rather than one or more of the participating companies or financing institutions)?</li> <li>• If dissatisfaction exists, how <b>widespread</b> is it? Is opposition local or coming from outside the project area? Does the majority of the <i>local</i> population support the project?</li> </ul>
Keep partnerships short-term prior to the investment decision.	Some caution is needed when entering local strategic partnerships before the project has received its final regulatory or financial approvals. If there is a possibility that these approvals will not be granted or will be substantially delayed, it is important for the sake of future stakeholder relationships – both with the project partners and the partnership beneficiaries – that objectives remain short-term. A successful short-term partnership project can build excellent stakeholder relationships and prepare the ground for a more elaborate partnership program once the project has been approved.

ACTION	FURTHER GUIDANCE
Facilitate access to community liaison staff.	For smaller projects that might have limited engagement with stakeholders or larger-scale efforts where it is impossible to consult with everybody, it is important that stakeholders know who within the company they should approach if they have continuing questions or concerns, how and where they are to make contact, and what type of response they might expect to receive.
Revisit prior consultation if it may become a source of grievance.	Pay particular attention to those stakeholders who were consulted by third parties prior to, or without, the involvement of the project company. Examples might include consultation over compensation for land acquisition carried out by government authorities, or previous consultation carried out by the owners of project-associated facilities, such as power generation, water supply, or road construction. If there is evidence of lingering grievances, it may be necessary to work with the third party to address outstanding concerns, within legal bounds and with consideration to the effects on existing relationships with the third party and other stakeholders.
Report changes in the evolving project design to stakeholders on a regular basis.	As the various feasibility and environmental and social impact studies progress, and the project design is modified, update the information disseminated to stakeholders on a regular basis, for example, through regular newsletters disseminated to individual households, or via stakeholder representatives.
Document the process and results of consultation.	Keeping track of the “who, what, when, and where” of consultation is key to effective implementation of the process. Any commitments made to stakeholders should also be recorded. Careful documentation can help to demonstrate to stakeholders that their views have been incorporated into project strategies, and is a useful resource for reporting back to stakeholders on how their concerns have been addressed. (See Appendix 4 for an example of a Stakeholder Log).
Accompany your ESIA consultants and stay involved in the process.	To the extent possible, project staff members should accompany consultants when they are interacting with stakeholders during the ESIA process. This helps to build long-term relationships between the project staff and project stakeholders, reduce third-party risks where consultants are engaging on their own, and ensure that project staff develop first-hand knowledge of the issues as well as ownership of mitigation measures recommended in the consultants’ reports.

ACTION	FURTHER GUIDANCE
Integrate stakeholder information across the project planning functions.	A big part of managing stakeholder engagement is making sure that the information gathered during consultations is fed through to the other aspects of project planning, including risk assessment, design and engineering, health and safety planning, external communications, and financial and workforce planning. It is good practice for ESIA study teams, including those leading stakeholder engagement activities, to meet project engineers on a regular basis during project planning. In this way, suggestions for impact mitigation or design changes can be evaluated and either incorporated or rejected with a clear rationale communicated back to the relevant stakeholders. Likewise, stakeholder concerns that pose commercial or reputational risks need to be communicated to those undertaking risk assessments and prioritized against the more mainstream political, regulatory, and commercial areas of risk.

#### BOX 11: EXAMPLES OF REGULATORY AND LENDER REQUIREMENTS FOR STAKEHOLDER ENGAGEMENT

##### Trinidad and Tobago: Environmental Management Act

Article 5(2) The applicant shall, where appropriate, conduct consultations with relevant agencies, non-governmental organisations and other members of the public on the draft TOR [Terms of Reference] and may, within 28 days after notification under sub rule(1)(c), submit written representations to the Authority requesting that the draft TOR be modified and setting out:

- (a) the manner in which he proposes that the TOR should be modified
- (b) a reasoned justification for the proposed modifications
- (c) a report of the consultations with relevant agencies, non-governmental organisations and other members of the public on the draft TOR

Article 8(1) The Authority shall establish a National Register of Certificates of Environmental Clearance ... 9(1) The Register shall be open to examination by members of the public at such place or places and during such times as the Authority may notify from time to time in the Gazette and in one or more daily newspaper of general circulation. ... (2) An extract from the Register shall be supplied at the request of any person on payment of the prescribed fee.



## BOX 11: EXAMPLES OF REGULATORY AND LENDER REQUIREMENTS FOR STAKEHOLDER ENGAGEMENT *continued*

### Equator Principles (Requirements for participating banks)

**Principle 5: Consultation and Disclosure** — For all Category A and, as appropriate, Category B projects located in non-OECD countries, and those located in OECD countries not designated as High-Income, as defined by the World Bank Development Indicators Database, the government, borrower or third-party expert has consulted with project affected communities in a structured and culturally appropriate manner.<sup>4</sup> For projects with significant adverse impacts on affected communities, the process will ensure their free, prior, and informed consultation and facilitate their informed participation as a means to establish, to the satisfaction of the EPFI, whether a project has adequately incorporated affected communities' concerns.<sup>5</sup>

**Principle 6: Grievance Mechanism** — For all Category A and, as appropriate, Category B projects located in non-OECD countries, and those located in OECD countries not designated as High-Income, as defined by the World Bank Development Indicators Database, to ensure that consultation, disclosure, and community engagement continues throughout construction and operation of the project, the borrower will, scaled to the risks and adverse impacts of the project, establish a grievance mechanism as part of the management system. This will allow the borrower to receive and facilitate resolution of concerns and grievances about the project's social and environmental performance raised by individuals or groups from among project-affected communities. The borrower will inform the affected communities about the mechanism in the course of its community engagement process and ensure that the mechanism addresses concerns promptly and transparently, in a culturally appropriate manner, and is readily accessible to all segments of the affected communities.

For further information, visit [www.ifc.org](http://www.ifc.org) and [www.equator-principles.com](http://www.equator-principles.com)

4. Affected communities are communities of the local population within the project's area of influence who are likely to be adversely affected by the project. Where such consultation needs to be undertaken in a structured manner, EPFIs may require the preparation of a Public Consultation and Disclosure Plan (PCDP). Consultation should be "free" (free of external manipulation, interference or coercion, and intimidation), "prior" (timely disclosure of information) and "informed" (relevant, understandable and accessible information), and apply to the entire project process and not to the early stages of the project alone. The borrower will tailor its consultation process to the language preferences of the affected communities, their decision-making processes, and the needs of disadvantaged or vulnerable groups.

5. Consultation with Indigenous Peoples must conform to specific and detailed requirements as found in Performance Standard 7. Furthermore, the special rights of Indigenous Peoples as recognized by host-country legislation will need to be addressed.

## **BAKU-TBLISI-CEYHAN PIPELINE: DISCLOSURE OF ESIA DOCUMENTS**

The BTC pipeline project was precedent-setting in terms of the extent of local consultation carried out and the amount of information disclosed. The quantity of environmental and social information that was disclosed locally and in the IFC's InfoShop was vast (38 volumes). The documents were translated into local languages and made available at local libraries, regional centers, and offices of local government, NGOs and BTC in all three countries. These locations were announced through the national and local newspapers and through radio.

However, a lesson learned during this process was that the disclosure of excessively large volumes of information does not necessarily facilitate effective communication with, and use by, affected stakeholders. The quantity and presentation of relevant material for disclosure must receive special attention, particularly on large complex projects. Where possible there is a need to disclose more focused summary reports, which local people can readily digest and understand, rather than the voluminous suite of technical documents that have been prepared. (The latter can always be made available upon request.)

To help address this issue, BTC produced community pamphlets, non-technical summaries, posters, and case studies on specific issues, and held many village meetings on disclosure of information. In Turkey, for example, simplified presentations were made at the village level, as it was found that oral communication was a more effective means of conveying key ESIA findings.

*Source: The BTC Pipeline Project: Lessons of Experience, (IFC) September 2006. Go to [www.ifc.org/envirolessons](http://www.ifc.org/envirolessons)*

**TABLE 1: GOOD PRACTICES FOR MEETING REQUIREMENTS FOR ESIA DISCLOSURE AND CONSULTATION**

THEME	GOOD PRACTICES
Documentation of consultation within the ESIA report	<p>Stakeholder consultation carried out during the course of the early stages of the ESIA studies and on the draft ESIA report and management plan should be recorded in the final report. The report should include:</p> <ul style="list-style-type: none"> <li>• The location and dates of meetings, workshops, and discussions, and a description of the project-affected parties and other stakeholders consulted</li> <li>• An overview of the issues raised as part of scoping</li> <li>• How the project sponsor responded to the issues raised</li> <li>• How these responses were conveyed back to those consulted</li> <li>• Details of outstanding issues and any planned follow-up</li> </ul>
Disclosure of the draft ESIA report and management plan	<p>Draft ESIA documents are usually required to be made publicly available and open to comments. The documents should be deposited in a range of publicly accessible places, taking into consideration transportation costs, printing and translation costs, the time allowed for viewing the documents, and the timing of access (e.g. at weekends). Locations might include:</p> <ul style="list-style-type: none"> <li>• Municipal and central government offices</li> <li>• Public libraries</li> <li>• Local community centers</li> <li>• Local universities or academic research centers</li> <li>• Company offices</li> <li>• Offices of local NGOs and community-based organizations</li> </ul> <p>Web links may be provided to relevant documents prepared by or on the behalf of the project sponsor. Any revisions to or additions to this information after initial disclosure should be made public as above.</p>
Notification of affected stakeholders	<p>Culturally appropriate advertisements (with consideration to language, location, literacy levels, etc.) should be placed in local and national newspapers and advertised via the broadcast media, explaining when and where the ESIA documents may be reviewed, and if public meetings on the draft findings are to be held. The advertisements should also note the deadline for comments. (Appendix 5 provides an example of the information that should be included in a standard public notification document for ESIA disclosure).</p>
Response to comments	<p>In order to respond appropriately to comments made on the draft ESIA report, the project company should develop a mechanism for receiving, documenting and addressing comments submitted. Actions should include acknowledging receipt of comments, incorporating suggestions into the draft ESIA report where appropriate, and/or providing an explanation of why comments are not able to be adopted.</p>

**TABLE 1: GOOD PRACTICES FOR MEETING REQUIREMENTS FOR ESIA DISCLOSURE AND CONSULTATION** *continued*

THEME	GOOD PRACTICES
Executive Summary	<p data-bbox="292 240 884 386">Produce an Executive Summary of the ESIA documents in a simple, easily understandable format, with consideration to illustrations, local languages and literacy levels. The summary should focus on key impacts and mitigation measures and provide an outline of future proposals for stakeholder consultation, such as ongoing site visits, monitoring programs, and open-door policies.</p> <p data-bbox="292 409 884 574">Distributing the ESIA Executive Summary is the project company's opportunity to communicate a clearly written explanation of upcoming changes to be brought about by the proposed project and the project's efforts to mitigate adverse risks and impacts, and enhance project benefits. It is also an opportunity to demonstrate that previous consultation exercises have been taken seriously and incorporated into the project design.</p> <p data-bbox="292 597 898 743">The strategy for distributing the Executive Summary should be driven by the need to inform those most vulnerable and disadvantaged by the project, and by the need to build constructive relationships with a wide range of stakeholders. One efficient strategy is to distribute the summary through stakeholder representatives and key informants.</p> <p data-bbox="292 766 591 786"><i>Source: Overseas Development Institute</i></p>

### PHILIPPINES: CONSULTATION ON A DRAFT ESIA REPORT

A build-operate-transfer (BOT) contract was awarded by the **Ministry of Transport** in the Philippines for an extension to an existing **urban light rail system**. Upon release of the draft ESIA report and associated Environmental Action Plan, newspapers, television, and radio were invited to debate the impact avoidance and mitigation measures proposed. In addition, the proposals were summarized in a color brochure distributed to all businesses and residents within 100 meters of the proposed route. A mobile exhibition with a scale model of the project was built to accompany a program of consultation with the various business and residents' associations along the route. These activities generated a prioritized set of engineering mitigation measures and an agreed level of compensation for the effects of traffic and noise disturbance on local businesses.

## BOX 12: IFC'S APPROACH TO DETERMINING WHETHER A PROJECT HAS "BROAD COMMUNITY SUPPORT"

In certain specific circumstances, "...through its own investigation, IFC assures itself that the client's community engagement is one that involves free, prior, and informed consultation and enables the informed participation of the affected communities, leading to **broad community support** for the project within the affected communities, before presenting the project for approval by IFC's Board of Directors. Broad community support is a collection of expressions by the affected communities, through individuals or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project."

— IFC Policy on Social and Environmental Sustainability, Article 20

IFC's assessment of broad community support involves consideration and data analysis from two review streams, the process and the outcome:

- Stream 1: Whether the client has conducted free, prior, and informed consultation, and enabled the informed participation of affected communities.

— Guidance Notes, Performance Standards on Social and Environmental Sustainability, Annex D

- Stream 2: What is the level of support and dissent related to the project among the affected communities for the project, divided into a "collection of expressions" and "context."

— IFC Environmental and Social Review Procedure

## MINCA: SHORT-TERM STRATEGIC COMMUNITY DEVELOPMENT PARTNERSHIP PRIOR TO PROJECT APPROVAL

In 2000, Minca, the project company for a proposed gold mining project in Bolivar State, Venezuela, entered into good faith negotiations with the local Las Claritas community, the local mayor's office, and an international health care NGO. These negotiations took place while the details of project financing and project design were still being agreed. The resulting partnership agreement, between the company, government health authority, community groups, and an NGO, leveraged more than \$2 million to construct and operate a community health center in the vicinity of the mine. The center was designed to provide access to essential health care for 12,000 people, including the families of potential mine workers. All parties contributed financial or in-kind resources to the construction, and all parties stood to benefit in terms of either health care quality and access, reputation, stakeholder relations, or risk.

The initial partnership was temporary in nature, intended to finance only design and construction of the health center. The low price of gold at the time meant that one of the principal equity holders in Minca chose not to continue with the project. Because the partnership had been designed from the outset to be temporary, the remaining parties were willing and able to re-negotiate a new agreement to operate the center for the long term, without participation of the original company. More importantly perhaps, the partnership, which involved 13 different community groups and the controversial mining sector, built new and constructive relationships.

**"I believe the biggest indicator of success is that there are no conflicts. In other areas of the country, there are loads of conflicts with mining companies."**

**Alex Mansutti, UNEG**

*Source: Las Cristinas Gold Mining Project, Venezuela, Business Partnerships for Development, [http://www.bpd-naturalresources.org/html/focus\\_las.html#](http://www.bpd-naturalresources.org/html/focus_las.html#)*

## **SASOL, MOZAMBIQUE: GOOD PRACTICES IN STAKEHOLDER ENGAGEMENT DURING THE ESIA PROCESS**

### DISCLOSURE AND CONSULTATION

Sasol held public meetings in Mozambique during the three main stages of an offshore hydrocarbon exploration EIA process:

1. at the beginning of the scoping phase, to present the proposed EIA process and the project to the public, allowing stakeholders to table issues of concern
2. at the end of the scoping phase, to present and discuss the Draft Scoping Report
3. at the end of the EIA phase - to present and discuss the Draft EIA Report

A total of 11 public meetings were held as part of the stakeholder consultation and engagement process. Given the range of stakeholders, all of these meetings were held in at least two languages (Portuguese and English) and in some cases in three languages (where the local language was spoken), using simultaneous translation. All the meetings were widely publicized through direct invitations to stakeholders (letters, faxes, emails, telephone) and through public announcements (radio and newspapers). Apart from information regarding the date and place of the public meetings, the invitations and announcements also included the locations where documents were available for public review and explained the process for submitting comments. Formal minutes were kept from each meeting, as a public record of the EIA process. Throughout all phases of the project, the reports for public consultation were made available in public access locations in all the districts of the project area and at the provincial level.

## **SASOL, MOZAMBIQUE: GOOD PRACTICES IN STAKEHOLDER ENGAGEMENT DURING THE ESIA PROCESS** *continued*

### DEVELOPMENT OF A STAKEHOLDER FORUM

During the initial public meetings conducted at the scoping phase of the Environmental Impact Assessment process, a suggestion was made by one of the stakeholders that a Stakeholder Forum should be developed to facilitate increased involvement of key stakeholder groups. Terms of Reference (ToR) for the Stakeholder Forum were subsequently developed and discussed.

The approved ToR of the Stakeholder Forum focused on ensuring the identification of a representative body of stakeholders from key sectors throughout the project area, including tourism investors, local artisanal and semi-industrial fishermen's associations, representatives of local and provincial government, NGOs operating in the project area, government fisheries institutions, ENH, and Sasol.

The Stakeholder Forum became a key mechanism for ensuring continued engagement between Sasol, its consultants and the interested and affected parties. A total of seven Stakeholder Forum meetings were held in the project area, in Inhassoro, throughout the EIA process. A subset of the Forum met in Maputo, where key tourism investors and conservation NGOs are based. All Forum meetings have been documented and are a key record of the engagement process followed. The Stakeholder Forum will continue to meet throughout the implementation of the exploration project and four Forum meetings have been held since the conditional approval of the EIR was issued by MICOA, Mozambique's environmental agency.

### INDEPENDENT PEER REVIEW OF THE DRAFT EIA REPORT

An independent peer review of the draft EIA report was undertaken at the request of and on behalf of the Stakeholder Forum. While Sasol provided the funding for the review, the Stakeholder Forum drafted the terms of reference and appointed the international peer reviewers. The peer review report was documented and submitted as a formal component of the comments process on the draft EIA report. A response to the review together with the full review report have been included in the final EIA report.







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# Construction

## GOOD PRACTICE POINTERS

- Identify stakeholders most likely to be affected by construction.
- Notify local stakeholders of construction activities and changes to schedules.
- Get community liaison staff on the ground quickly.
- Aim for rapid response times in resolving grievances.
- Report to stakeholders on progress of environmental and social management programs.
- Choose contractors with the capacity to engage effectively with stakeholders.
- Manage risks to stakeholder relations from contractors.



Stakeholder engagement during the construction phase will relate to all activities leading up to and during the physical construction of facilities, infrastructure or buildings (and the “temporary works” needed to complete construction, such as access roads), as well as the management of contractors and construction contracts.

For affected communities and stakeholder groups with interests in biodiversity and the natural environment, the **construction phase is a time of great concern**. Depending on the nature and scale of the project, adverse impacts and risks can be many and diverse, including loss of land and

## How your company manages its engagement with stakeholders during the construction period can often set the tone for the remainder of the project's operational life.

natural resources that are important to local livelihoods; deterioration of surface water bodies; damage to road, water, and health infrastructure; heightened risks of communicable disease; conflicts between the local population and the temporary workforce; loss of habitat and wildlife disturbances; and nuisances and health concerns from heavy traffic, dust, noise, excessive lighting, and air emissions. On the other hand, the construction period is also perceived by many as an **opportunity to secure local economic benefits**, whether through favorable compensation arrangements, direct or indirect employment opportunities, using temporary construction works to support local infrastructure development, or, in the case of larger projects, dedicated community development programs.

Early stakeholder engagement during project design and ESIA studies should have already helped ensure that most of the significant adverse impacts have been “designed out,” mitigated to within acceptable levels, or compensated for. Once construction starts, it is equally important to involve affected stakeholders in monitoring the anticipated impacts throughout the period. With the rapid mobilization of construction equipment and contractors, and an urgency to complete the work on schedule, there are risks that impact mitigation measures or employment and other intended benefits may not be as effective as anticipated. Engagement during construction is essentially about involving stakeholders in assessing whether measures are working as intended, being responsive to grievances, and identifying alternatives

where there are failings. How your company manages its engagement with stakeholders during the construction period can often set the tone for community, local government and other external relationships for the remainder of the project's operational life.

ACTION	FURTHER GUIDANCE
<p><b>Identify stakeholders most likely to be affected by construction.</b></p>	<p>Once the project design is finalized and the scope of construction work agreed with contractors, it will become much clearer precisely which stakeholder groups will be affected by various construction activities and when. Check this against prior information collected on stakeholders, as part of the ESIA for example, to ensure that all those potentially affected by pending construction have been identified and their concerns prioritized.</p>
<p><b>Notify local stakeholders of construction activities and changes to schedules.</b></p>	<p>For communities living near to a project site, the effects of noise, dust, vibration, traffic, and lighting associated with construction can cause disturbances and emotional stress, as well as pose a physical or health hazard. Whether for large capital works or minor construction activity, it is good practice to give the public notification of the following:</p> <ul style="list-style-type: none"> <li>• the purpose and nature of the construction activities</li> <li>• the start date and duration</li> <li>• potential impacts</li> <li>• information on whom to contact if there are concerns/ complaints related to the contractor</li> </ul> <p>There are a number of ways this information can be communicated, including roadside signs, poster boards in public places, newsletters, door-to-door leaflets, and via stakeholder representatives or public meetings.</p>
<p><b>Get community liaison staff on the ground quickly.</b></p>	<p>Getting community liaison staff hired, trained, and into the field before construction activities commence is an important part of managing stakeholder relations effectively at this phase of the project. Because the construction phase often carries the highest risk of potential negative impacts and therefore tends to generate the greatest volume of grievances, it is good practice for staff from both the project company and primary contractor to visit local stakeholders regularly before construction activities begin, and to be proactive about providing updates and answering questions. Once construction starts, try to have community liaison staff on the ground as much as possible during the process and accessible to affected communities.</p>

ACTION	FURTHER GUIDANCE
<p><b>Aim for rapid response times in resolving grievances.</b></p>	<p>The construction phase will often provide the real test of how well your grievance mechanism works. Because construction work is often fast-moving, with material and men mobilized and work rescheduled at short notice, responses to grievances need to be equally rapid and effective. For example, if heavy construction traffic is presenting a hazard to school children, changing the route or slowing the vehicles is something that must happen quickly. Companies should be prepared for a rise (sometimes sharp and unexpected) in the number of grievances received during this phase and, for larger projects, be prepared to devote additional resources as necessary.</p>
<p><b>Report to stakeholders on progress of environmental and social management programs.</b></p>	<p>Communicate your progress to affected stakeholders on how the project is meeting its environmental and social commitments during the construction phase. The type of information and frequency of reporting should be proportionate to the scale of stakeholder concerns. Publicly disclosing monitoring reports, including those of third-party monitors if any, is considered good practice.</p>
<p><b>Choose contractors with the capacity to engage effectively with stakeholders.</b></p>	<p>During construction, it is typically the contractors and sub-contractors who have day-to-day contact with local stakeholders. The quality of their interaction with the affected communities, government authorities and other stakeholders will reflect directly on the project and can have reputational consequences for the project company. Developing pre-qualification appraisal criteria and related questionnaires that assess the capability of the main contract bidders to meet minimum standards for stakeholder engagement and social performance can help in the selection process. For large or complex projects, it is good practice for the main contractor to have their own Community Relations Manager and grievance resolution mechanism.</p>
<p><b>Manage risks to stakeholder relations from contractors.</b></p>	<p>If responsibility for the implementation of any environmental and social impact mitigation measures have been assigned to contractors, assess the risks of the contractor failing to deliver and thus undermining relations between the project and local stakeholders. If risks are identified, and/or the capacity of the contractor is found to be lacking, it is advisable to retain management oversight within the project company for implementation, monitoring and follow-up on these commitments.</p>

## BAKU-TBLISI-CEYHAN PIPELINE: GRIEVANCE MECHANISM

An effective and well-functioning grievance mechanism is an essential part of managing community relations. For the **BTC pipeline project**, the company developed a separate grievance process for each of the three countries affected (**Azerbaijan, Georgia, and Turkey**) to manage complaints arising from the project. The objectives of the process were to: (i) provide affected people with straightforward and accessible avenues for making a complaint or resolving any dispute that might arise during the course of the project; (ii) ensure that appropriate and mutually acceptable corrective actions were identified and implemented; and (iii) verify that complainants were satisfied with outcomes of corrective actions. In addition, a parallel grievance process was developed by the BTC construction contractors.

Some key elements of BTC's grievance mechanism included:

- Community Liaison Officers (CLOs) based in the field and responsible for receiving complaints and coordinating responses
- A "complaints log" recording individual complaints, corrective actions taken and responses to complainants
- A two-week response time to all complaints (even if just a summary of proposed actions that will be taken to resolve the complaint)
- All complaints responded to in writing (or verbally where circumstances warrant)
- Recourse to pre-judicial and judicial process under host country law in cases where satisfactory response to the complaint cannot be negotiated
- Weekly and monthly reports prepared by the lead CLO detailing the number and status of complaints and any outstanding issues sent to the BTC Community Relations Manager in each country

During the construction program BTC had to continually augment their CLO resources in some locations to manage their response to the number of complaints received by project-affected communities in a timely manner. A general lesson learned is that despite extensive community consultation carried out, significant complaints may still arise. Project companies and contractors need to be prepared for this possibility and be able to source additional skilled resources if needed.

Source: "The BTC Pipeline Project: "Lessons of Experience," (IFC) September 2006 available at [www.ifc.org/envirolessons](http://www.ifc.org/envirolessons)

### BOX 13: PRE-QUALIFICATION APPRAISAL CRITERIA FOR THE MAIN CONSTRUCTION CONTRACTORS

Include in the **Bid Data Sheet** a request for:

- evidence of management systems certifications and other social and labor standards compliance (e.g. ISO, SA, etc.)
- social and community engagement policy
- numbers of suitably qualified managers and staff in the following areas: local procurement management, community liaison, competency training/apprenticeships, and local business support
- employee training and community relations record
- on large projects, a Community Relations Manager

Include a **questionnaire** in the bid package designed to capture the capacity of the contractor to manage stakeholder engagement during the construction work, including for example:

- how they would go about implementing the types of environmental and social impact mitigation measures that will become conditions of the contract (concentrating on the high-risk impacts)
- practices for managing engagement with affected communities
- practices for recruitment (including rotation cycles), worker camp management, local procurement, and human resource development and training
- specific experience in enhancing the employment and local procurement opportunities for communities adversely affected by construction activities (experience should relate to communities with similar skill levels and livelihood vulnerability to those in the project area)
- extent of past efforts by the contractor to develop the capacity of regional sub-contractors and local level suppliers

*Source: Shell International, "Social Performance during Construction, Management Social Performance" Guidance Note.*

**TABLE 2: COMMON CONCERNS OF STAKEHOLDERS DURING CONSTRUCTION**

ISSUE	TYPICAL CONCERNS
Land acquisition	<ul style="list-style-type: none"> <li>• Involuntary resettlement (physical and/or economic displacement)</li> <li>• Loss of assets and livelihood impacts</li> <li>• Compensation issues</li> </ul>
Livelihood resources	<ul style="list-style-type: none"> <li>• Loss or degradation of, or impeded access to, important renewable natural resources such as agricultural land, wildlife, habitats, timber and non-timber forest products, fish stocks, etc.</li> </ul>
Indigenous peoples	<ul style="list-style-type: none"> <li>• Undermining of cultural values and indigenous rights</li> <li>• Damage to or loss of access to sites of cultural value</li> </ul>
Biodiversity	<ul style="list-style-type: none"> <li>• Loss of habitats with high biodiversity value</li> <li>• Disturbance of wildlife from noise, vibration, lighting, traffic etc., especially during breeding and migrating seasons</li> </ul>
Water resources	<ul style="list-style-type: none"> <li>• Degradation of surface waters and ground water from dredging for aggregates, soil erosion from disturbed areas, discharge of drilling slurries, produced water, etc.</li> <li>• Unsustainable water abstraction rates, e.g. in equipment servicing, or in discharging sanitary and domestic wastes</li> </ul>
Infrastructure capacity	<p>Infrastructure requirements of construction activities or migrant workers may deplete the capacity of local district or community infrastructure, to the detriment of local users, for example:</p> <ul style="list-style-type: none"> <li>• Deterioration in quality or usability of roads and navigable waterways from overuse</li> <li>• Reduced capacity of utilities due to high demand for transportation, telecommunications, power, water, and waste treatment and disposal</li> <li>• A “drain” on local health care facilities and rising user costs</li> </ul>
Waste	<ul style="list-style-type: none"> <li>• Human health impacts from waste transportation accidents, such as oil or chemical spills</li> <li>• Ineffective treatment or disposal of hazardous and non-hazardous wastes</li> </ul>
Disturbance impacts	<ul style="list-style-type: none"> <li>• Disturbance and adverse human health effects from noise, dust, air emissions, traffic accidents, pollution, excessive lighting, etc.</li> </ul>



**TABLE 2: COMMON CONCERNS OF STAKEHOLDERS DURING CONSTRUCTION** *continued*

ISSUE	TYPICAL CONCERNS
Workers and labor camps	<ul style="list-style-type: none"> <li>• Labor standards that breach national law and international agreements</li> <li>• Unacceptable behavior toward local communities by labor camp workers</li> <li>• Fuelling of prostitution and disrespect for cultural norms of local communities</li> <li>• Transmission of infectious (STD/HIV) and endemic (malaria, TB etc.) diseases</li> </ul>
Negative socio-economic impacts	<ul style="list-style-type: none"> <li>• Unfulfilled expectations of local people to realize expected employment opportunities</li> <li>• Local wage rate/expectations higher than imported labor, leading to loss of employment opportunities for local people</li> <li>• Influx of migrant workers resulting in economic displacement, loss of purchasing power parity among local people, and social problems such as crime, alcoholism, gambling, prostitution, STDs, etc.</li> <li>• Tension within the local community of migrant workers, and intra- and inter-community rivalries, with potential for violence</li> <li>• Construction wage levels in excess of market norms (e.g. compared to agriculture) leading to "labor drain" and an indirect reduction in maintenance and investment in the staple industries of the region, such as agriculture, livestock, tourism, etc.</li> <li>• Rising prices of food, housing, and services, or conflicts over scarce natural resources</li> <li>• Adverse effects of employee/sub-contractor retrenchment post-construction</li> </ul>



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# Operations

## GOOD PRACTICE POINTERS

- Manage the transition from construction to operations.
- Periodically review and update your stakeholder information.
- Consider ways to assess stakeholder perceptions.
- Continue to disclose, consult, and report to stakeholders as needed.
- Ensure integration of ongoing stakeholder commitments into operations management systems.
- Communicate emergency preparedness and response plans on a regular basis.
- Keep your grievance mechanism operational.
- Consider establishing a participatory or third-party monitoring program.
- For controversial projects, consider establishing an independent monitoring panel.



The transition from **construction to operations** brings with it **many changes**. The phase with the greatest physical activity and potential for impacts is over, and typically the number of grievances and frequency of engagement with stakeholders may decrease, along with a reduction in overall employee and contractor workforce. Change of personnel (including contractors) during the actual period of transition can adversely affect ongoing stakeholder relationships and needs to be carefully managed to **ensure continuity in relationships**.

Engagement with external stakeholders should be considered an integral component of operations management, whether this be day-to-day operational activities, periodic programs, or in emergency situations. Depending on the nature and scale of the project, stakeholder engagement may be relevant to the performance of a range of departments and functions within the company and should be integrated into existing systems, including health and safety, environmental management, procurement and contractor management, logistics management, site or plant inspections and audits, external communications, security considerations, and project risk management.

For projects that have completed an ESIA report, ongoing stakeholder engagement during operations is sometimes limited to the periodic auditing by the company of compliance to the commitments made in its Social and Environmental Management Plan. Here it is important to validate both the accuracy of the predictions of environmental and social impacts, and the effectiveness of mitigation and compensation measures. Expert panels, third-party monitors, community participation in impact monitoring, and the regular communication of the company's environmental and social performance are all forms of stakeholder engagement that strengthen effective management of impacts during operations.

For some projects, however, stakeholder engagement may need to go beyond impact mitigation, in order to maintain **constructive long-term relationships** with local communities, government authorities, and special interest groups. A more dynamic process may be required in which a company adapts to new stakeholder groups and changing concerns, and provides effective grievance management procedures and mechanisms for dialogue throughout the life of the project.

ACTION	FURTHER GUIDANCE
<p><b>Manage the transition from construction to operations.</b></p>	<p>Significant levels of staff turnover and other personnel changes during the transition from construction to operations pose the risk that knowledge and relationships that have been cultivated between project staff and local stakeholders up to this point can be lost if concerted efforts to ensure continuity are not made. This might mean retaining the same Community Liaison Officers who have established relationships with stakeholders, or at least making sure that there is an overlap between outgoing and incoming teams to facilitate introductions to local communities and knowledge transfer regarding stakeholder relations within the company. Remember that the transition to operations can be a time of uncertainty for local stakeholders, so it is important to communicate what changes are to be expected and what impacts this might have, if any, on local residents.</p>
<p><b>Periodically review and update your stakeholder information.</b></p>	<p>For projects with long or indefinite timelines it may make sense to review and update your stakeholder information over time, especially if there are significant changes in the external environment that may mean new groups have emerged, or the influence of or impact on existing groups has changed. Potential triggers for a reassessment might include:</p> <ul style="list-style-type: none"> <li>• National or local elections that result in change in attitudes towards the private sector, foreign investors or the company</li> <li>• Adverse socioeconomic trends, natural disasters or other developments not caused by the project but which may worsen the plight of those already most vulnerable to being disadvantaged by the project</li> <li>• Approval of local economic development plans that are likely to bring new industries to the same geographic area as the project, with potential to contribute to cumulative impacts and risks of concern to stakeholders</li> </ul>
<p><b>Consider ways to assess stakeholder perceptions.</b></p>	<p>Stakeholder perceptions of a company do not always mirror its actual performance. Even if factually inaccurate, stakeholder perceptions can be relevant to project performance and reputation, because they can drive a physical response. An independently administered stakeholder perception survey can be a useful tool for a company in managing its relationships with stakeholders. Typically, it is designed to answer the basic question “does the project company have a good and constructive relationship with its stakeholders?” Smaller companies may prefer more informal options, such as meeting with stakeholder representatives and employees who live in the community, administering their own questionnaires, or using suggestion boxes. Companies that already undertake other types of surveys, such as client or customer satisfaction surveys, may want to consider broadening these to include other project stakeholders. (See Box 14)</p>

ACTION	FURTHER GUIDANCE
<p>Continue to disclose, consult, and report to stakeholders as needed.</p>	<p>The ongoing disclosure of project information to stakeholders, as well as the nature and frequency of consultation activities and reporting during normal operations, should be commensurate with the extent of impacts and issues of concern to your stakeholders. To the degree applicable, continue to engage with stakeholders on topics such as monitoring of ESIA or other commitments; changes to project design and operational procedures that may impact certain stakeholder groups; any unforeseen impacts or developments; and annual maintenance procedures and emergency response plans. (For more information on reporting, see pages 87-98.)</p>
<p>Ensure integration of ongoing stakeholder commitments into operations management systems.</p>	<p>Maintaining continuity of commitments to stakeholders during the transition to operations is critical for sustaining credibility, especially if the team on the ground has changed. Prior to the start of the transition, identify how the outstanding commitments for mitigation and project benefits are to be integrated with the proposed or existing management and performance functions of the company during operations. For example, commitments on ecological protection and pollution abatement may need to be integrated with new or existing environmental management systems; commitments on labor standards made integral to the human resources function; and commitments on local economic benefits embedded in the procurement function.</p>
<p>Communicate emergency preparedness and response plans on a regular basis.</p>	<p>As time goes by, vigilance, knowledge about the response plans, and appreciation of roles and responsibilities during an emergency, can diminish among potentially affected stakeholder groups such as employees, government authorities and the local population, making the consequence of a major incident likely to be more acute. Stakeholder engagement during operations should be designed to maintain levels of awareness, for example by periodically conducting practice drills and simulations that involve communities, and jointly reviewing and updating existing emergency response procedures. For projects with the potential to cause a public emergency – explosion, hazmat spill, flooding etc. – effective management and response by the project company requires: (i) vigilance and behavior within the local population that reduces the risk of a major incident; (ii) that all stakeholders likely to be affected have a basic understanding of the risks involved and what the key elements of the emergency response plan are; and (iii) that individuals from within and outside the project know what their allocated roles and responsibilities are during an emergency. Companies that are new to developing Emergency Preparedness and Response plans and procedures need to commit adequate resources to this task as well as to the training and ongoing awareness activities that will make it effective.</p>

ACTION	FURTHER GUIDANCE
<p>Keep your grievance mechanism operational.</p>	<p>Once the construction period is over, the project is likely to experience a decrease in the number of complaints. This may be because the issues previously raised have now been resolved, or because the “moment of maximum impact” has passed. While this might mean that a company can scale down the level of resources it was devoting to the day-to-day management of grievances, there should always be a well-functioning procedure for receiving and addressing public concerns whenever they may arise throughout the life of the project. (See pages 69-77 for more information on developing a grievance mechanism.)</p>
<p>Consider establishing a participatory or third-party monitoring program.</p>	<p>Involving project-affected stakeholders or outside third parties in monitoring your company’s performance can lend a great deal of credibility and accountability to a monitoring program and the overall project. Affected parties can participate in scientific sampling, observations, group discussions, and assessments of environmental or socio-economic changes over time. The benefits of third-party monitoring include increased transparency and trust between the company and stakeholders, as well as an objective assessment of environmental and social performance. (See pages 80-81 for more information on participatory and third-party monitoring.)</p>
<p>For controversial projects, consider establishing an independent monitoring panel.</p>	<p>In some cases, where a project is particularly complex or controversial for instance, an independent monitoring panel may be useful for maximum objectivity and transparency. This panel, which might include stakeholder representatives, internationally recognized experts, and eminent persons, can oversee and report on the project’s environmental and social performance. (See page 82 for more information on independent monitoring panels.)</p>

## **MALAMPAYA DEEP WATER GAS TO POWER PROJECT: MAINTAINING COMMUNITY ENGAGEMENT DURING IMPLEMENTATION AND OPERATIONS**

The Deep Water Gas to Power Project, a joint venture of the Royal/Dutch Shell subsidiary Shell Philippines Exploration (SPEX), ChevronTexaco, and the Philippine National Oil Company (PNOC), is the largest industrial investment in the Philippines. Its community engagement efforts were conducted through SPEX and the Pilipinas Shell Foundation (PSFI).

Shell recognized that the risks of community opposition can also arise after the project has been implemented, and endeavored to maintain and cultivate its relationships with the affected communities during project operations. As a condition for receiving environmental clearance from the government for the project, Shell agreed to form multiparty monitoring team (MMTs) composed of local government representatives, NGOs, community leaders, provincial and community environmental officers, and other stakeholders to monitor the environmental and social impacts of the project during its implementation. In 2000, MMTs for the different provinces were set up. While the memoranda of agreement for the MMTs do not require Shell to ensure community satisfaction and consent, the MMTs still potentially provide an important means for the public to participate in overseeing implementation and operations, and to raise concerns as they arise.

In addition, the Shell Foundation has played an active role in ensuring ongoing acceptance of the project during operations. PSFI meets with community representatives on a monthly basis to provide updates on project operations and impacts, and to allow the community to raise concerns and grievances. It also operates sustainable development programs in each affected province that provide services requested by the communities, such as job training, livelihood workshops, employment link-ups, scholarships, micro-finance, health and safety workshops, and conservation activities.

## **MALAMPAYA DEEP WATER GAS TO POWER PROJECT: MAINTAINING COMMUNITY ENGAGEMENT DURING IMPLEMENTATION AND OPERATIONS** *continued*

This ongoing engagement is markedly different from standard practice in the Philippines, where relations with the community usually end once the Environmental Impact Study is finalized. While no major issues have arisen since construction, there is a broad consensus among all community stakeholders on the importance of ongoing relations with the company. The continuous engagement with Shell enables the community to raise concerns—especially about health, safety, and environmental impacts. It also provides a mechanism for affected people to seek assistance with basic community needs that their local governments cannot provide, such as clean water, infrastructure, grants on livelihood, and micro-financing. Moreover, local leaders in Batangas City report that the process of engagement with SPEX has produced an unanticipated benefit – it has empowered the community by increasing awareness of the potential of community action.

*Source: World Resources Institute, 2007, "Development without Conflict: The Business Case for Community Consent."*



**BOX 14: TOPICS TO INCLUDE IN  
STAKEHOLDER PERCEPTION SURVEYS**

- General ethical conduct
- Conduct of staff and contractors
- Quality of environmental and social impact and risk management, including monitoring regimes
- Interaction with government and local politics
- Local procurement, employment, and training opportunities
- General relationship with the project company, including levels of honesty and trust
- Relevance and meaningfulness of information communicated or reported
- Effectiveness and responsiveness of ongoing consultation
- Effectiveness and responsiveness of grievance procedures
- Perceptions of paternalism, favoritism, and corruption
- Benefits of community investment programs or similar benefit-sharing programs
- Comparison of performance, in any of the above, between the last survey period and this one



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# Downsizing, Decommissioning, and Divestment

## GOOD PRACTICE POINTERS

- Revisit stakeholder analysis in light of proposals for downsizing, decommissioning or divestment.
- Communicate with stakeholders early to allay fears and uncertainty.
- Provide regular updates and progress reports to stakeholders.
- Plan and execute stakeholder consultation as though it were at the project feasibility stage.
- Consult on transfer and management of assets and liabilities.
- Gear up to manage grievances.
- Review the capacity of future management systems to deliver stakeholder engagement on decommissioned or divested assets.



The range of stakeholders potentially affected by (or influential in) decisions taken to downsize operations, decommission facilities, or divest assets, and the ways in which they will be affected, will likely be different from those at earlier stages of a project. Impacts such as the loss of local employment, a general decline in regional economic activity (particularly for larger projects or projects in rural locations),

the cutting-back of community services previously provided by the company, and the disbandment of local community involvement in monitoring environmental and social impacts, can all introduce long-term financial and reputational liabilities for the project company.

Engaging with stakeholders well before these events take place can lower costs, reduce liabilities and strengthen the overall reputation of the company. For example, engagement can help guide work to rehabilitate any of the natural environment that has been damaged by the project, integrate operational infrastructure into existing public services, develop worker retrenchment programs, and establish funds and management structures for the long-term monitoring of assets.

Ideally, stakeholder concerns around future project closure, downsizing, or divestment should be considered during initial project planning and as **part of an ESIA process**, or at least sufficiently in advance of the events to allow stakeholders to inform the design of mitigation and risk management measures, and the realization of economic opportunities.

**Ideally, stakeholder concerns around future project closure, downsizing, or divestment should be considered during initial project planning and as part of an ESIA process.**

ACTION	FURTHER GUIDANCE
<p>Revisit stakeholder analysis in light of proposals for downsizing, decommissioning, or divestment.</p>	<p>Because the processes of downsizing, decommissioning, or divestment present new sets of risks and opportunities, the range of potential stakeholders and their interests could be significantly different from those at earlier stages of a project. The scaling back of management presence and the transfer of assets and liabilities will require new forms of strategic collaboration with external stakeholders, including landowners and local communities, government utilities, and possibly other private sector entities. Stakeholder identification and analysis should be revisited as a first step toward engagement at this phase of the project cycle.</p>
<p>Communicate with stakeholders early to allay fears and uncertainty.</p>	<p>Effective management of stakeholder relations during a change process calls for early, clear, and consistent communications. To the degree possible, try to provide information on the purpose, timing, and nature of the changes proposed; the anticipated environmental and socioeconomic consequences of relevance to specific stakeholder groups; and the ways in which different stakeholder groups can participate in planning, implementation, and monitoring.</p>
<p>Provide regular updates and progress reports to stakeholders.</p>	<p>Commensurate with the scale of potential environmental or socioeconomic impacts and risks, your company might wish to consider producing regular reports targeted at the affected stakeholders that outline progress against agreed plans. Here, try to focus on issues of greatest concern to stakeholders including:</p> <ul style="list-style-type: none"> <li>• compensation benefits, re-employment opportunities, and training and local enterprise support; community health, safety, hazards, and other risks</li> <li>• progress in the transfer of physical assets and land to other owners or users</li> <li>• environmental and ecological rehabilitation</li> <li>• future status of services and infrastructure</li> </ul>
<p>Plan and execute stakeholder consultation as though it were at the project feasibility stage.</p>	<p>Like the project feasibility stage, downsizing, decommissioning, and divestment are about the company putting forward a new set of proposals that may affect people's lives and call for a new set of mitigation and compensation arrangements. As such, consultation with affected stakeholders at this stage should involve similar principles as those deployed at the time of ESIA studies. Ideally, good practice suggests addressing issues of project closure at the time of the ESIA, rather than leaving it to later.</p>

ACTION	FURTHER GUIDANCE
<p>Consult on transfer and management of assets and liabilities.</p>	<p>It is not uncommon for local communities, government authorities or private entities to want a company to hand over the productive assets from its operations, but not the liabilities. Because there are many different strategies and approaches for handling the transfer of physical assets and liabilities, affected stakeholders should be consulted on the various options and their implications. Their involvement in reaching agreement on such matters is important not only because they may have an integral role to play in future management or monitoring, but because they are the ones who will have to live with the consequences of these decisions. For a company, the stakes can be equally high in terms of the reputational risks of asset transfers to third parties if they are not managed responsibly.</p>
<p>Gear up to manage grievances.</p>	<p>Knowledge that facilities might be closing or operations winding down can act as a trigger for local stakeholders to raise a variety of grievances, which companies should be prepared to manage as part of the broader processes of downsizing, decommissioning, or divestment. These grievances might include concerns about inadequate retrenchment compensation, perceptions of unfulfilled commitments to provide development benefits to affected communities, questions about responsibilities for environmental liabilities, or fears over the way in which future asset owners may treat local stakeholders. Groups may also be concerned about poor current environmental and social performance that raises questions about the capacity of the company to manage impacts in future, when such impacts are less within the direct control of the company. As in previous phases, the same good practice principles for grievance management apply. (For further guidance on managing grievances, see pages 69-77.)</p>
<p>Review the capacity of future management systems to deliver stakeholder engagement on decommissioned or divested assets.</p>	<p>By definition, the process of decommissioning or divestment will lead to change in management or ownership structures and systems. In some cases, even after decommissioning and divestment is complete, the project company may still choose to retain management responsibility for certain risks and liabilities, for example continuing to monitor environmental hazards. For projects that have a range of environmental and social impacts and risks attached to the decommissioning or divestment process, it may be advisable to review the capacity of each of the principal management systems (internal and external to the project) to deliver on ongoing stakeholder engagement commitments and make adjustments where capacity is weak. If information is lacking about external parties' management structures, the project company might consider offering to conduct a joint analysis of their management systems to ensure effective ongoing stakeholder engagement.</p>

## BOX 15: STAKEHOLDER GROUPS RELEVANT TO EFFECTIVE PLANNING AND MANAGEMENT OF DOWNSIZING, DECOMMISSIONING, AND DIVESTMENT

### DOWNSIZING

- Persons who will lose income or employment opportunities
- Other potential employers in the area
- Government authorities, development assistance agencies, and non-governmental organizations with budgets and staff experienced in vocational training, livelihood restoration, and enterprise support or local financial markets

### DECOMMISSIONING

- Persons living near to decommissioned assets that pose a physical obstruction, visual intrusion, acute or chronic health risk, or risk of causing accidents (e.g. young children playing on disused sites and equipment)
- Persons living near these assets who, because of certain vulnerabilities (location or health issues), are disproportionately at risk, e.g. those who have to walk to work or collect water across decommissioned sites
- Local organizations (government, academic, civil society) with expertise in environmental and socio-economic monitoring and environmental/ecological rehabilitation

### DIVESTMENT

- The land-use and economic planning department of the local and provincial authorities
- Persons and groups who habitually use the assets to be disinvested, e.g. training centers, health facilities, housing etc.
- Persons whose livelihoods have become dependent on land tenure arrangements that may change as a result of divestment, e.g. farmers who lease land from the project sponsor, or families resettled by the project on land owned by the project
- Persons who have agreements with the project sponsor that will become null and void as a result of divestment, e.g. agreements with indigenous peoples over access to cultural lands or the sharing of benefits from commercialization of cultural resources
- Representatives of communities that might be attracted to settle in the project area once divestment or closure of the project is complete, e.g. prospective artisanal miners, landless agriculturalists

### BOX 16: KELIAN EQUATORIAL MINING - AGREEMENTS REACHED WITH LOCAL STAKEHOLDERS ON THE MANAGEMENT OF MINE CLOSURE IN INDONESIA

- Agreement on international standards and procedures to guarantee dam safety and on the process for the formulation of a related Risk Management Plan
- Agreement on high water-quality standards for drainage from the post-closure mine site, including the identification of resulting implications for post-closure site uses, such as the need for wetlands
- Identification of a preferred "Integrated Site Use" – chosen from a range of options – that requires, inter alia, the demolition of all site buildings, the use of the building materials at a nearby village, and the establishment of wetlands for water-quality maintenance
- Implementation of a drilling and sampling program to ascertain the feasibility of mining alluvial gold deposits with benefit-sharing among the partners (as a prerequisite to establishing the wetlands)
- Agreement on suitable hand over arrangements (from the company to relevant government institutions) for maintenance and operation of community infrastructure established by the company (e.g., roads, schools, clinic, electricity supply)
- Agreement on statutory and contractual requirements for the company with respect to mine closure
- Construction of a school dormitory as a sustainable solution to the absence of a school bus
- Coordination of various community development projects, including support for agricultural projects, the establishment of self-help groups, and the identification of suitable trust fund options for sustainable community development after closure

"For KEM the MCSC [multi-partite Mine Closure Steering Committee] with its various representatives are the strategic decision-makers for the mine closure project. This is an enormous and frightening thing, especially for mining companies, who like to have complete control over all decisions."

Dr. Geraldine McGuire, MCSC Secretariat Manager

"We could have done it ourselves and we could have told people what we were doing, and we could have then tried to persuade them to buy in. The most important thing is the buy-in, and we would not have got it! So my conclusion would be that I don't think there was another way that would work."

Charles Lenegan, KEM Managing Director

## RÖSSING, NAMIBIA: COMMUNICATION AND CONSULTATION IN THE CONTEXT OF MINE CLOSURE

The **Rössing Uranium mine** was first established in 1976. Rössing's production accounts for 10% of Namibia's exports and contributes nearly 2% to GDP. As one of the major investment projects in Namibia, the mine is historically, politically, and economically significant to the country. However, in 2005, Rössing was assessing two options – expansion (that would extend the mine life) or closure.

Rössing developed an **early communication program** to introduce the option of closure and establish a basis from which a longer-term consultation process could be built. An **"exhibition concept"** was created using a method of holding open house sessions in three towns where Rössing has a substantial presence. The company committed three days in each town, involving the participation of 30 Rössing senior employees with whom stakeholders could engage. The discussion revolved around the Environmental and Social Impact Assessment of the proposed expansion and closure alternatives.

Ultimately, Rössing decided on an expansion of the mine until 2016. However, one of the key lessons of the consultation process was that stakeholder engagement on closure issues has to start far in advance. Had the company decided upon closure rather than expansion, there would not have been sufficient time to create the stakeholder processes and capacity necessary to transition from a situation of high dependency on the mine to one of joint management with stakeholders that would ensure more sustainable outcomes. Consequently, the company set up a **Multi-Stakeholder Forum** that includes local, provincial, and central levels of government, as well as local communities, to begin a long-term, participatory planning process for eventual closure. The forum created a venue for the exchange of information and concerns among stakeholders and resulted in a framework to discuss transition planning and key decisions in areas such as environment, water, health, and local business. During a time of uncertainty, it served as a valuable vehicle to enable the company to move from a more paternalistic model to a participatory one.



## RÖSSING, NAMIBIA: COMMUNICATION AND CONSULTATION IN THE CONTEXT OF MINE CLOSURE *continued*

Key features of the approach adopted by Rössing include:

- **Timing:** Rössing seized an opportunity where closure could be introduced as merely an option in the context of covering different aspects of the operation (expansion, environmental impact assessment). As a result discussions on closure were held in a relatively positive environment rather than one dominated by fear, insecurity, and anxiety.
- **Taking information to the stakeholders:** By holding open day forums involving over 30 Rössing employees in its three primary areas of impact, the company was seen to be proactive, transparent, and genuinely keen to engage with its stakeholders.
- **Involvement of Rössing employees:** By holding such forums not just with external stakeholders but also with its employees and union members, Rössing established both an internal and external communication process.
- **Providing opportunities for the less vocal:** By using an open house exhibition method, stakeholders were able to express their concerns and questions on a one-on-one basis with individual company personnel.
- **Openness and transparency:** While certain stakeholders were specifically targeted and invited to the open house sessions, the events were also advertised in the local newspapers for any interested parties to attend.

Source: *Community Development Toolkit (2005) ESMAP, the World Bank, ICMM; Rio Tinto staff*

# APPENDICES:

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## Appendix 1: A Road Map to IFC's Performance Standards and Policy on Disclosure of Information

The following tables are provided to assist readers in navigating through this handbook to find good practice guidance on various consultation, disclosure and engagement references contained in IFC's Performance Standards and Policy on Disclosure of Information. The Performance Standards on Social and Environmental Sustainability apply to IFC clients, whereas the Policy on Disclosure of Information applies to IFC.

### IFC PERFORMANCE STANDARDS FOR SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

PERFORMANCE STANDARD / ISSUE	WHERE TO FIND IT?
<b>PS#1 — Social and Environmental Assessment and Management Systems</b>	
Information Disclosure	pp. 27-32
Consultation	pp. 33-62
Free, Prior, and Informed Consultation (FPIC)	pp. 38, 48
Informed participation	pp. 44-46
Grievance mechanism	pp. 69-77
External Reporting	pp. 87-98
Management System	pp. 99-109
<b>PS#2 – Labor and Working Conditions</b>	
Consultation	pp. 33-42
<b>PS#3 – Pollution Prevention and Abatement</b>	
Information Disclosure	pp. 27-31
<b>PS#4 – Community Health, Safety, and Security</b>	
Information Disclosure	pp. 27-31
<b>PS#5 – Land Acquisition and Involuntary Resettlement</b>	
Information Disclosure	pp. 27-31
Consultation	pp. 33-42
Informed participation	pp. 44-46
<b>PS#6 – Biodiversity Conservation and Sustainable Natural Resource Management</b>	
Consultation	pp. 33-42

## Appendix 1: A Road Map to IFC's Performance Standards and Policy on Disclosure of Information *continued*

### IFC PERFORMANCE STANDARDS FOR SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

PERFORMANCE STANDARD / ISSUE	WHERE TO FIND IT?
PS#7 – Indigenous Peoples	
Information disclosure	pp. 27-31, 51
Consultation and FPIC	pp. 47-55
Informed participation	pp. 44-46
Good faith negotiation	pp. 64-65
PS#8 – Cultural Heritage	
Consultation	pp. 33-42
Informed participation	pp. 44-46
Good faith negotiation	pp. 64-65

### IFC POLICY ON DISCLOSURE OF INFORMATION

ISSUE	WHERE TO FIND IT?
General principles	
Presumption in favor of disclosure	p. 28
Reasons for non-disclosure	p. 30
Disclosure of social and environmental information	pp. 27-32

## Appendix 2: Stakeholder Engagement Strategies for Different Project Scenarios

	PROJECTS WITH MINIMAL RISKS AND STAKEHOLDER ISSUES	PROJECTS WITH MODERATE RISKS AND STAKEHOLDER ISSUES	CONTROVERSIAL PROJECTS, OR PROJECTS WITH SIGNIFICANT RISKS AND DIVERSE STAKEHOLDER ISSUES
<b>Engagement at the project concept stage</b>	Interviews with government officials	Interviews with key informants and government officials	Interviews with stakeholder representatives, key informants, and government officials  Stakeholder planning forum
<b>Engagement during ESIA studies and other feasibility studies</b>	Interviews with stakeholder representatives and key informants  Public meetings	Interviews with stakeholder representatives and key informants  Issues scoping workshops  Interviews with focus groups  Meetings with stakeholders most disadvantaged by the project  Public meetings  Newsletters  Open houses, in field office and project HQ	Community liaison officers recruited and accompanying environmental and social specialists on ESIA studies  Interviews with stakeholder representatives and key informants  Issues scoping workshops  Participatory techniques used to consult with focus groups on impact-specific topics  Participatory techniques used to consult with stakeholders most disadvantaged by the project  Stratified sample interviews  Public meetings  Newsletters  Open houses, in field office and project HQ  Radio and TV notifications

## Appendix 2: Stakeholder Engagement Strategies for Different Project Scenarios *continued*

	PROJECTS WITH MINIMAL RISKS AND STAKEHOLDER ISSUES	PROJECTS WITH MODERATE RISKS AND STAKEHOLDER ISSUES	CONTROVERSIAL PROJECTS, OR PROJECTS WITH SIGNIFICANT RISKS AND DIVERSE STAKEHOLDER ISSUES
<b>Ongoing engagement during construction and operations</b>	<p>Newsletters</p> <p>Open houses, in field office or project HQ</p> <p>Grievance mechanisms</p>	<p>Annual/quarterly targeted consultation, e.g. with specific stakeholder groups</p> <p>Annual stakeholder perception surveys and follow-up</p> <p>Consultation through community liaison officer</p> <p>Newsletters</p> <p>Open houses, in field office or project HQ</p>	<p>Participatory monitoring</p> <p>Annual/quarterly targeted consultation, e.g. with specific stakeholder groups</p> <p>Use of internet and other means to disseminate monitoring data</p> <p>Annual/quarterly stakeholder perception surveys and follow-up</p> <p>Annual/quarterly stratified sample interviews</p> <p>Newsletters</p> <p>Radio and TV</p> <p>Open houses, in field office or project HQ</p>
<b>Engagement on new stakeholder issues and concerns that may arise</b>	<p>Grievance mechanisms</p>	<p>Grievance mechanisms</p> <p>Annual interviews with key informants and stakeholder representatives</p>	<p>Grievance mechanisms (various)</p> <p>Annual/quarterly household questionnaires with project-affected people</p> <p>Annual/quarterly interviews with key informants and stakeholder representatives</p> <p>Annual stakeholder events and gatherings</p>

## Appendix 3: Stakeholder Engagement Plan (Sample Contents)

### I. Key principles

Stakeholder engagement is about building and maintaining constructive relationships over time. It is an ongoing process between a company and its project stakeholders that extends throughout the life of the project and encompasses a range of activities and approaches, from information sharing and consultation, to participation, negotiation, and partnerships. The nature and frequency of this engagement should reflect the level of project risks and impacts. The purpose of a Stakeholder Engagement Plan is to describe a company's strategy and program for engaging with stakeholders in a culturally appropriate manner (whether it be for a single project or a range of company operations). The goal is to ensure the timely provision of relevant and understandable information. It is also to create a process that provides opportunities for stakeholders to express their views and concerns, and allows the company to consider and respond to them.

Key principles of effective engagement include:

- Providing meaningful information in a format and language that is readily understandable and tailored to the needs of the target stakeholder group(s)
- Providing information in advance of consultation activities and decision-making
- Disseminating information in ways and locations that make it easy for stakeholders to access it
- Respect for local traditions, languages, timeframes, and decision-making processes
- Two-way dialogue that gives both sides the opportunity to exchange views and information, to listen, and to have their issues heard and addressed
- Inclusiveness in representation of views, including women, vulnerable and/or minority groups
- Processes free of intimidation or coercion
- Clear mechanisms for responding to people's concerns, suggestions, and grievances
- Incorporating feedback into project or program design, and reporting back to stakeholders

## Appendix 3: Stakeholder Engagement Plan (Sample Contents) *continued*

### II. Contents of a Stakeholder Engagement Plan

A good Stakeholder Engagement Plan should:

- describe regulatory, lender, company, and/or other requirements for consultation and disclosure
- identify and prioritize key stakeholder groups
- provide a strategy and timetable for sharing information and consulting with each of these groups
- describe resources and responsibilities for implementing stakeholder engagement activities
- describe how stakeholder engagement activities will be incorporated into a company's management system

*The scope and level of detail of the plan should be scaled to fit the needs of the project (or company operations).*

#### 1. Introduction

Briefly describe the project (or the company's operations) including design elements and potential social and environmental issues. Where possible, include maps of the project site and surrounding area.

#### 2. Regulations and Requirements

Summarize any legal, regulatory, lender, or company requirements pertaining to stakeholder engagement applicable to the project or company operations. This may involve public consultation and disclosure requirements related to the social and environmental assessment process.

#### 3. Summary of any Previous Stakeholder Engagement Activities

If the company has undertaken any activities to date, including information disclosure and/or consultation, provide the following details:

- Type of information disclosed, in what forms (e.g. oral, brochure, reports, posters, radio, etc.), and how it was disseminated
- The locations and dates of any meetings undertaken to date
- Individuals, groups, and/or organizations that have been consulted



## Appendix 3: Stakeholder Engagement Plan (Sample Contents) *continued*

- Key issues discussed and key concerns raised
- Company response to issues raised, including any commitments or follow-up actions
- Process undertaken for documenting these activities and reporting back to stakeholders

### 4. Project Stakeholders

List the key stakeholder groups who will be informed and consulted about the project (or the company's operations). These should include persons or groups who:

- are directly and/or indirectly affected by the project (or the company's operations)
- have "interests" in the project or parent company that determine them as stakeholders
- have the potential to influence project outcomes or company operations

*(Examples of potential stakeholders are affected communities, local organizations, NGOs, and government authorities. Stakeholders can also include politicians, other companies, labor unions, academics, religious groups, national social and environmental public sector agencies, and the media.)*

### 5. Stakeholder Engagement Program

- Summarize the purpose and goals of the program (either project-specific or corporate).
- Briefly describe what information will be disclosed, in what formats, and the types of methods that will be used to communicate this information to each of the stakeholder groups identified in section 4 above. Methods used may vary according to target audience, for example:
  - Newspapers, posters, radio, television
  - Information centers and exhibitions or other visual displays
  - Brochures, leaflets, posters, non-technical summary documents and reports

### Appendix 3: Stakeholder Engagement Plan (Sample Contents) *continued*

- Briefly describe the methods that will be used to consult with each of the stakeholder groups identified in section 4. Methods used may vary according to target audience, for example:
  - Interviews with stakeholder representatives and key informants
  - Surveys, polls, and questionnaires
  - Public meetings, workshops, and/or focus groups with specific groups
  - Participatory methods
  - Other traditional mechanisms for consultation and decision-making
- Describe how the views of women and other relevant sub-groups (e.g. minorities, elderly, youth etc.) will be taken into account during the process.
- Describe any other engagement activities that will be undertaken, including participatory processes, joint decision-making, and/or partnerships undertaken with local communities, NGOs, or other project stakeholders. *Examples include benefit-sharing programs, community development initiatives, resettlement and development programs, and/or training and micro-finance programs.*

#### 6. Timetable

Provide a schedule outlining dates and locations when various stakeholder engagement activities, including consultation, disclosure, and partnerships will take place and the date by which such activities will be incorporated into the company's management system (at either the project or corporate level).

#### 7. Resources and Responsibilities

Indicate what staff and resources will be devoted to managing and implementing the company's Stakeholder Engagement Program. Who within the company will be responsible for carrying out these activities? What budget has been allocated toward these activities?

*For projects (or multiple company operations) with significant or diverse impacts and multiple stakeholder groups, it is good practice for a company to hire a qualified Community Liaison Officer(s) to arrange and facilitate these activities at the project and/or corporate level. Integration of the community liaison function with other core business functions is also important, as is management involvement and oversight.*

## Appendix 3: Stakeholder Engagement Plan (Sample Contents) *continued*

### 8. Grievance Mechanism

Describe the process by which people affected by the project (or company's operations) can bring their grievances to the company for consideration and redress. Who will receive public grievances, how and by whom will they be resolved, and how will the response be communicated back to the complainant?

### 9. Monitoring and Reporting

Describe any plans to involve project stakeholders (including affected communities) or third-party monitors in the monitoring of project impacts and mitigation programs.

Describe how and when the results of stakeholder engagement activities will be reported back to affected stakeholders as well as broader stakeholder groups?

*Examples include social and environmental assessment reports; company newsletters; annual monitoring reports submitted to lenders; company annual report; company or corporate sustainability report.*

### 10. Management Functions

How will stakeholder engagement activities be integrated into the company's environmental and social management system and with other core business functions?

- Who will have management oversight for the program?
- What are the plans for hiring, training, and deploying staff to undertake stakeholder engagement work?
- What will be the reporting lines between community liaison staff and senior management?
- How will the company's stakeholder engagement strategy be communicated internally?
- What management tools will be used to document, track, and manage the process? (e.g. stakeholder database, commitments register, etc.)
- For projects or company operations involving contractors, how will the interaction between contractors and local stakeholders be managed to ensure good relations?

## Appendix 4: Sample of Stakeholder Log

DATE/ PLACE	COMPANY STAFF IN ATTENDANCE	CONTACT PERSONS/ ORGANIZATION	MEETING SUMMARY/ KEY ISSUES RAISED	FOLLOW-UP ACTIONS
Jan 17, 2007 Ashkala Community Center, India	Savita Dey and Amit Rao, Community Liaison Officers  Krishna Das, Plant Manager	Ashkala and Simrit villages, community meetings  Sri Bhavan, local NGO  Government represen- tative from local panchayat	Land acquisition timetable and compensa- tion issues; location of construction work camp; concerns about speed of trucks on village roads	KD to speak to contractor re: speeding/ safety issues. SD, AR to prepare information pamphlet on land issues.
Jan 28, 2007 Simrit village	Savita Dey	Female landowner & village math teacher	Discussion related to land acquisition process & use of compensation.	SD to follow up
Feb 4, 2007 Ashkala	Savita Dey, Amit Rao Plant manager HSE officer	60+ male and female community members	Concerns related to safety of plant near their dwellings.	HSE officer to follow up with community members
Feb 4, 2007 Ashkala	Amit Rao, CLO	Elderly landowner: Ms. Rita Shukla + 10 family members.	Discussion related to land titling process & compensation for fruit trees.	Distribute written information pamphlet
Feb 6, 2007 Simrit Town	Amit Rao, Savita Dey, ESIA consultant team	Municipality Head: Mr. Basu Kumar + 5 other male community members	General discussion related to construction impacts, safety, employ- ment, land acquisition, and use of compensation.	Follow up at next community meeting
Feb 13, 2007 Hamradi town center	Amit Rao, Savita Dey, ESIA consultant team	Municipality Head: Mr. Hasan Municipal Office	General discussion related to village needs & priori- ties, construction impacts, safety, employment (village not affected by land acquisition).	Send information as requested.
Feb 13, 2007 Ashkala	Savita Dey and Amit Rao, Community Liaison Officers	10 local male community members	General discussion relat- ed to employment and skills training.	Update village employment list

## Appendix 5: Pro Forma for Advertising the Disclosure of the Draft Environmental and Social Assessment Report

[Company name], [Company structure and main investors], propose to [build/operate/manage/expand] a [type of project] at [location(s)].

Construction of the project is expected to commence on [date] and completion is targeted for [date].

A draft Social and Environmental Assessment (SEA) for the [project activities] has been completed by [consultant's name].

The draft SEA report includes information on the:

- Project description
- Relevant legislation
- Potential impacts and benefits
- Proposed mitigation measures
- Environmental and social action plan
- Other supporting studies

The draft SEA documents and a non-technical Executive Summary will be available for public review and comment on [dates and time of availability] at the following places:

[Address of government]

[Address of company]

[Address of other institutions/libraries/community centers accessible to local stakeholders]

Members of the public are invited to comment on the draft documents by [date of comment deadline]. Those unable to review the documents at the location(s) mentioned above, please contact [project company name] at [project sponsor's address] or on [project sponsor's telephone number and email address].

## Appendix 6: Useful Resources

**AccountAbility.** AA1000SES, *Stakeholder Engagement Standard*.  
[www.accountability21.net](http://www.accountability21.net)

**Business for Social Responsibility.** *Issue Brief: Stakeholder Engagement*. 2003.  
<http://www.bsr.org/CSRResources/IssueBriefDetail.cfm?DocumentID=48813>

**Canadian International Development Agency (CIDA).** *Policy and Resources on Gender Equality*.  
[www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/EMA-218123616-NN9](http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/EMA-218123616-NN9)

**CDA Collaborative Learning Projects.** *Stakeholder Consultation Issue Paper*. November 2004. [www.cdainc.com](http://www.cdainc.com)

**Department for International Development (DFID).** *Tools for Development: A Handbook for Those Engaged in Development Activity*. 2002.  
[www.dfid.gov.uk/pubs/files/toolsfordevelopment.pdf](http://www.dfid.gov.uk/pubs/files/toolsfordevelopment.pdf)

**ESMAP, the World Bank and ICMM.** *Community Development Toolkit*. 2005.  
[www.esmap.org](http://www.esmap.org), [www.worldbank.org](http://www.worldbank.org), [www.icmm.com](http://www.icmm.com)

**Equator Principles.** [www.equator-principles.com](http://www.equator-principles.com)

**Global Reporting Initiative.** [www.globalreporting.org](http://www.globalreporting.org)

**Institute of Development Studies (IDS) – Bridge.** *Gender and Participation*.  
[www.bridge.ids.ac.uk/reports\\_gender\\_CEP.html#Participation](http://www.bridge.ids.ac.uk/reports_gender_CEP.html#Participation)

**International Association for Public Participation.** [www.iap2.org](http://www.iap2.org)

**International Finance Corporation (IFC).** *The BTC Pipeline Project: Lessons of Experience.* 2006. [www.ifc.org/envirolessons](http://www.ifc.org/envirolessons)

**International Finance Corporation (IFC).** *External Monitoring of the Chad-Cameroon Pipeline Project: Lessons of Experience.* 2006. [www.ifc.org/envirolessons](http://www.ifc.org/envirolessons)

**International Finance Corporation (IFC).** *Good Practice Note: Addressing the Social Dimensions of Private Sector Projects.* 2002. [www.ifc.org/enviropublications](http://www.ifc.org/enviropublications)

**International Finance Corporation (IFC).** *ILO Convention and the Private Sector: Questions and Answers for IFC Clients.* 2007. [www.ifc.org/enviro/publications](http://www.ifc.org/enviro/publications)

**International Finance Corporation (IFC).** *Performance Standards on Social and Environmental Sustainability.* 2006. [www.ifc.org/enviro](http://www.ifc.org/enviro)

**International Institute for Environment and Development (IIED).** *Participatory Learning and Action Series.* [www.iied.org](http://www.iied.org)

**New Economics Foundation.** *Participation Works! 21 Techniques of Community Participation for the 21st Century.* 1998. [www.neweconomics.org](http://www.neweconomics.org)

**Organization for Economic Cooperation and Development (OECD).** *Guidelines for Multinational Enterprises.* [www.oecd.org](http://www.oecd.org)

**Oxfam.** *The Oxfam Gender Training Manual.* 1995. <http://publications.oxfam.org.uk>

**World Resources Institute.** *Development Without Conflict: The Business Case for Community Consent.* 2007. [www.wri.org](http://www.wri.org)







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