STAKEHOLDER ENGAGEMENT: PART TWO

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.

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

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
Systematically identify project stakeholders and their interests.	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.
Review regulatory and financing requirements for stakeholder engagement on projects.	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.
Involve stakeholders in the "scoping" phase of ESIA studies.	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.
Seek input from stakeholders on how they wish to be consulted.	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
Prepare a stakeholder engagement plan commensurate with project impacts.	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)
Provide information ahead of consultations on environmental and social impacts.	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: • 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 • A more detailed description of the project as it relates to topics for consultation or wider stakeholder engagement • An outline of the environmental and social impacts to be assessed during the consultation, and any provisional conclusions or predictions already reached • Any existing proposals for mitigation measures
Employ good practice in meeting or exceeding ESIA requirements on consultation	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: • documentation of consultation within the ESIA report • disclosure of the draft ESIA report and management plan (or that portion of the management plan relevant to stakeholders) within a set time period • notification of affected stakeholders of those risks or impacts that might adversely affect them • a response by the project sponsor to comments from concerned stakeholders • preparation and dissemination of an Executive Summary of the ESIA report 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: • disclosure of meaningful project information before consultations begin • consultation to inform the scope of impacts for inclusion in the Terms of Reference of ESIA studies • working with stakeholders to identify and analyze baseline data • reviewing and amending proposed mitigation and benefit measures prior to disclosure of the draft ESIA report • disclosure of, and consultation on, the draft text of the final ESIA report, including the environmental and social management or action plan • ongoing consultation to monitor impacts and risks and the effectiveness of avoidance, mitigation and compensation measures

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.	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: • Is there satisfaction with the **manner and extent** to which stakeholders have been informed and consulted to date? • Are there any unresolved stakeholder concerns that constitute a **commercial or reputational** risk to the project? • Is there any **material objection** 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? • If objections exist, are they resolvable or irreconcilable? Are they aimed at the **project concept** itself (rather than one or more of the participating companies or financing institutions)? • If dissatisfaction exists, how **widespread** is it? Is opposition local or coming from outside the project area? Does the majority of the *local* population support the project?
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.[4] 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.[5]

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 and www.equator-principles.com

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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

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

THEME	GOOD PRACTICES
Documentation of consultation within the ESIA report	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: • The location and dates of meetings, workshops, and discussions, and a description of the project-affected parties and other stakeholders consulted • An overview of the issues raised as part of scoping • How the project sponsor responded to the issues raised • How these responses were conveyed back to those consulted • Details of outstanding issues and any planned follow-up
Disclosure of the draft ESIA report and management plan	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: • Municipal and central government offices • Public libraries • Local community centers • Local universities or academic research centers • Company offices • Offices of local NGOs and community-based organizations 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.
Notification of affected stakeholders	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).
Response to comments	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.

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

THEME	GOOD PRACTICES
Executive Summary	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. 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. 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. *Source: Overseas Development Institute*

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 DEVELOP-MENT 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#

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.