

## 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
<p>Review adequacy of any existing grievance procedures.</p>	<p>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.</p>
<p>Review potential legal, regulatory, and lender requirements for stakeholder engagement.</p>	<p>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.</p>
<p>Ensure that any project risk analysis includes stakeholder issues.</p>	<p>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.</p>
<p>For complex projects, consider forming a stakeholders’ planning forum.</p>	<p>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.</p>

## 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.