



# **Guidelines on Consultation and Stakeholder Engagement in IDB Projects**

**Environmental Safeguards Unit  
(VPS/ESG)**

**Inter-American  
Development Bank**

Environmental  
Safeguards Unit

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## **ACRONYMS**

CAP	Corrective Action Plan
IDB	Inter-American Development Bank
EIA	Environmental Impact Assessment
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
MAB	Brazilian Movement of Dam-Affected Peoples
MST	Brazilian Movement of Landless Rural Workers
NGO	Non-governmental Organization
SIA	Social Impact Assessment

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## 1. AIMS AND SCOPE

This document sets out the basic principles that should guide public consultation and stakeholder engagement in IDB-financed projects. It is intended to complement existing safeguards policy requirements and is designed to help borrowers plan and implement public consultation in a more effective and consistent way. It considers why consultation should be carried out, what consultation comprises, who should be involved, and when and where consultation should take place. It also summarizes some of the ways in which consultation can be carried out more effectively.

Although the focus is on high-impact or high-visibility projects, particularly projects classified as Category A or high-risk Category B because of their potential social and/or environmental impacts, the principles set out in these guidelines can be applied to other operations, including projects to improve social and/or environmental conditions, and to higher-impact or higher-risk projects financed through loans for multiple works or loans to financial intermediaries, such as sub-projects financed through IDB-financed infrastructure or clean-energy funds.

The Bank has three safeguards policies that incorporate explicit requirements for consultation. The Environment and Safeguards Compliance Policy (OP-703) requires timely and adequate consultation to be carried out in the context of Environmental Impact Assessments (EIAs), with at least two consultations for all Category A projects and one for all Category B projects. The Implementation Guidelines for OP-703 describe consultation as a “constructive dialogue between the affected parties” and note that: “Meaningful consultations...imply that the parties involved are willing to be influenced in their opinions, activities and plans...” This policy requires consultation with affected parties (“individuals, groups of individuals or communities who may be directly impacted by a Bank-financed operation”) and states that other interested parties that have expressed support or concern regarding a project may also be consulted in order to consider a broader range of expertise and perspectives. The Implementation Guidelines for OP-703 recommend that consultations be preceded by a stakeholder analysis to identify the affected and interested parties. They also require Project Teams, as part of due diligence,

to review whether or not the consultations have been carried out to the satisfaction of the Bank.

For projects that entail resettlement, the Bank's Policy on Involuntary Resettlement (OP-710) requires consultation to be carried out—in a timely and socio-culturally appropriate manner—with a representative cross section of the displaced and host communities during the design, execution, and monitoring of the Resettlement Plan. The Bank's Policy on Indigenous Peoples (OP-765) requires socio-culturally appropriate and effective consultation for all operations that are intended to benefit indigenous peoples. Where potentially adverse impacts are identified, the project must engage in good-faith negotiations consistent with the legitimate decision mechanisms of the affected peoples and must take steps to minimize or prevent such impacts. Where the impacts are significant, the Bank requires the project to obtain agreements with the affected indigenous peoples regarding the project and the measures taken to address all the potential adverse impacts.

To date, the experiences associated with Bank projects have been mixed. Some Category A and high-risk Category B projects—in both the public and private sectors—have developed detailed and comprehensive procedures for engaging with the different sectors of the population that may be affected, whereas others have gone no further than complying with the minimum legal requirements for information disclosure and public hearings. In some cases, inadequate consultation—often combined with insufficient social analysis of the different groups and sectors potentially affected by a project—has been an aggravating factor that has led to protests, delays, and cost overruns, and, in some cases, to formal complaints to the Bank's Independent Consultation and Investigation Mechanism.

To prevent this inadequate consultation from recurring, the present document offers an approach that is designed to promote constructive relations among borrowers, the affected communities, and other interested groups, and that clarifies the respective responsibilities of the borrower, the Bank (Project Team), and other relevant parties (e.g.,

government agencies in cases where private sector operations have significant impacts at a national or local level).

## 2. WHY IS CONSULTATION NEEDED?

*People have a right to be consulted*

The people that may be directly or indirectly affected by a project or other activities supported by the Bank have a basic right to know what will happen and have a right to express their opinions and be heard. Article 19 of the Universal Declaration of Human Rights (1948) states that:

*Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.*

This means that people should be able to receive accurate, comprehensible information about the objectives, scope, timing, and potential impacts and risks associated with a project. It means that they will be given the opportunity to express their concerns, fears, and doubts, will be allowed to share their knowledge, insights, and understanding, and will be able to recommend modifications or changes in the operation. It also means that their concerns, fears, and recommendations will be seriously considered and, wherever possible, addressed.

It is important to recognize that the environment is a public good and that projects affecting the environment—through emissions released into the atmosphere or bodies of water, and through the extraction of groundwater or the conversion of natural habitats—and projects that have the potential to generate significant social impacts—for instance, by encouraging the migration of large numbers of people—should be subject to public scrutiny. These projects have the potential to affect the security and well-being of the general public as well as the natural and cultural heritage of the countries or regions in which they are located.

*Consultation provides an opportunity to present the facts*

Consultation can provide an important opportunity for the proponents of a project to explain more about the project, whether it involves the public or private sector. Consultation offers a forum to explain the aims and scope of the project, and gives the proponents a chance to allay people's fears and ensure that they receive accurate, unbiased information. It allows the proponents to listen to and understand people's concerns, and it gives the proponents an opportunity to review and reconsider their options and alternatives.

*Consultation offers an opportunity to benefit from local knowledge*

Projects tend to rely on expert knowledge and often undervalue the practical experience of people that live in a project area or that provide the basic services that a project is trying to support, such as teachers or healthcare workers. Local people and front-line workers can provide insights that may help the design of a project, for instance, ways to improve the design of rural schools or health clinics, or the identification of areas subject to flooding along a road alignment.

An understanding of local knowledge is essential for some projects. They include agricultural development and watershed management programs, which ought to start from a comprehensive understanding of how and why people are cultivating or managing the area the way they do before the project begins to promote alternatives. The same is true for forestry and fisheries programs, and perhaps for most public health, nutrition, water supply, and sanitation programs. All of these programs should be based on an understanding of why people behave the way they do and should seek to promote alternatives through constructive engagement based on respect for local knowledge and culture.

### 3. RESPONSIBILITIES FOR CONSULTATION

The borrower is generally responsible for planning and carrying out the program for consultation and stakeholder engagement. However, there are some exceptions. First, in private sector projects where the national or state/provincial government is responsible for awarding a concession and/or for acquiring the land needed for the project, the government agency or agencies that have awarded the concession or are responsible for land acquisition should take an active role in the consultation, preferably in close coordination with the borrower. This is particularly important if the government agency is directly responsible for resettlement or for compensating the people whose land or livelihoods are affected by the project. Second, the legislation in some countries, including Argentina and Brazil, requires the government agency responsible for environmental licensing to take the lead in organizing the public hearings on the Environmental and Social Impact Assessment (ESIA).<sup>1</sup> This is typically done to ensure that the hearings are not biased in favor of the project proponent. Finally, in projects where there are significant impacts during construction, the primary contractor should take an active role in consultation and stakeholder engagement, especially with regard to complaints and redress of grievances, and issues such as local employment, management of work camps, codes of conduct, and traffic routing.

The role of the Bank's Project Team is to ensure that the borrower and any other agencies that are directly involved in the project develop and implement a Consultation and Stakeholder Engagement Plan that satisfies the Bank's policy requirements and which, wherever possible, can be considered "best practice." The Project Team is not directly responsible for preparing the Consultation and Stakeholder Engagement Plan, but can provide specialist support to develop and even to help implement the plan. It is also important for members of a Project Team to take part in at least some of the public meetings that are carried out during implementation of the plan in order to get a first-hand sense of the key issues and the effectiveness of the consultation program.

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<sup>1</sup> Argentina, Art. 20 of the Ley General del Ambiente (Ley 25.675); Brazil, Resolution CONAMA 009/87.

The Bank often engages with a project relatively late in the project cycle, after the feasibility studies have been concluded and the most critical details of the project have already been defined. Indeed, in some cases, particularly in private sector projects, the Bank may be asked to finance a project that is already under construction or where some project components have already been completed. In these cases, the focus of the social and environmental due diligence is to determine whether or not the activities that have been completed have been carried out in accordance with the Bank's policy requirements. In the case of consultations, the Project Team has to determine whether the scope and format of the consultations have been adequate and whether the results of the consultations have been incorporated into the design and execution of the project. Have all the relevant stakeholders been identified and consulted? Has this been done in a way that allows them to understand the project and express their opinions? Have their opinions been taken into account in the design of the project or the design of any mitigation or compensation measures that may be necessary?

It is important to emphasize that this analysis requires adequate documentation. In principle, any project that involves significant social and/or environmental issues should have a formal Consultation or Stakeholder Engagement Plan and adequate documentation of every event that has taken place in the process of designing and executing the project. This documentation should include a record of the dates of the consultations, venues where meetings were held, lists of the participants in the meetings, key issues discussed, and minutes or similar records of any commitments made or agreements reached. If there is no record, it is very difficult for the Project Team to assess the adequacy of the consultation process.

If the due diligence suggests that the consultation process has not been adequate—for example, if some potential stakeholders have not been adequately identified or have not been adequately consulted, which is sometimes the case with groups that may be indirectly affected by a project—the Project Team may be able to propose a Corrective Action Plan (CAP). The CAP will allow the borrower to engage more effectively with the people that have been excluded from earlier consultations and to incorporate at least some of their priorities into the project and the ESMPs.

An outline of the responsibilities for consultation at the different stages in the project cycle is presented in Annex 1.

#### 4. WHAT IS CONSULTATION?

Consultation is a two-way process. It is not simply a matter of holding formal meetings or public hearings. Rather, it is a process of informing and listening. It is the means by which a project engages with the people and communities (the stakeholders) that may be affected by the project, either positively or negatively, directly or indirectly. It is critical and can determine the success or failure of a project or program.

Consultation goes beyond the disclosure of information. Disclosure is essentially the provision of information, such as documents, maps, designs, or web pages, whereas consultation demands a more proactive approach and requires more effective engagement with people. It means making every effort to ensure that people truly comprehend the aims, scope, and potential impacts of a project or operation. It means using appropriate media and language to present information, at the times and in the places where people can listen to, watch, or read the presentations. While a good website may be appropriate for informing the highly educated international non-governmental organization (NGO) community, it is less likely to be relevant to a Quechua-speaking community in the high Andes or to the inhabitants of a squatter settlement in Rio de Janeiro or Port au Prince.

It is usually more difficult to engage with poor or marginal groups, such as urban squatters, subsistence farmers, or indigenous peoples, who are often the people that are most directly affected by or most at risk from the potential impacts of a project. These groups may have little formal education, live in remote areas, share different cultural understandings, and speak languages or dialects that are quite different from those of the country's educated elite, and it is often necessary to use different methods to reach them. Effective consultation is likely to demand more face-to-face meetings, simple leaflets, and support from programs or spots on the radio and television. Above all, it is likely to

require time and patience, not only to present information to people, but also to listen and respond to their concerns.

It is important to appreciate the fact that consultation is not the same as participation. It does not imply delegation of responsibility: the people that are consulted do not take over the project, or even necessarily take an active role in the project. A project or program has usually been defined, at least in general terms, when the consultation takes place, and it is unlikely that the consultation process will lead to the abandonment of the project or to radical changes in the project. At the same time, the consultation process does imply some possibility of introducing change, perhaps in the design of the project and almost certainly in the programs or components intended to mitigate or compensate for the impacts of the project. If it is not participation, consultation is, at the very least, more than simply listening to complaints. It requires that people's concerns, recommendations, and aspirations are given serious thought and that, whenever possible, these concerns, recommendations, and aspirations are incorporated into the final design and implementation of the project.

This does not necessarily mean that a project has to have the formal consent of all the stakeholders that are, in any way, affected by the project. In practice, this would be difficult, if not impossible, for most projects. Rather, the project should ensure that all stakeholders are treated fairly, with every reasonable effort being made to avoid or minimize potential negative impacts, and the project should offer an adequate response for managing or mitigating the impacts or risks that are unavoidable. This requires an adequate assessment of the technical issues involved, as well as the need to establish clear criteria to define who is and who is not eligible for the proposed compensation or mitigation measures. This can be one of the most difficult issues, since people that are only marginally affected by the project may try to claim eligibility for the same kind of compensation or other benefits that are offered to the people that are directly affected.

In many cases, consultation eventually gives way to negotiations. For instance, in projects that require land acquisition or resettlement, the initial consultation process usually leads to more direct negotiations with the people that are affected over issues

such as resettlement benefits, compensation payments, access to services, or the establishment of offsets.

These negotiations may be critical to the success or failure of a project. Effective consultation encourages a fairer, more balanced negotiation process: it helps define the issues, criteria, and terms of the negotiations, and establishes the legitimacy of the parties that engage in the negotiations. It is important to remember that the legitimacy and relative importance of different stakeholders may change over time and that this can affect the outcome of a project. Initially, it is often the local elites that lead the negotiation process; however, since they are usually the first to take advantage of the opportunities or compensation provided by the project, over time they may lose the support of the rest of the affected population, and new leaders may emerge who represent the interests of people that have not been able to take full advantage of the project. This is a normal part of the process of stakeholder engagement and requires understanding, tact, and some flexibility on the part of project management.

## 5. WHO SHOULD BE INVOLVED?

### *Social impact analysis – identifying the stakeholders*

The starting point for any consultation process is identification of the different groups of people or the sectors of the population that may be affected by a project (the stakeholders). This is more than a compilation of secondary social data and requires an analysis of the different groups that live in the project area or that may be affected by, or may be critical to, the outcome of the project. For large infrastructure projects, this usually requires a detailed social and cultural analysis or social impact assessment (SIA) of the people that are living in, working in, or using the areas that are directly and indirectly affected by the project. In complex projects, it is also essential to identify the people that are affected by the different components of a project. In a hydropower project, for example, the concerns of the people affected by the transmission lines or the access road may be very different from those of the people whose land will be flooded by the reservoir or who live downstream and depend on the river for fishing or irrigation.

The SIA may be part of the ESIA of the project or an independent study. In any event, the SIA should distinguish between and describe the different groups, sub-groups, and types of population that are potentially affected, and should consider issues such as the location of the project, land tenure, economic activity, ethnicity, language, and social organization. It should also distinguish between people whose homes, land, or livelihoods will be directly affected by the project, and people living in the wider area who may be indirectly affected, for instance, by the presence of a large workforce at the construction site or by the broader impacts of economic development on the region. The identification of the different interest groups or stakeholders is an essential prerequisite for developing an effective consultation strategy. Once a consultation process is under way, new groups or sub-groups may be identified, so the consultation strategy has to be sufficiently flexible to allow for the incorporation of new parties into the process.

In practice, it is often difficult to reach all the people that may be affected by or may potentially benefit from a particular project. This is true of large infrastructure projects, especially linear projects such as roads or pipelines, as well as national projects, in areas such as health, education, or agricultural development. For these projects, the consultation should involve a combination of methods and procedures that can include formal surveys, discussions with key actors and focus groups in specific sectors, and formal meetings or public hearings. The selection techniques should allow the proponents of the project to engage with a representative cross section of the people that will be involved in the project or that will be directly or indirectly affected by it, and these techniques should ensure that people from different communities and geographical areas are consulted. They should also cover the different ethnic groups and social strata, directing particular attention to the most vulnerable: in rural areas, for example, it is important to cover smallholder farmers, tenants, sharecroppers, and squatters as well as larger landowners or ranchers. Similarly, in urban areas, it is important to include tenants, squatters, and people whose livelihoods depend on the informal sector, such as roadside vendors and stallholders, as well as people that have formal rights to property. Finally, it is essential to include a broad range of people from each of the socio-economic or ethnic groups, especially individuals whose voices may not be heard in the formal decision-

making processes, especially the women of the community, young people or the elderly, and people who may be particularly vulnerable or stigmatized, such as those with physical disabilities or sex workers.

### *Representation of different groups and sectors*

The essence of good consultation is to ensure that all the people that may be affected by a project feel that their concerns and opinions can be heard. In the first place, this means giving priority to the people that are directly affected and making an effort to reach them directly without relying on representatives or intermediaries. However, in large-scale projects, it may not be possible to engage directly with everyone, and some system of representation may have to be adopted. This can be accomplished either by using structures of authority that already exist or by setting up formal structures of representation, usually by asking people to elect representatives, for instance, from different neighborhoods or different villages in the project area.

The issue of representation is complex. There is no ideal or easy solution to resolve the question of who can legitimately represent the interests of the people that may be affected by a project. In Latin America and the Caribbean, local power structures are often dominated by elites and may have a gender and/or ethnic bias that makes it difficult for the poorer, more marginal groups, indigenous peoples, Afro-descendants, women, youth, or the elderly, especially, to make themselves heard.

It is also important to recognize that different groups and sectors may have different expectations and priorities, and may present conflicting views. Indeed, it would be naïve to expect consultation to lead to consensus. Rather, the consultation process should aim at being fair and even-handed, and should give priority to groups or sectors that are most affected by a project and have more difficulty defending themselves or taking advantage of the benefits offered by the project. This may mean organizing meetings or creating time in the consultation process for specific groups or sectors, for instance, for ethnic minorities, youth, or women. This has to be done sensitively while respecting local values and culture, but, at the same time, providing opportunities for people who have no voice

in the formal structure of decision making to understand the issues and express their opinions.

### *The roles of elected representatives from local and national governments*

Elected representatives from local, provincial, or national governments are legitimate actors in a process of public consultation. However, consultation does not end with the elected representatives. It is sometimes argued that, since politicians have been elected to formally represent the people of the municipality, region, or nation, there is no need to engage with anyone from civil society in the consultation process. This is not true, since the interests of the government or party in power do not necessarily coincide with the interests of the people most directly affected by a project.

In practice, there are specific areas where the interests of local or regional governments have to be taken into account. This is particularly true where a project increases demand for services provided by a local government—as typically happens in large infrastructure projects, when the influx of construction workers can put a strain on the provision of health or education, on the police, and perhaps on public utilities, such as water and sewerage. There is also the issue of taxes and royalties. These are often paid to regional or local governments, and may benefit the region or municipality as a whole, but without providing specific benefits or having a direct influence on the people that have suffered from the most direct impacts of the project. These issues need to be carefully thought out, discussed, agreed upon, and monitored to ensure that the people who are most affected do actually receive a fair share of project benefits.

### *Traditional leadership*

The SIA should identify “traditional” structures of leadership in the project area and should include a careful analysis of the traditional leaders’ roles and legitimacy. In much of Latin America, traditional leaders are found among indigenous peoples and some Afro-descendent peoples. It is obviously important to consult with traditional leaders—indeed, in most cases where they exist, there is no other option—but it is also important to understand the basis of their authority. In many places, the institutions of

traditional leadership were originally established to facilitate communication between government and highly egalitarian peoples, whose systems of authority are based on kinship and perhaps on ritual or shamanic knowledge. The roles of the Amerindian Toshias in Guyana or the Caciques among the Guarani in Paraguay are, in fact, based on powers that have been created by the state and incorporated into law, and these roles often exist in parallel with other structures of authority that may include church leaders or more traditional religious authorities, such as shamans or ritual specialists. Other indigenous societies, such as those in the Andes and the Central American Highlands, manage the difficult issue of secular power through a system of *cargos* (positions that rotate on a regular basis), which allows most of the adult men of the community to take turns occupying positions of authority. The issue here is to understand the scope and legitimacy of traditional leadership and the processes of decision making, and to gauge the need for other types of consultation to engage with other sectors of the population.

#### *NGOs, advocacy groups, and social movements*

NGOs can play an important role in public consultations. NGOs, including grassroots and national organizations, are diverse and include organizations that represent particular groups or sectors, such as indigenous peoples or small farmers, as well as advocacy groups that focus on particular interests or issues, without claiming to have any formal mandate other than specialized knowledge and concern about particular areas. Examples of the latter include national and international NGOs that work in areas such as human rights, conservation, disability, or rural development and water supply.

It is difficult to make any general statement about the legitimacy of the different NGOs and advocacy groups as representatives of the people that a project needs to engage with. Local grassroots organizations offer a useful point of contact with local people, since they tend to be based on personal, face-to-face relations and are more likely to reflect the position of the people they claim to represent. However, the role of a local NGO is not only to represent the individual members of a group, but also to provide leadership and a vision for the future and to encourage change. This means that grassroots organizations—for instance, those of indigenous peoples, peasant farmers, or inhabitants

of marginal urban settlements—are often in flux. Since these organizations have been set up to challenge the status quo, their leadership is often questioned. This leadership may be subject to frequent changes and may well conflict with the existing formal or traditional systems of authority or the local systems of political and economic patronage. This situation does not make local organizations of this kind any less legitimate; however, it does require patience and a great deal of sensitivity in managing relations with the local representatives of these organizations, since they may be in conflict with the traditional leadership and with each other.

National and international advocacy NGOs rarely enjoy the same kind of legitimacy that local organizations do and may have a particular ideological or religious focus, although this is not always explicit. In fact, the differences between local and national NGOs can be a source of conflict. The local leaders and activists may disparage the educated, middle class professionals who operate from clean, air-conditioned offices in the capital city and who may not even speak the local language, while the staff of national NGOs may look down on what they see as the ignorance, incompetence, and nepotism of the grassroots leadership. In spite of these differences, the ideal strategy would be to combine the strengths of both types of NGOs. While the grassroots organizations tend to be closer to the people who will be affected by a project, the national and international NGOs typically have the experience and technical understanding that is often lacking in local NGOs, and they are more likely to prioritize longer-term concerns and objectives.

A common, almost defining, feature of NGOs—since they are neither government nor “for profit” organizations—is their dependence on external funding. Local grassroots organizations do sometimes achieve a certain level of financial autonomy by imposing levies on their members or by engaging in activities that generate a certain level of profit. However, almost all NGOs, perhaps with the exception of some very local-level organizations that have few or no expenditures, depend on external financing to cover their operating costs. Many of the well-known international NGOs have very sophisticated systems for raising funds and are also able to access funds provided by bilateral and multilateral organizations—including the IDB. However, most NGOs in

Latin America and the Caribbean depend on funds provided by international organizations and have little capacity to raise funds in country.

This raises the difficult issue of how extensively a project should be willing to cover the costs of engaging in consultation with NGOs. Since local NGOs may not have the resources to cover the costs of participating in meetings and carrying out consultations with their own members, especially in more isolated areas, they may demand some kind of support—including transport, meal, and other operating costs. However, if they are given too much support, this can be seen as compromising their independence and may even exacerbate existing conflicts within or between these organizations.

Social movements, such as the *Movimento dos Trabalhadores Rurais sem Terra*, or MST (Brazilian Movement of Landless Rural Workers) or the *Movimento dos Atingidos por Barragens*, or MAB (Brazilian Movement of Dam-Affected Peoples), are different from mainstream NGOs, since they do not have a legal personality, a clearly defined organizational structure, or even a clearly defined process of decision making. This allows them to operate on the margins of the law and makes it difficult to hold the movement accountable for the actions of its members. The social movements in Brazil and similar movements of indigenous peoples, especially in the Andean countries, were originally broad-based popular movements that focused on specific issues, but they have since taken on a more explicitly political role and, in some cases, have become so radicalized that the political agendas have overtaken the original concerns that led to the founding of the movements. For instance, MAB, which started as a spontaneous movement of small farmers affected by hydropower projects in southern Brazil, has become a political movement based on patronage and is more concerned with securing benefits for the landless poor that support the movement than with ensuring fair treatment for the landowners that are affected by new dams.

Although the legitimacy of some social movements may be open to question, it would be foolish to exclude them from the consultation process. They are sometimes willing to act outside the law. On occasion, they have inflicted serious damage and have carried out acts of violence. However, this does not mean that the willingness of project proponents

to talk to representatives of a social movement should be seen as a sign of weakness. On the contrary, if the proponents of a project refuse to engage in dialogue with the movement, people that have not yet formed an opinion about the project may take this as evidence that the project has something to hide. Extremists that want to take control of a popular social movement feed on rumours and half-truths, and flourish in situations where people have little information about what is happening and nowhere to raise their concerns. Once people understand what is happening, can see that their concerns are being addressed fairly, and are able to communicate with the senior management of a project, it becomes more difficult for a movement to radicalize the population and engage in political confrontation.

### *Expert opinion*

In recent years, the IDB has been asked to respond to some highly technical concerns that typically have been raised by academics and/or by NGOs. Examples include questions about water and air quality or the potential impacts of a project on biodiversity or human health (in relation to the use of groundwater, waste water treatment, hydropower, and industrial plants), as well as questions about the safety of project design in relation to seismic risks and flooding. These concerns are usually addressed as part of the technical analysis/due diligence of the project; however, in some high-profile projects, it may be necessary to engage more closely with the community of experts in order to achieve some level of consensus with regard to the potential impacts and/or risks associated with the project.

Two specific recommendations should be considered: first, the discussion of the issues will be easier if the technical analysis or due diligence is made available to anyone that may be interested. Typically, this would mean posting the technical information on a proponent's website with a link that allows the information to be accessed from the IDB website. Second, it would be useful to produce a summary of the expert arguments in layman's language, since the media and the wider public may take up the concerns of the community of experts. Since the technical arguments are often confused with other issues when they are publicized by specific interest groups or summarized in the press, the

simplified discussion should distinguish concerns that are patently false from concerns that may have some merit and that are the subject of legitimate debate within the community of experts.

### *Project proponents and contractors*

It is important to think carefully about who should represent the project in the consultation process. Although the management of public consultation is sometimes delegated to professional facilitators, consultants, or even public relations (PR) companies, the proponents or executors of the project must play an active role in the process. This is the essence of consultation, since project proponents must be able to understand and respond to the concerns and expectations of the people that are directly or indirectly affected by the project. The most effective consultation processes are those that involve the direct participation of senior management, since this exposes managers to the real concerns of the people that are affected and allows managers to respond directly and make the decisions that are required. This is a demonstration of commitment—it avoids delays and obfuscation, and indicates that the proponent is serious about engaging with the affected people. If consultation is delegated, it is essential to establish effective channels of communication with senior managers to ensure that they can respond to the issues that are raised.

In large infrastructure projects, it is also important to ensure that the principal contractors are represented, wherever possible, by the most senior managers at the site. There are also situations where national and local governments or other public agencies need to be involved in the consultations, for instance, the agencies responsible for land acquisition or for the provision of the health services or schools that are part of the project's Social Management or Resettlement Plans.

## 6. WHEN SHOULD CONSULTATION TAKE PLACE?

Consultation and stakeholder engagement should be understood as an ongoing process and not just a step in the process of project approval. In essence, consultation is the means by which a project communicates with the people living in the project's area of

influence. As such, some kind of consultation has to take place throughout the life of the project, from its initial conception, design, and implementation through to completion and decommissioning.

### *The Consultation and Stakeholder Engagement Plan*

A formal Consultation and Stakeholder Engagement Plan must be developed for all projects that are likely to have major social and/or environmental impacts or that pose significant risks. This includes most Category A projects; all projects that require large-scale resettlement, including projects intended to resettle people from degraded, unhealthy, or high-risk areas; and all projects that have the potential to significantly affect traditional, land-based indigenous and other ethnic communities, such as land titling and cadastre projects or projects that support protected areas.

The Consultation and Stakeholder Engagement Plan is usually part of the ESMP for the project. It should be based on the social impact analysis, since this is where the different groups and sectors are identified, and should include a timetable for the different stages of the consultation process (as well as a description of any consultations that have already taken place), a budget, and a definition of the reporting procedures and institutional responsibilities for the consultation. The plan should also include a detailed description of the procedures for managing complaints and grievances, both during construction and after the project has been commissioned. The advantage of having a formal plan is that it demonstrates commitment, defines responsibilities, and ensures that adequate funds are available to carry out the program of consultation and stakeholder engagement.

### *Scoping*

Some level of consultation is required in the early stage of scoping and project design, since this is where major issues can be identified and alternative solutions can be proposed before too much time and money have been invested in detailed project preparation. At this stage, consultation has to be handled sensitively, given that the inputs from the consultation are only one part of the scoping or design studies and may have to be balanced against other technical and financial issues. For instance, in selecting the site

for a hydropower project, the analysis of alternatives has to consider geotechnical considerations, hydrology, natural habitats, and biodiversity as well as social issues.

There is also the difficult issue of competing interests. For example, a project may benefit the wider society by providing a cheaper, more reliable source of energy and it may benefit farmers by providing water for irrigation, but, at the same time, it may displace communities or flood areas that other people depend on for their livelihoods. In this kind of situation, it is important to be very clear about the scope and rules for consultation and to ensure that people are given feedback that allows them to see how and where their opinions have or have not been taken into account.

### *Project design and the ESMP*

Consultation with local people can be critical during the detailed design of a project, using local knowledge to avoid or mitigate potential impacts. Typical examples include the detailed alignment of roads, pipelines, or transmission lines, where consultation with local people can help the project avoid areas subject to flooding or can identify the best sites for road crossings or the towers of transmission lines, thereby minimizing the impacts on housing and on the best agricultural land. At this stage, it is very important to make sure that the respective roles of the project proponent and the contractors are clearly defined and that any agreements reached with the project proponent are reflected in the work carried out by the contractors.

Consultation is essential for the design of the ESMP and, where necessary, for the Resettlement Plan and any other social mitigation or community development programs. Indeed, national legislation usually mandates public hearings as part of the ESIA process. In practice, the social impact analysis that provides the basis for the ESMP is typically based on a combination of informal consultations, such as focus groups, interviews, and discussions with key informants as well as secondary data from the census, household surveys, line ministries, or local governments. However, the key issue is not simply the social analysis —although the social analysis is essential to be able to carry out an effective program of consultation— but rather it is the need to engage in formal discussions and negotiations with the affected parties in order to reach some kind of

agreement on the plans to manage the potential social and environmental impacts. In the case of projects that have significant social impacts or that present potentially serious risks, the consultation process should ideally go beyond the formal legal requirement for public hearings and should take the form of negotiations that lead to formal, legally binding agreements between the project proponent and the groups that are affected by the project.

### *Construction and operation*

Public hearings or formal consultations are not normally held during construction. Instead, most large-scale infrastructure projects have a grievance procedure or complaint mechanism that allows individuals to register their concerns or complaints and that requires the project proponent and/or the contractor to respond within a specified time. In many cases, the negotiations relating to the ESMP or to the Resettlement Plan continue after construction has started; however, at this stage, they tend to focus on specific issues, such as the definition of who may or may not be eligible for compensation or other resettlement benefits, rather than on issues relating to the main project.

It may be useful to hold regular consultations during construction. Basically, the aim of these consultations would be, first, to make sure that the project is complying with the agreements reached during project design, especially with respect to the primary contractor and subcontractors, and any other agencies that may be involved, including national or local government agencies, and, second, to identify and resolve any substantive issues that may have been missed during the design phase.

One of the most critical points in the implementation of large infrastructure projects is when the construction has been completed and the project becomes operational. At this point, management of the project may be handed over to an operations team that works with a different rhythm, different priorities, and a different budget, and perhaps with less concern for social issues, since the goodwill of the people in the area is no longer quite as vital to the success of the project. At the same time, the contractors have finished their work and have to remediate the sites before they leave, workers are laid off or move

elsewhere, the economic boom comes to an end, and people in the project area have to come to terms with the long-term changes resulting from the project.

At this stage, it may be appropriate to carry out a series of further consultations to allow people to meet the new management, review the progress of the ESMP and the Resettlement Plan, raise any issues related to the clearance and remediation of the construction sites, and perhaps identify areas for new initiatives or new partnerships between the project proponent and the people in the project's area of influence. Finally, for some projects, the start of operations is the point at which royalties begin to be paid to local or regional governments. This raises a series of potentially conflictive issues that need to be discussed, since the benefits from these payments may not necessarily be distributed in accordance with the impacts of the project on the different communities or sectors that have been affected.

### *Decommissioning*

This is a particular concern with regard to oil, gas, and mining projects. Ideally, any project in the extractive sector requires a Decommissioning Plan that includes an initial outline that will be developed in more detail as the project begins to approach the end of its productive life. Detailed preparation of the Decommissioning Plan should start some years before the project closes down, and the plan should cover both environmental remediation and social issues, including loss of direct and indirect employment, loss of business opportunities, and the decline in the value of housing. The losses may have to be mitigated through programs for training or retraining and support to encourage the development of new businesses.

## 7. HOW SHOULD PEOPLE BE CONSULTED?

Consultation is a two-way process. This means that information must be presented in a way that can be comprehended easily, *and* time must be provided to allow people to respond and express their doubts, concerns, and opinions. It also means providing feedback and documenting the issues that were discussed.

## *Presentation*

The objective of the presentation is to explain the nature of the project, its stages, and, above all, the potential issues, risks, and impacts associated with each stage of the project's design and implementation. Project proponents sometimes prepare sophisticated video or PowerPoint presentations for this purpose. These presentations can be helpful, for instance, in providing an idea of what an area will look like once construction has been completed or a reservoir has been filled, but they tend toward propaganda (especially if contracted out to professional studios or PR companies), and this can detract from their usefulness. People know propaganda when they see it. Few people are lucky enough not to have been exposed to commercial and political propaganda. Even in the most isolated indigenous villages in the Amazon rainforest or in the high Andes, people are familiar with the claims and counterclaims of local politicians and are, as it were, immunized against these kinds of presentations. The same is true of gifts: the distribution of T-shirts, caps, pens, key rings, and so on may be counterproductive, since people may see them as a naïve attempt to buy their approval for the project.

People also tend to recognize honesty and typically welcome a presentation that tries to explain the details of a project, including the more difficult and controversial issues associated with it. It is obviously important to use the local language and local styles of expression when giving the presentation, although people are willing to struggle with a different or more technical language if they believe that a serious effort is being made to explain these issues. In some cases, it may be necessary to use interpreters, but this must be done with caution, since technical issues are hard to translate into local languages, and interpreters may simply repeat the technical terms or even give a completely misleading account of the issues.

Drawings, diagrams, and short printed texts are helpful, especially when they can be handed out for people to take home. When the audience is illiterate and/or speaks a different language, it may be useful to prepare a simple illustrated leaflet that summarizes the main issues in the national language, and in the meeting take as much time as necessary to explain the text in the local language. Often, people take the documents

home and study them with members of the household who are more literate or have a better understanding of the national language.

### *Listening*

Perhaps the most critical issue is attitude. People are usually more responsive if they feel that they are being treated with respect, and they quickly sense if they are being talked down to. This requires patience, a willingness to listen—avoiding the tendency to interrupt a speaker in mid-flow—and, above all, a respect for local culture and rhythms.

Many indigenous peoples expect community decisions to be based on consensus and do not accept the idea that the majority can impose their wishes or opinions on the minority. This makes it difficult to reach a decision and can be time-consuming. It means that consultations are often drawn out, with members of the community needing time to discuss the issues raised among them. In addition, particularly in traditional societies that have more formal procedures for decision making—such as the community organizations found in much of the Andes—the men that participate in the community meetings will go home and discuss the issues with their wives and other members of the household. This can result in significant changes of position from one meeting to the next.

Another concern is to ensure that different groups can express their opinions freely. Large public hearings tend to be dominated by people that feel most at ease in this type of forum, typically local elites, politicians, representatives from government agencies, and schoolteachers (since they are used to standing before a captive audience). Other people may feel inhibited, perhaps because of their low status or poor command of the official language. Some people may actually be excluded, for instance, the inhabitants of informal settlements or groups that are stigmatized because of their ethnic status or place of residence. Tenant farmers may also be excluded, especially in collective organizations such as the Mexican *ejidos*, where formal voting rights and rights to land are vested with descendants of the original community. In addition, public meetings often have a gender and age bias. In Latin America, especially in the more traditional rural societies, women may be excluded from these meetings, while, in parts of the Caribbean, it is often difficult to persuade younger men to speak at the meetings. This may require a specific strategy to

engage these groups, perhaps separately, and at the times and in the places where they will feel more at ease.

### *Time and place*

The importance of time and place cannot be overstated. People find it difficult to take time away from work, and this is no less true in rural areas than it is in the city. In rural areas, it is better to organize meetings at the end of the work day and, if possible, outside the most critical periods of the agricultural cycle, as well as the local calendar of holidays and festivals. Finally, people cannot be expected to travel long distances or pay high transport costs to attend public meetings. The ideal is to hold meetings close to people's places of residence; where representatives from the affected people's organizations have to travel further to get to the meetings, the difficult issue of paying transport and other expenses has to be addressed. While it is fair to provide or cover the cost of transport, lodging, and meals, it is not a good idea to be too generous, since this can be a source of conflict and may be interpreted as an attempt to buy the goodwill of the people attending the meetings.

### *Feedback and documentation*

People that have participated in consultations want to know if, or how far, their opinions have been taken into account. It is essential to keep a record of the issues that were raised and any agreements that were reached, preferably as some kind of minutes rather than as verbatim text. In fact, it may be useful to summarize the issues before the meeting ends; however, this should not become an excuse to force a decision if an agreement has not been reached, or if people feel that they need to consult with their families or other community members.

It is essential to record the proceedings of the meeting, preferably on tape, and perhaps have someone take notes by hand (video is rather intrusive and, especially if there is a cameraman present, can either inhibit participation or, worse, still encourage people to speak who want to be filmed but have little to offer). The results of the meeting then have to be communicated back to the participants. This is easy enough if they all have e-mail

or access to the internet. If not, an alternative would be to prepare a short written record of the meeting and post it in a publicly accessible place, perhaps the place where the meeting took place or the community centers or schools in the project's area of influence. It is more challenging when the people that are affected by the project live in remote, isolated areas, especially if they are illiterate or not fluent in the official language. In these cases, radio programs and/or cassette tapes may be suitable alternatives.

It is a good idea to make a list of the participants at the meeting and ask them for their community/place of residence and, where appropriate, the group or organization to which they belong or which they represent, and to keep the list as part of the record of the event. This makes it easier to understand the relationship between the opinions that are expressed and the communities or groups that are involved. It also provides a sense of the range of interest groups or stakeholders that have attended the meeting—as well as those that are absent.

Where a project raises significant social issues, such as land acquisition, resettlement, or the need for mitigation programs, the aim should be to reach a formal agreement with the people that are affected and their representatives. This is not always easy and should not be hurried; however, it provides a benchmark against which the actions of the project proponent and the affected parties can be measured. Even when the affected population is not fully literate or does not speak the official language, a written agreement can be valid and effective, provided that it has been discussed and reflects all the details that were raised during the consultation process. In some countries, the Public Ministry, the Ombudsman, or the Environment Agency can facilitate an agreement of this kind and can help mediate if disputes arise after the agreement has been signed.

## ANNEX 1. RESPONSIBILITIES FOR CONSULTATION AND STAKEHOLDER ENGAGEMENT

Activity	Project Proponent <sup>2</sup>	Government	IDB	Observations
1. Stakeholder Mapping/ Social Impact Assessment	Project proponent must contract or carry out stakeholder mapping as part of the ESIA or as a separate study. This must be an analysis and not just a compilation of data. It must be of a standard acceptable to the Bank and local environmental licensing requirements.	The relevant national and/or state/provincial agencies will review the ESIA as part of the environmental licensing procedure.	The Project Team and specialists from ESG will review the SIA as part of project analysis or due diligence. The Bank can support the SIA using technical cooperation or project preparation funds and can help prepare the TOR and identify consultants.	Required for all Category A and High Risk B+ projects, projects requiring large-scale resettlement, and projects designed to benefit, or that have potential impacts/risks for, land-based indigenous or other potentially vulnerable populations.
2. Project Scoping	Project proponent must carry out consultations as part of project scoping. This must be adequately documented.	Relevant national and local government agencies may participate in the consultations.	IDB will review the documentation on the consultations.	This usually will take place before the IDB starts the analysis/due diligence of the project.
3. Preparation of the Consultation/Stakeholder Engagement Plan and Grievance Procedures	Project proponent is responsible for preparing the Consultation Plan/Stakeholder Engagement Plan and Grievance Procedures. Proponent must ensure that the plan and procedures are incorporated into construction contracts.	Relevant government agencies should review the Consultation Plan/Stakeholder Engagement Plan and Grievance Procedures.	The Project Team and ESG should review the Consultation/Stakeholder Engagement Plan and Grievance Procedures, and ensure that key elements are incorporated into the loan agreement and construction contracts.	Required for all Category A projects, projects requiring large-scale resettlement, and all projects designed to benefit, or with potential impacts/risks for, land-based indigenous or other potentially vulnerable populations.
4. Consultations and Negotiations during Project Preparation/Detailed Design and ESIA	Project proponent is responsible for consultations (unless the law requires this to be done by a government agency). Must be accompanied by disclosure of relevant documents. Results of the consultation must be adequately documented and	Local and relevant national government agencies should participate in the consultations. The results of the consultations will be reviewed by relevant national (usually environmental) agencies as part of the ESIA review process.	IDB will support this process (if necessary with TC or PP funds). The Project Team and ESG specialists must review the documentation and should attend some consultations. The team must ensure that formal agreements are reflected in the loan	It is essential to ensure that all stakeholders are involved in the process of consultation and negotiation, and that the procedures allow for fair and balanced negotiations with the directly and indirectly affected parties. The results of the negotiations must be

<sup>2</sup> In Sovereign Guarantee (SG) loans, the proponent is the line ministry or executing agency responsible for the project. In private sector (NSG) projects, the proponent is the project sponsor.

Activity	Project Proponent <sup>2</sup>	Government	IDB	Observations
	results shared with people that participated in the process.		agreement and subcontracts.	adequately documented.
5. Consultations during Project Construction	Project proponent and all key contractors should be involved in the consultations.	The relevant national and local authorities may be involved, e.g., the Public Ministry and/or environmental licensing authorities.	As part of project supervision, the Project Team and ESG specialists must review the documentation and attend some consultations.	The consultations may lead to some adjustments in project design or procedures.
6. Grievance Mechanism	Project proponent is usually responsible for funding the Grievance Mechanism. However, the Grievance Mechanism should ideally be independent of the project management and contractors. Must provide regular consolidated reports on performance.	Local authorities or local offices of the Public Ministry can play a role in ensuring the independence of the Grievance Mechanism and should review the reports.	As part of project supervision, the Project Team and ESG specialists should review the reports of the Grievance Mechanism and investigate any concerns raised during the consultations.	The Grievance Mechanism should be independent of project line management and contractors. There should be a time limit for responses, adequate recordkeeping, and disclosure of the consolidated reports (not of individual cases).
7. Consultations at Commissioning and Handover (large infrastructure, roads, pipelines, etc.)	Project proponent should ensure that the management team responsible for operating the project engages with the relevant stakeholders. Proponent must ensure that there are no social or environmental liabilities outstanding from the construction contract.	The relevant national and/or local government agencies must ensure that there are no social or environmental liabilities outstanding from the construction contract.	As part of project supervision, the Project Team and ESG must ensure that the project continues to engage with key stakeholders and that there are no social or environmental liabilities left over from the construction. This should be a condition for Technical Completion of the project.	The issue of payments or royalties is critical for certain types of projects (hydro or wind power, oil and gas, etc.). This may change the focus of the consultations. May need to ensure that the payments or royalties are used effectively and for the purposes envisaged in the original project.
8. Decommissioning	Project proponent should initiate consultations on decommissioning well before the facility is closed.	The relevant national and especially local government agencies should be involved in the consultations on decommissioning. It is essential to ensure that there are no outstanding social or environmental liabilities.	In the case of projects with fixed life spans, such as mining and oil and gas production, there may be a need for the Bank or the government to require financial guarantees to cover potential social and/or environmental liabilities.	This usually occurs after the IDB loan has been repaid; hence the need to consider guarantee mechanisms that will ensure better compliance with IDB requirements and international standards.