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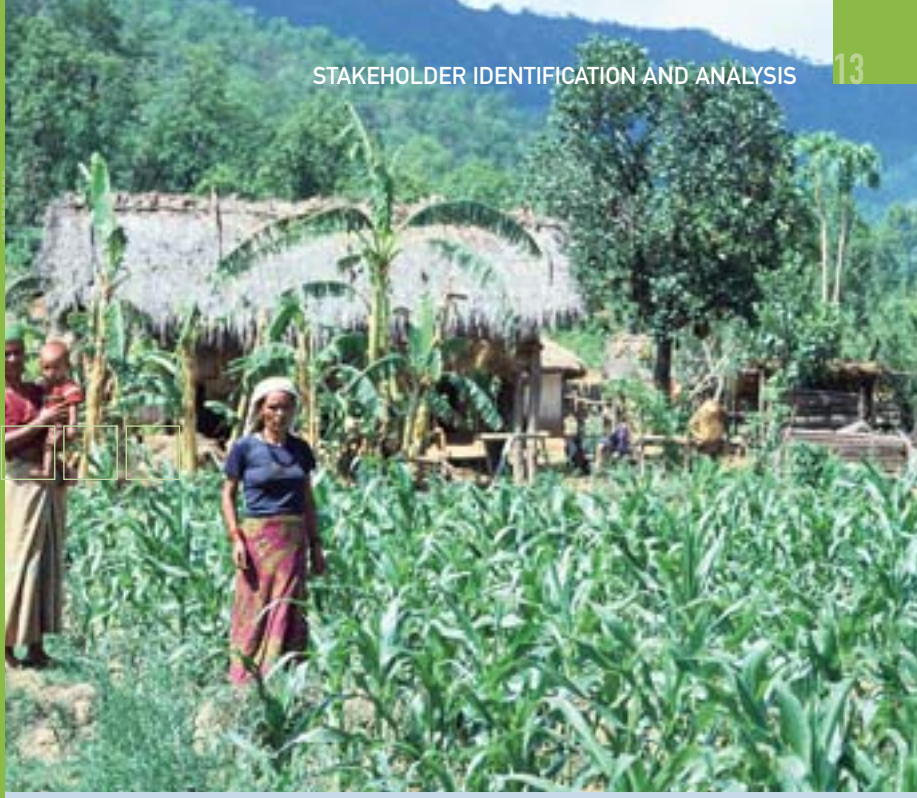

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Stakeholder Identification and Analysis

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

✔ Identify those stakeholders directly and indirectly affected by the project

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

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

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

BOX 1: HOW TO IDENTIFY STAKEHOLDERS THROUGH IMPACT ZONING

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

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

✔ Identify those whose "interests" determine them as stakeholders

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

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

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

✔ Be strategic and prioritize

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

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

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

GLAMIS GOLD: STAKEHOLDER ANALYSIS IN THE MARLIN GOLD MINE PROJECT

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

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

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

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

✔ Refer to past stakeholder information and consultation

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

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

✔ Develop socio-economic fact sheets with a focus on vulnerable groups

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

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

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

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

✔ Verify stakeholder representatives

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

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

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

WESTERN CHINA: CONFIRMING THE LEGITIMACY OF STAKEHOLDER REPRESENTATIVES

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

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

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

✔ Engage with stakeholders in their own communities

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

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

Adapted from "Stakeholder Consultation Issue Paper," Corporate Engagement Project (November 2004). www.cdainc.com

✔ Remember that government is a key stakeholder

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

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

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

✔ Work with representative and accountable NGOs and community-based organizations

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

Two views of what constitutes a "community."
Source: Rifkin, 1980

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

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

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

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

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

✔ Recognize employees as a good channel of communication

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