



# A Strategic Approach to Early Stakeholder Engagement

A Good Practice Handbook  
for Junior Companies in the  
Extractive Industries

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# List of Acronyms

<b>ASM</b>	artisanal and small-scale mining
<b>BCS</b>	Broad Community Support
<b>CBO</b>	community-based organization
<b>CI</b>	community investment
<b>CMP</b>	Contractor Management Plan
<b>CSR</b>	Corporate Social Responsibility
<b>E&amp;S</b>	environmental and social
<b>EPs</b>	Equator Principles
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>ESMP</b>	Environmental and Social Management Plans
<b>ESMS</b>	Environmental and Social Management System
<b>ESSE</b>	Early Strategic Stakeholder Engagement
<b>FPIC</b>	Free, Prior, and Informed Consent
<b>GM</b>	Grievance Mechanism
<b>ICP</b>	Informed Consultation and Participation
<b>IFC</b>	International Finance Corporation
<b>IMP</b>	Influx Management Plan
<b>M&amp;E</b>	monitoring and evaluation
<b>NGO</b>	nongovernmental organization
<b>OGM</b>	oil, gas, and mining
<b>PDAC</b>	Prospector and Developers Association of Canada
<b>PRA</b>	Participatory Rural Appraisal
<b>PS</b>	IFC Performance Standards on Environmental and Social Sustainability
<b>SCI</b>	Strategic Community Investment
<b>SEP</b>	Stakeholder Engagement Plan
<b>SLO</b>	Social License to Operate
<b>WB</b>	World Bank
<b>WBG</b>	World Bank Group





# CHAPTER

## Executive Summary

“A company only has one chance to make a good first impression.”

—Field Geologist, South African Exploration Company



# Executive Summary

## Early Strategic Stakeholder Engagement (ESSE):

A proactive and considered plan and implementation process to ensure that initial stakeholder engagement will provide a foundation for attaining and sustaining support of stakeholders, and in particular directly affected local communities, throughout the life of the project.

*Helping smaller companies* is a stated area of strategic importance in IFC's Oil, Gas and Mining (OGM) Industry Strategy.<sup>1</sup> Accordingly, IFC has in recent years increased investments in junior companies in the extractive industries, primarily those companies engaged in exploration and early project planning and development. Generally, a junior company is a small company that is currently developing or seeking to develop a natural resource deposit or field. Junior companies are most likely to be found in commodity exploration, such as oil, natural gas, and minerals. A junior company is somewhat like a startup in that it is either looking for funding to help it grow, or looking for a much larger company to buy it out. These companies are now playing an important role in many frontier markets.

IFC's willingness to engage with and take risks through equity in junior companies, combined with the provision of value-added services, particularly at the early stage of project exploration, planning, and development, has assisted these smaller companies in overcoming various constraints, including access to capital. (See table 1.1 for the challenges and advantages junior companies face.)

These early-stage investments also provide an opportunity to leverage IFC's considerable experience in emerging markets to provide pragmatic advice and assistance in key areas such as environmental and social (E&S) risk assessment, avoidance, mitigation, and management systems. Guidance is also provided to clients on the IFC Performance Standards (PS) on E&S sustainability, and other related issues such as initiating *Early Strategic Stakeholder Engagement* (ESSE). A realistic, graduated, and holistic ESSE program can help build and maintain a *Social License to Operate* (SLO) and sustainable, positive development in project-impacted areas.

### Key objectives of early strategic stakeholder engagement include:

- Building an understanding of the local context, including stakeholder mapping and analysis
- Building relationships based on trust and transparency
- Ensuring consistency in stakeholder engagement and communication
- Managing stakeholder expectations through a graduated, phase-appropriate approach
- Establishing an early, accessible, and responsive grievance mechanism for conflict management
- Seeking "win-win" scenarios for the company and stakeholder groups
- Avoiding and mitigating social risks
- Minimizing risks and maximizing opportunities to create and protect value for the project and local communities

1 2008 IFC Road Map covering FY09–11, <http://www.docstoc.com/docs/13805223/IFC-Road-Map>.

**Communicating early, often, and clearly with stakeholders helps manage expectations and avoid risks, potential conflict, and project delays.**

Initial engagement conducted by junior companies can often be ad hoc and the aspect of the project that receives the least attention and resources. However, companies increasingly acknowledge the business case for a well-thought-out initial ESSE strategy and implementation plan. Looking through a risk avoidance lens, communicating early, often, and clearly with stakeholders helps manage expectations and avoid risks, potential conflict, and project delays. Looking through an opportunity lens, a robust initial ESSE program can substantively build asset value and enhance company branding and value to shareholders, investors, and potential buyers. As competition for natural resources increases globally, governments are considering a company's track record on environmental, social, and sustainable development when granting exploration concessions. A sound reputation in this regard can also assist a junior company to successfully compete for the next venture and raise capital.

IFC's Good Practice Handbooks, *Stakeholder Engagement, A Good Practice Handbook for Companies Doing Business in Emerging Markets*,<sup>2</sup> and *Strategic Community Investment: A Good Practice Handbook for Companies Doing Business in Emerging Markets*,<sup>3</sup> are widely used and have proven to be practical and applicable sources of information and guidance. IFC Advisory Services has prepared *A Strategic Approach to Early Stakeholder Engagement* to assist junior companies operating in developing economies in the OGM industry.

This handbook draws on the materials mentioned above, on IFC's more recent experience, and on other sources of information such as the Prospector and Developers Association of Canada (PDAC) framework, *e3 Plus*,<sup>4</sup> Luc Zandvliet's *Getting it Right*, and Teck Resource's *Social Management and Responsibility Toolkit*. PDAC aims to help exploration companies to continuously improve their social, environmental, health, and safety performance.

This handbook specifically addresses the context and challenges of exploration and early project development faced by junior companies. Juniors generally have limited resources to address stakeholder engagement issues, especially in terms of available funds and staff. Because of these constraints, inputs need to be comprehensive, strategic, and tailored to the phases of exploration and early project development.

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- 2 International Finance Corporation, *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*, World Bank Group, Washington, DC, May 2007, [www.ifc.org/ifcext/enviro.nsf/Content/Publications\\_GoodPractice](http://www.ifc.org/ifcext/enviro.nsf/Content/Publications_GoodPractice).
  - 3 International Finance Corporation, *Strategic Community Investment: A Good Practice Handbook for Companies Doing Business in Emerging Markets*, World Bank Group, Washington, DC, June 2010, <http://commdev.org/strategic-community-investment-sci-good-practice-handbook-companies-doing-business-emerging-markets>.
  - 4 Prospectors and Developers Association of Canada (PDAC), "A Framework for Responsible Exploration. Excellence in Social Responsibility e-toolkit (ESR)," E3 Plus, Toronto, March 2009.



Ted Pollett

**Table 1.1. The Challenges and Advantages Junior Companies Face**

CHALLENGES	ADVANTAGES
<ul style="list-style-type: none"> <li>✓ Considerably fewer staff and other resources than major companies.</li> <li>✓ The exploration geologist, particularly at the commencement of a project, serves many roles including team leader, camp manager, liaison officer, and local recruitment human resources officer.</li> <li>✓ An uncoordinated ESSE approach can result in mixed messages, raised expectations, and negative perceptions that can affect long-term relationships.</li> <li>✓ Lack of cross-functional coordination and shared accountability across all field staff and contractors is a barrier to effectively managing community relations.</li> <li>✓ Contractors unaware of the company's ESSE strategy and their roles as "ambassadors" can negatively impact company-community relations.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Greater flexibility in determining operational processes.</li> <li>✓ Less likely to have a large complement of expatriate staff.</li> <li>✓ Local junior companies (that are not owned or joint ventured with majors) that employ nationals generally have a better understanding of the operating context (culture, language, customs, regulations, and laws).</li> <li>✓ Juniors, which are generally single-asset companies, may not have a reputation (good or bad). Majors may have made mistakes in the past and/or are perceived as having deep pockets.</li> </ul>



Arjun Bhalla

Major companies commonly have previous experience from other projects, greater resources, and a diverse complement of staff expertise to bring to bear in building relationships and gaining a social license to operate. Elements of this handbook are nevertheless relevant to major extractive companies, as well as companies in other industries, where the early establishment of relationships with local communities should be an important business strategy.

This handbook aims to help junior companies build a graduated, cohesive, and achievable ESSE program. The emphasis and bulk of the content are on the exploration and early project planning stages. However, since stakeholder relationships established at the beginning stages will influence ongoing relationships, some overall guidance is given for the entire project life cycle. Appendix 1, Stages of Project Exploration and Development and Stakeholder Engagement, is a matrix intended to build on the various stages of exploration. As with project development, each ESSE phase builds on prior phases and becomes more detailed and comprehensive. Experience shows that strategic, early investments in relationship building with local communities and stakeholders can pay significant dividends throughout the life cycle of a project, and especially during times of conflict or crisis.

One final note about the repetition of certain key concepts and actions through each stage of the project life cycle: We believe there are a few critical concepts—such as building trust and managing expectations, which are the pillars on which a robust and effective stakeholder engagement program should be based—that bear repeating to ensure they are not overlooked as the project's stakeholder engagement program progresses. These will be evident in the text.





# CHAPTER

# 2

## Introduction

“I would like to see a situation where a mining company comes into a community and starts to sow the seeds of sustainability from the initial exploration phase right through to the eventual and inevitable mine closure.”

—Dr. Mamphela Ramphela, *Gold Fields Chairperson*



# Introduction

**Communities usually do not distinguish between exploration and construction, the smaller and the larger company, or the junior and the buyer. The foundation a company builds in the beginning will determine the relationship with stakeholders in the future.**

Industries undertaking exploration and early project planning and development around the world face many challenges. Critical among these is ensuring that their initial community engagement will provide a foundation for attaining and sustaining a social license to operate. Community perceptions and first impressions, expectations, and relationships established at this sensitive stage can affect a company's ability to maintain a sound basis for constructive future engagement and reduce risks, such as potential stoppages, delays, and threats to ongoing project development and operations.

In addition, access to the Internet and social media have enabled the instant communication of grievances to affected community members and a global audience, increasing the risk of reputational damage through negative publicity. In the context of uncertainty, *expectation* is what is considered the most likely outcome to happen. An expectation may or may not be realistic. Local stakeholders sometimes make decisions based on perceptions, and not necessarily facts.

Good practice in stakeholder engagement continues to evolve. There is an increasing emphasis on the business case—on viewing Early Strategic Stakeholder Engagement (ESSE) and Community Investment (CI) through the lens of risk and opportunity, and on creating “shared value” by aligning business goals and competencies with the concerns and development priorities of local stakeholders. The World Bank Group's *Extractives Industries Review* (2004)<sup>1</sup> has focused attention on stakeholder engagement and sustainable development issues. Recent IFC guidance on stakeholder engagement and community development advises companies to move beyond the traditional well-meaning Corporate Social Responsibility Programs to a Strategic Community Investment approach, which addresses social risks and impacts (box 2.1). In addition, IFC has issued Environmental and Social Performance Standards, and subscribes to the Equator Principles, a credit risk management framework, both of which are discussed in Chapter 4.

## HOW TO USE THIS HANDBOOK

Establishing a robust process *from the outset* and building strong trust relationships can help companies reduce project and reputational risks, increase access to land, boost productivity, meet government requirements or global standards, enhance company value to shareholders, investors, and potential buyers, and successfully compete for the next venture.

We acknowledge that reality often does not have the same clean lines as those presented in this handbook on the life cycle stages of project exploration, construction, operation, and eventual closure. (See table 2.1 for project cycle and key stakeholder engagement activities.) Trying to capture and convey the community engagement process in a document forces a sequential logic that can sometimes make what is an iterative, dynamic, often unpredictable process look precise and mechanical. As such, this handbook, which is designed to be read from

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<sup>1</sup> World Bank Group, *Striking a Better Balance—The World Bank Group and Extractive Industries: The Final Report of the Extractive Industries Review*, World Bank Group, Washington, DC, 2004.



Ted Pollett

## **BOX 2.1.**

### **GOOD PRACTICE PRINCIPLES FOR EARLY STAKEHOLDER ENGAGEMENT AND COMMUNITY INVESTMENT**

#### **1. STRATEGIC**

- Flows from a well-defined strategy (objectives, criteria, guiding principles) and links to a clear business case and thorough assessment of potential risks and opportunities
- Understands that ESSE is dynamic and graduated in nature, and addresses both short-term (exploration) and potential long-term (project development) objectives
- Focuses selectively on a few key areas for greatest positive impact according to the stage of exploration and project planning and development
- Considers how to make best use of available company competencies, resources, expertise, and networks to build relationships and benefit local stakeholders while managing expectations
- Recognizes that systems are important, but must be flexible to allow for growth and change as the project develops.

#### **2. ALIGNED**

- Aligns the project and business strategies with activities targeted at addressing the key concerns and priorities of local communities to provide a foundation for positive relationships built on trust and transparency

- Coordinates ESSE with other company policies, practices, and activities that affect communities, such as impact management of exploration and early project development, local hiring, and procurement
- Promotes cross-functional coordination and responsibility for supporting ESSE and CI objectives among all company staff and contractors who interact or will interact with local stakeholders.

### **3. MULTISTAKEHOLDER DRIVEN**

- Positions the company as a partner in the ESSE processes rather than as the principal actor
- Accepts that a process involving many stakeholders reduces company control but adds value by building widely supported approaches to address key shared interests
- Supports communities and local governments in defining key issues associated with exploration, feasibility assessment, and possible development of a project, through participatory planning and decision making.

### **4. SUSTAINABLE**

- Manages expectations, and if a feasible project is identified and implemented, seeks to avoid dependency, encourage self-reliance, and create long-term benefits that can outlast company support
- Develops a viable exit or handover strategy before commencing activities
- Invests appropriately according to the project phase in scoping, capacity building, participatory processes, and organizational development to enable local communities, institutions, and partners to engage throughout the consultation process
- Progressively greater roles and responsibilities are necessary for the company to help stakeholders realize opportunities and benefits associated with the project
- Reinforces rather than replaces local institutions and processes where feasible.

### **5. MEASURABLE**

- Assesses feedback and measures effectiveness of ESSE, and any CI, to both the company and the community
- Uses simple methods and indicators to track changes in community perceptions to gain real-time feedback on performance
- Employs participatory methods of monitoring and evaluation to build trust and local ownership of outcomes
- Communicates the value generated by ESSE and any CI to internal and external audiences.

beginning to end, should be viewed as a tool requiring flexibility, expertise, and adaptation in its application on the ground. It is aimed at a specific target audience (see box 2.2), and the needs of users will differ. Not all readers will have the time, inclination, or need to read every page. The handbook provides guidance and practical advice on how to approach stakeholder engagement throughout each stage of a project, with an emphasis on early project stages.

The rest of this handbook is organized as follows.

**Chapter 3** discusses Social License to Operate (SLO), including how to build trust and relationships; how to manage expectations; and how to monitor SLO, including indicators of community acceptance or rejection.

**Chapter 4** provides the context for consideration in developing an Early Strategic Stakeholder Engagement (ESSE) process, including the different views of companies and communities, myths and realities about rural communities in emerging economies, the impact of company behavior and actions on the company-community relationship, key IFC Performance Standards for stakeholder engagement, and a gender-responsive approach to engagement.

**Chapter 5** presents practical guidance on stakeholder engagement through project life-cycle stages, including a strategic planning framework for early community engagement, how to establish a participatory process, and the necessity of incorporating an exit strategy from the beginning.

**Chapter 6** provides an overview of good practice approaches and useful tools. Areas addressed include early stakeholder engagement and human rights and gender issues; participatory rural appraisal techniques; developing a stakeholder map and analysis; communications and sustainability; risk and opportunity screening and prioritization; artisanal and small-scale mining; strategic community engagement; the Financial Valuation Tool; grievance mechanisms; tips and tactics on conflict resolution; and measuring, evaluating, and communicating for strategic advantage.

**Appendix 1** of the handbook provides an at-a-glance matrix of stakeholder engagement approaches at various stages of project exploration and development. Appendix 2 provides a matrix on developing a strategy to address artisanal and small-scale mining issues. A glossary of terms used in the handbook follows the appendixes.



Monica Ospina

**Table 2.1. Project Cycle and Key Stakeholder Engagement Activities**

PROJECT STAGE	KEY STAKEHOLDER ENGAGEMENT ACTIVITIES	CROSS-REFERENCE (PAGE)
<b>Reconnaissance/ Prospecting</b>	<ul style="list-style-type: none"> <li>✓ Desktop study of local community</li> <li>✓ Initial identification of stakeholders</li> <li>✓ Introductory meetings with key leaders and informants to explain the exploration program and obtain initial feedback on relevant local issues, including artisanal and small-scale mining (ASM)</li> <li>✓ Begin to build trust and manage expectations</li> </ul>	43–49, 116–117
<b>Early Exploration</b>	<ul style="list-style-type: none"> <li>✓ Complement field team with input from a social/stakeholder engagement specialist</li> <li>✓ Map stakeholder and social landscape</li> <li>✓ Maintain a stakeholder log (meetings, key issues raised, agreed actions, and responsibility)</li> <li>✓ Consultation regarding temporary land acquisition and compensation for damage to assets (crops, fences, etc.)</li> <li>✓ Establish formal grievance mechanism</li> </ul>	51–54, 118–119
<b>Advanced Exploration</b>	<ul style="list-style-type: none"> <li>✓ Update stakeholder map and social landscape assessment</li> <li>✓ Prepare detailed Stakeholder Engagement Plan (SEP)</li> <li>✓ Conduct participatory assessments of social and environmental issues</li> <li>✓ Undertake preliminary Social Impact Assessment, including ASM</li> <li>✓ Identify potential partners for community investment projects (including local procurement initiatives)</li> </ul>	55–57, 120–121
<b>Feasibility/ Development Planning</b>	<ul style="list-style-type: none"> <li>✓ Intensify stakeholder engagement activities (hire more community liaison/ community relations staff)</li> <li>✓ Identify strategic partners for project implementation</li> <li>✓ Undertake detailed social and environmental baseline and impact assessment</li> <li>✓ Prepare comprehensive Environmental and Social Management Plans (ESMP) (stakeholder engagement, grievances, land acquisition, influx, and ASM management, monitoring, and evaluation)</li> <li>✓ Prepare Strategic Community Investment Plan (including local procurement, training, and preferential local hiring)</li> </ul>	59–61, 120–121
<b>Construction</b>	<ul style="list-style-type: none"> <li>✓ Expansion of community relations team and intensification of stakeholder engagement</li> <li>✓ Implementation of E&amp;S management plans (land acquisition and compensation, influx and ASM management, grievance mechanism, monitoring and evaluation, local hiring, and procurement)</li> </ul>	63–64
<b>Operation</b>	<ul style="list-style-type: none"> <li>✓ Communicate and manage transition from construction to operation (including implementation of a retrenchment plan for construction workers)</li> <li>✓ Retain experienced and trusted community liaison staff</li> <li>✓ Maintain program of stakeholder engagement</li> <li>✓ Implement strategic community investment projects</li> <li>✓ Full-scale participatory monitoring and evaluation program</li> </ul>	65–66
<b>Closure/ Postclosure</b>	<ul style="list-style-type: none"> <li>✓ Participatory stakeholder engagement to prepare a project closure plan</li> <li>✓ Provide regular updates to manage fears and expectations</li> <li>✓ Prepare and implement a retrenchment plan for production-phase staff</li> <li>✓ Consult and reach agreements on transfer and management of assets and liabilities</li> <li>✓ Allocate staff to manage transition and maintain grievance management system</li> </ul>	67–68



Rebecca Darling

## BOX 2.2.

### WHO IS THE TARGET AUDIENCE FOR THIS HANDBOOK?

- **Junior company exploration geologists and other field staff**, who are often the first to make contact with local stakeholders and may need guidance on strategic stakeholder engagement. These first impressions set the foundation for building trust as part of the social license to operate.
- **Senior-level decision makers in junior companies**, who need to understand the key concepts of a strategic approach to stakeholder engagement, the planning process, implications for staff inputs, timelines, and necessary resources.
- **Stakeholder engagement practitioners** designing an initial stakeholder engagement program appropriate to early-stage exploration, project planning, and development.
- **Nongovernmental organizations (NGOs)** involved in facilitating initial ESSE processes, or considering partnering with a junior company to design an ESSE program. The handbook will provide critical information on understanding the junior company perspective, including resource limitations, challenges, and the “business case” for strategic stakeholder engagement.
- **IFC staff** involved in assisting junior company clients in the design of initial ESSE and CI programs.
- **Policy makers**, or those involved in setting ESSE standards and guidelines and the contribution of junior companies to sustainable local development.







# CHAPTER

# 3

## Social License to Operate

- 3.1 Introduction
- 3.2 Definition and Key Points
- 3.3 Levels of Social License to Operate
- 3.4 Building Trust and Relationships
- 3.5 Managing Expectations
- 3.6 Monitoring the Status of a Social License to Operate

“The simple fact is: in today’s world if we don’t bring people with us, and if the majority of those living in host communities don’t benefit from our presence, we won’t be allowed to mine.”

—Mark Cutifani, CEO Anglo American

# Social License to Operate

## Is SLO a legally binding document?

No, it is neither legally binding, nor an actual document. SLO is not granted by a government or a legal system. A company can only gain a Social License to Operate through broad acceptance of its activities by society or the local community.

### 3.1 INTRODUCTION

The concept of earning or gaining a Social License to Operate (SLO) has largely been developed since the turn of the 21st century in response to growing public concern over extractive activities, and as a means of business risk management.<sup>1</sup>

The idea is that there is more to running a business successfully and sustainably than just legal and regulatory compliance. *The business also needs to earn the support of the community and society in which it operates.*

In many countries, where laws and regulations are weak and inadequate to manage social and environmental issues, projects are exposed to significant risks and greater expectations from stakeholders, and thus earning an SLO is critical to managing these risks. Ernst & Young ranked maintaining a Social License to Operate as the fourth-biggest business risk facing the mining and metals industry.<sup>2</sup> Gaining and maintaining an SLO is also increasingly important to long-term business continuity and profitability.

### 3.2 DEFINITION AND KEY POINTS

There is no universally accepted definition, but a Social License to Operate can mean:

- **Ongoing acceptance** by the people who live and work in the area of impact and influence of any given project<sup>3,4</sup>
- **Improved risk management**, as failure to gain and maintain SLO can lead to conflict, delays, and additional costs associated with a project.

#### Social License to Operate (SLO):

- Takes time to earn, but can be lost very quickly. It is responsive to changes in perceptions of the company and the project and susceptible to outside influences.
- Does not mean that every individual stakeholder or group supports the project (or that there is consensus among the network of stakeholders), but does mean that there is at least broad social acceptance and ongoing acceptance of the project.
- Is rooted in the beliefs, perceptions, and opinions held by the local population and other stakeholders about the project.

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1 Adapted from R. Boutilier and I. Thomson, "Measuring the Social License—The Social License to Operate," [SocialLicense.com/measure.html](http://sociallicense.com/measure.html)

2 Ernst & Young, "Business Risks Facing Mining and Metals 2011–12," [http://www.ey.com/Publication/vwLUAssets/Business\\_risks\\_facing\\_mining\\_and\\_metals\\_2011-2012/\\$File/Metal\\_Mining\\_paper\\_02Aug11\\_lowres.pdf](http://www.ey.com/Publication/vwLUAssets/Business_risks_facing_mining_and_metals_2011-2012/$File/Metal_Mining_paper_02Aug11_lowres.pdf).

3 <http://sociallicense.com>.

4 <http://sociallicense.com/definition.html>.

- Is dynamic and nonpermanent. It is responsive to changes in perceptions regarding the company and the project and is susceptible to outside influences. The SLO must be earned, strengthened, and maintained.
- Is usually granted on a site-specific basis. Hence a company may have a social license for one operation but not for another.

### Some common pitfalls for project proponents:

#### *The company:*

- Fails to understand the local community and local government structures (Social Landscape and Stakeholder Analysis) and the local “rules of the game,” making it difficult to build relationships and trust.
- Underestimates the time and effort required to gain an SLO and delays stakeholder engagement.
- Undermines its own credibility by:
  - › Failing to provide reliable and accurate information about the project on an ongoing basis using culturally appropriate methods.
  - › Neglecting to deliver on promises made to the community.
- Fails to respect and listen to the community and local authorities.
- Overestimates (or worse, assumes) the quality of its relationship with the community.
- Relies on technical competence to build social acceptance.
- Confuses:
  - › Acceptance for approval
  - › Cooperation for trust
  - › Technical credibility with social credibility.
- Views gaining an SLO in terms of a series of tasks/transactions (making a deal), rather than establishing a relationship (social legitimacy, credibility, trust) that will determine whether affected stakeholders will ultimately grant an SLO.

**“People, more often than not, make decisions based on perceptions, not facts.”**

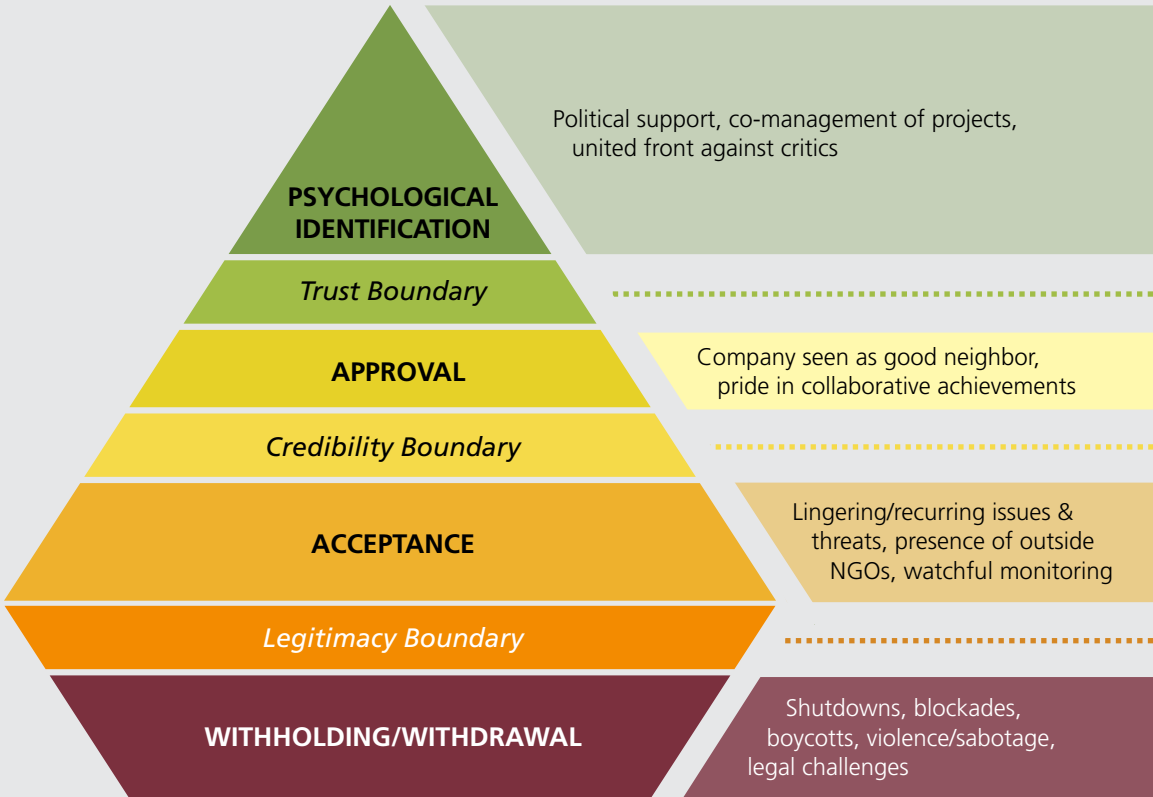
—Anonymous

### 3.3 LEVELS OF SOCIAL LICENSE TO OPERATE

The levels of SLO, which are graphically displayed in figure 3.1, are:

- **Acceptance:** A willingness to tolerate or agree to the project
- **Approval:** Supporting and having a favorable regard for the project
- **Co-ownership:** Self-identification with the project; being advocates and defenders.

Fig. 3.1 Levels of Social License to Operate



Source: Adapted from Boutilier and Thomson 2013.



Monica Ospina

### 3.4 BUILDING TRUST AND RELATIONSHIPS

Building trust and relationships takes time, effort, and thoughtfulness; it does not happen overnight. Investing time early, often, and throughout the project life cycle is the way to help build trust and relationships. There are disagreements in even the best of relationships, and having a strong foundation of trust will help in reaching solutions and achieving successful outcomes when serious issues arise. What is important is how the parties work together through the times when the SLO is challenged or negatively impacted to find solutions and maintain trust. Here are some tips to build trust over time:

- Acknowledge with both company staff and external stakeholders that:
  - › You are a visitor in the community
  - › Learning and respecting the local customs is important
  - › You will make cultural and communication mistakes, but will do your best to learn and improve.
- Learn about and follow local customs (greetings, appropriate ways to dress), try popular local foods, understand community and cultural dynamics.
- Spend nontransactional time in popular local places. Don't eat your meal and rush off. Stay around a while, chat with the café owner or the person running the local shop. Have an extra cup of tea or coffee simply to be around and accessible.
- Explain potential impacts to stakeholders, including avoidance and mitigation strategies.
- Don't make promises you can't or don't intend to keep.
- Deliver what you promise.



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- Be transparent.
- Activities that benefit both the community and the exploration project are more likely to receive support by all concerned. Don't tell the community what YOU think is "win-win." Be a good partner and work *with* the community to identify these "win-win" scenarios. Examples might include:<sup>5</sup>
  - › **Security:** Activities that acknowledge and provide for site security and access protocols involving local people who can serve as "eyes and ears," and who gain requisite recognition of their local status as custodians of civic order.
  - › **Environmental:** Activities that acknowledge and involve local people in the understanding and management of environmental mitigation, intervention, and monitoring; affording recognition of their status as custodians of the local landscape.
  - › **Maintenance and operations:** A recognition and active "buy-in" to mentoring young local people as trainees and fostering their development as future valuable artisans and employees.
  - › **Management:** Recognize that securing social, and particularly local, support for a project is a fundamental responsibility for all management. As a result, management should spend time, commensurate with risk and opportunity, working to secure the SLO. In regions where more than one project is operating, this can include management cultivating linked-up regional development in unison with other businesses operating locally.

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5 B. Harvey, *Social Development Will Not Deliver Social License to Operate for the Extractive Sector*, Global Practice Leader—Communities and Social Performance, Rio Tinto, in preparation.

### 3.5 MANAGING EXPECTATIONS

Similar to other highly technical industries, people outside of mining, or oil and gas projects, often don't know much about the sector or what it entails. For most local communities, the project life cycle is a mystery. It is critical to manage unrealistic expectations that early prospecting will turn into a mine or oil and gas project. Explain that most reconnaissance and early prospecting activities do not result in a project. Furthermore, even if they do, the timeline to construction and operation usually spans many years. Ironically, if there is a mine or oil and gas project in the region, this can be an even more difficult task, because local people may think that the presence of one geologist today means a mining town or oil and gas facility tomorrow. Mismanagement of expectations can lead to disappointment and resentment on all sides. Here are some tips to help manage expectations:

- Take time to explain the project life cycle and the stages of exploration specifically:
  - › No revenue generated
  - › Large areas of land, small number of people to do the work
  - › Often seasonal
  - › Can take 3 to 10 years
- Potential venues:
  - › Community meetings (specifically set up by the company)
  - › Youth group or after-school programs
  - › Local Council or regularly scheduled public meeting
  - › Elder Centers
  - › Career fairs
- Methods of delivery:
  - › Presentation
  - › Radio broadcasts
  - › Television broadcasts
  - › DVD/short film
- Think outside the box:
  - › Post a video on YouTube
  - › Use Twitter and Facebook to advertise or post about meetings or presentations
  - › Have a mine life cycle quiz with prizes for correct answers
  - › Make it hands-on; bring core samples, magnifying glasses, soil samples
  - › Partner with other companies operating in the area

**NOTE:** Manage your own expectations: Know that it will take a combination of these things being done repeatedly before stakeholders really begin to understand the project life cycle.



- What communities can and should expect from the company:
  - Stewardship of the environment
  - Clear and regular communication (some possibilities: quarterly newsletter, flier, Facebook updates, emails, a public presentation at the beginning and end of each work season)
  - A mechanism to receive ideas, suggestions, and concerns from the community
  - Transparency and a commitment not to participate in bribery or corruption
  - Compliance with all laws of the jurisdiction
- Mismanagement of expectations often comes from:
  - Lack of understanding about project and the project life cycle
  - Legacy of other projects in the region
  - Politicization of the project by people of influence
  - Phase-*in*appropriate promises made by the company
  - Poor engagement and communication by the company with stakeholders

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### 3.6 MONITORING THE STATUS OF A SOCIAL LICENSE TO OPERATE

Regular monitoring and evaluation of a project's SLO and the overall ESSE enables necessary adjustments to the company's engagement strategy, communications practices, and community investment policies. The community will likely view these changes as an effort to listen and respond appropriately to the community's priorities, thus strengthening the SLO. As the project and ESSE progress, new activities and initiatives will be introduced. As these come online, they should be added to the monitoring and evaluation plan. (See also Tools section 6.13.)

Indicators of acceptance or rejection can take various forms.

**“Not everything  
can be counted.  
Not everything  
counted  
counts.”**

—Albert Einstein

- **Physical indicators** are physical actions that can be interpreted as expressions of community sentiment (see table 3.1). Physical indicators allow companies to make a rapid assessment, and to do so from a distance on the basis of company reports and descriptions in the media. The assessment is limited by the quality of the information provided, which may be biased or incomplete, and the fact that physical actions such as demonstrations and blockades may be the work of minorities within the community and not a true expression of majority sentiments. As such, the methodology is based on symptoms rather than true indicators, and lacks the reliability needed for anything other than initial screening of a situation.
- **Verbal indicators** are gathered by a social specialist who enters the community and listens closely to the way people describe the company or project. Carefully executed, this approach can reveal subtleties such as division of opinion within a community, the relative quality of the SLO, and aspects that are conditional or of concern to the community. Using verbal indicators has the advantage of being rapid and direct but remains qualitative and highly dependent on the skill of the researcher.<sup>6</sup>
- **Indicators** of the relationship between a project and affected community/ stakeholders across the lifetime of a project include:
  - › Stakeholders attending meetings and/or inviting company in to meet/present
  - › Participation of women, youths, and other marginalized groups
  - › Effectiveness of public consultation activities
  - › Type of meetings (open or closed)
  - › Number of stakeholders asking questions
  - › Type of issues being raised and questions asked
  - › Effectiveness of public consultation activities (do stakeholders say their participation has value?)
  - › Whether the company conducts/updates/integrates public perception surveys
  - › Degree of trust felt by the affected community toward the project (and vice versa)
  - › Number of protests, demonstrations, complaint letters, and compensation requests

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6 <http://sociallicense.com/measure.html>.

- › Disruptions of project activities due to local community disturbance
- › Quantity of work applications received from the local community/stakeholders
- › Incidents affecting project property or personnel
- › Number of problems or grievances identified by the local community/stakeholders
- › Time taken to resolve problems and grievances
- › Quantity (and time period of delays) of government approvals
- › Positions taken by local government regarding decisions that affect the project
- › Number of third-party endorsements
- › Positive/negative civil society/NGO feedback
- › Level of political support
- › Number of (positive and negative) press articles about the project
- › Absence of negative information being promulgated
- › Community members say they are better off as a result of the project's presence
- › Level of project management/investor support for good social risk management.

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# CHAPTER 4

## Developing an Early Stakeholder Engagement Process: Context

- 4.1 Introduction
- 4.2 Multiple Realities of Strategic Stakeholder Engagement at the Exploration Stage
- 4.3 Company Behavior and Actions
- 4.4 Key IFC Environmental and Social Performance Standards for Stakeholder Engagement
- 4.5 A Gender-Responsive Approach

“Everything should be made as simple as possible, but not one bit simpler.”

—*Albert Einstein*

# Developing an Early Stakeholder Engagement Process: Context

## 4.1 INTRODUCTION

In developing Early Strategic Stakeholder Engagement (ESSE), companies often first look through a risk-avoidance lens. Communicating early, often, and clearly with stakeholders helps manage expectations and avoid risks, potential conflict, and project delays. An initial ESSE program also provides an opportunity to substantively build asset value, enhance company branding, and create shared value for stakeholders broadly. It is with this comprehensive view that companies are developing more robust ESSE programs graduating into fully fledged sustainability policies and activities. This starts with acknowledging that the perspectives and perceptions of stakeholders often differ from that of the company.

It is essential to consider these multiple realities to find common ground and solutions. To that end, stakeholder consultation and engagement has broadened in scope and complexity, now extending to include company and contractor behavior, gender responsiveness, and sustainable development. Many of these concepts are reflected in the IFC Environmental and Social Performance Standards and Equator Principles (see section 4.4 for a discussion of IFC Performance Standards and Equator Principles). This section details some of these concepts.

## 4.2 MULTIPLE REALITIES OF STRATEGIC STAKEHOLDER ENGAGEMENT AT THE EXPLORATION STAGE

Taking time at the outset of ESSE development to think from the perspective of external stakeholders can help identify and bridge the differences. Table 4.1 presents some of the common differing views expressed by companies and communities.

Table 4.2 lists common myths and realities concerning many rural communities. These should also be considered in planning a stakeholder engagement strategy.

## 4.3 COMPANY BEHAVIOR AND ACTIONS

### Company Behavior

The behavior of a company or individual members of its staff can have significant impacts on the overall company-community relationship. This section focuses on the behavior of individual company staff, but company practices also have a significant influence on staff behavior. Aligning corporate- and project-level policies of transparency and respect with required staff behavior will help build and solidify positive relationships with communities.

From the beginning, interactions with stakeholders—for example, introducing yourself to traditional and local government leaders, staying in a local lodge while prospecting or eating in the local café during early exploration—can help lay a positive foundation

**Table 4.1. Common Differing Views of Companies and Communities**

COMPANY VIEW	COMMUNITY VIEW
<ul style="list-style-type: none"> <li>• The project will have a small footprint</li> <li>• Don't want to raise expectations by engaging too soon</li> <li>• Likelihood of the project moving forward is low</li> <li>• Negative legacy from previous companies—it's not our fault and we shouldn't pay the price</li> <li>• Engagement with local elected leaders doesn't reach the broader community and sometimes these leaders are only looking out for their own interests</li> <li>• Locals should be grateful for the (hard) infrastructure the project will bring</li> <li>• Dependence on the company for public services</li> <li>• Sometimes construction and addressing social issues are on different schedules</li> <li>• The project will include robust environmental monitoring—even beyond what is required by the government</li> </ul>	<ul style="list-style-type: none"> <li>• Don't understand project development stages or financial structures</li> <li>• Anxiety due to lack of information</li> <li>• High expectations for jobs</li> <li>• Defensive due to previous bad experiences</li> <li>• Fear traditional ways will be lost</li> <li>• Weak rule of law undermines trust in the government's ability to enforce contracts and laws</li> <li>• Lack of access to data or technical capacity to analyze and understand</li> <li>• Distrust company's monitoring</li> <li>• Loss of land to give the company access to the resources</li> <li>• A new school, but no provision for a teacher; a new clinic, but no provision for a doctor</li> <li>• No way to be heard by the company</li> </ul>

for long-term relationships. It is through these informal interactions that trust can be built. Knowledge of local social, cultural, and religious norms and values and respecting them will also make positive early impressions on local community members. Coupled with a well-thought-out, graduated ESSE, a company will be well on its way to earning and maintaining a Social License to Operate.

Staff and contractors should consider themselves the human faces of the company. This should be considered an opportunity, not a risk. It is easier to build trust and relationships with people than with a company located in an office far away.

Here are some reminders for all project staff and contractors to consider:

- What you say and do everywhere—at the local shops, restaurants, bars, on the roads—are seen, heard, and shared among the local community.
- Unofficial actions and activities are as important as official meetings and events.
- Have a basic grasp of cultural norms and respect them (for example, Do people usually make eye contact during conversation? Is it acceptable for men to chat informally with women? What is the usual greeting in the local language?)
- Take time to talk to local community members and government officials in nontransactional, everyday interactions (when there is no set meeting or agenda and when you/the project do not need anything from the local community) such as at the local café or market (see box 4.1).

**“Directness, honesty, appreciation, pleasantries, and listening are universally welcome and cost nothing.”**

—Luc Zandvliet, *Getting It Right*



**Table 4.2. Myth vs. Reality Regarding Rural Communities in Emerging Economies**

MYTHS	REALITIES
<p><b>Rural communities are commonly:</b></p> <ul style="list-style-type: none"> <li>• Homogeneous</li> <li>• Cohesive and harmonious, with few local tensions</li> <li>• Able to easily achieve consensus and decisions</li> </ul>	<p><b>Rural communities are commonly:</b></p> <ul style="list-style-type: none"> <li>• Heterogeneous</li> <li>• Divided and isolated, often with deep-seated local tensions exacerbated by poverty</li> <li>• Lacking in adequate leadership, organizational structures, and processes needed to achieve consensus and decisions</li> </ul>
<p><b>Most members of such communities:</b></p> <ul style="list-style-type: none"> <li>• Possess a “shared vision”</li> <li>• Easily achieve decisions, individually and jointly</li> <li>• Lead “healthy rural lives”</li> <li>• Have time for meetings and lengthy participative processes</li> <li>• Once empowered through training and education, will not have difficulty staying in rural areas and contributing to local development</li> <li>• Have access to information and an interest in a wide range of issues</li> </ul>	<p><b>A large proportion of members of such communities:</b></p> <ul style="list-style-type: none"> <li>• Have not reached a shared vision as a result of inadequate leadership, organizational structures, and processes</li> <li>• Do not easily achieve decisions, individually or jointly</li> <li>• Often suffer from chronic ill health and debilitation (inadequate and poor nutrition, water supplies, sanitation) and are not always well enough to fully participate in meetings</li> <li>• Spend much of their time in day-to-day subsistence activities (tending crops and livestock, fetching water and firewood, caring for families) and do not have time for lengthy participative processes</li> <li>• Hope for a job in an urban area, and once empowered through training and education do not readily remain in rural areas</li> <li>• Have limited access to information and as a result, are concerned mainly with survival, with little time for other interests</li> </ul>

Source: Adapted from E.A. Pollett, and R.J. Fincham, “Primary Health Care – A Rural Development Perspective,” INR Occasional Paper No. 122, Institute of Natural Resources, University of Natal, 1993.



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## **BOX 4.1.**

### **A PROJECT MANAGER'S EFFORTS**

A project manager made a point of having dinner once a week in the small village near the site. There was one small café in the town, and he became a regular. This enabled him to interact with the local community in other than the formal government meetings, regulatory inspections, and quarterly town-hall-style events organized by the company.

He was often asked if there were any job openings and whether the company was still monitoring the local drinking-water wells. He answered the questions and reminded people that the company posted all this information and more on the community notice board and made radio announcements.

- Listen to community members about their concerns, questions, hopes, and ideas—not just those related to the project, but on social and economic development, the past and the future. This is a great way to learn who people of influence are and to learn the priorities of community members beyond official meetings with elected officials and government regulators.
- Don't promise anything you are not sure can be delivered on behalf of the company or the project.

## Company Actions<sup>1</sup>

Everyone in the company (including contractors) has a role and responsibility in earning and maintaining the Social License to Operate. Each function or operational activity within the company can potentially provide opportunities to build relationships, employ local people, increase local sourcing of supplies, integrate traditional knowledge into project planning, and foster development of technical skills.

Co-ownership of the project can be built by increasing local stakeholder participation through:

- **Human Resources:** Review hiring process, including preferential hiring policies, to remove barriers to entry for local stakeholders. Link with available educational options (university, technical/vocational education, apprentice/on-the-job training programs) to meet project demands.
- **Procurement:** Engage in activities that support local suppliers of goods and services on an escalating scale. For example, timely payment to fledgling local service providers with cash flow constraints is particularly important.
- **Security:** Build a security culture that understands and appreciates local culture and customs and involves local people.
- **Finance and accounting:** Supporting local governance and administrative issues, such as participating in local government (but not substituting for it), providing advice on local fiscal management, audit advice, and assistance with submissions to the central government.
- **Infrastructure and asset management:** Design and manage company assets and ancillary infrastructure in a way that provides maximum civic access as appropriate. Including the meaningful participation of civic society in overall project design means starting consultations and discussions well before the construction phase and/or as project expansion is considered.
- **Maintenance and operations:** Commit to skills and capacity building of local people to be valuable participants in the success of the project as employees, contractors, or suppliers.

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1 B. Harvey, *Social Development Will Not Deliver Social License to Operate for the Extractive Sector*, Global Practice Leader—Communities and Social Performance, Rio Tinto, in preparation.



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## **BOX 4.2.**

### **IFC ENVIRONMENTAL AND SOCIAL PERFORMANCE STANDARDS**

**PS 1.** Assessment and Management of Environmental and Social Risks and Impacts

**PS 2.** Labor and Working Conditions

**PS 3.** Resource Efficiency and Pollution Prevention

**PS 4.** Community Health, Safety and Security

**PS 5.** Land Acquisition and Involuntary Resettlement

**PS 6.** Biodiversity Conservation and Sustainable Management of Living Natural Resources

**PS 7.** Indigenous Peoples

**PS 8.** Cultural Heritage

## 4.4 KEY IFC ENVIRONMENTAL AND SOCIAL PERFORMANCE STANDARDS FOR STAKEHOLDER ENGAGEMENT

### IFC Environmental and Social Performance Standards and Equator Principles

IFC's Sustainability Framework articulates its commitment to sustainable development and is an integral part of IFC's approach to risk management. The Sustainability Framework comprises IFC's Policy and Performance Standards (PS) on Environmental and Social Sustainability. The IFC PS consist of eight standards (box 4.2) that IFC clients are required to comply with throughout the life of the project and the investment by IFC.

The Equator Principles (EPs) are a credit risk management framework for determining, assessing, and managing environmental and social risk in project finance transactions, which are often used to fund extractive industry projects globally. The EPs are based on the IFC PS and the World Bank Group Environmental Health and Safety Guidelines. The EPs have become the industry standard for environmental and social risk assessment by financial institutions and clients. There are currently 77 Equator Principles Financial Institutions in 32 countries worldwide that provide over 70 percent of global project finance in emerging markets.

Compliance with the IFC PS and the EPs can substantively build asset value and enhance company branding and value to shareholders, investors, and potential buyers. As competition for natural resources increases globally, governments are considering a company's track record on environmental, social, and sustainable development when granting exploration concessions. A sound reputation in this regard can also assist a junior company in successfully competing for the next venture.

Key aspects of IFC PS requirements for early stakeholder engagement and ongoing consultation are referred to in various boxes in relevant sections of this handbook.

This handbook links directly to IFC's *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets* (2007), and *Strategic Community Investment: A Good Practice Handbook for Companies Doing Business in Emerging Markets* (2010), which aim to:

- Create "shared value" by aligning business goals and competencies with the development priorities of affected local stakeholders
- Focus on building social capital and local ownership through multistakeholder processes
- Factor in sustainability and handover strategies into project design
- Measure and communicate results to optimize the business value derived.

### IFC Environmental and Social Performance Standards for Stakeholder Engagement

IFC Environmental and Social Performance Standards concerning stakeholder engagement, disclosure, and communication of information are presented in box 4.3, and those concerning ongoing consultation are presented in box 4.4.

### BOX 4.3.

## DISCLOSURE AND COMMUNICATION OF INFORMATION: IFC PS REQUIREMENTS

Disclosure of relevant project information helps affected communities and other stakeholders understand the risks, impacts, and opportunities of the project. The client will provide periodic reports to the affected communities that describe progress with implementation of the project Action Plans on issues that involve ongoing risk to, or impacts on, affected communities and on issues that the consultation process or grievance mechanism has identified as a concern to those communities.

The client will provide affected communities with access to relevant information on:

- i. The purpose, nature, and scale of the project
- ii. The duration of proposed project activities
- iii. Any risks to, and potential impacts on, such communities and relevant mitigation measures
- iv. The envisaged stakeholder engagement process
- v. The grievance mechanism.

Clients will implement and maintain a procedure for external communications that includes methods to:

- i. Receive and register external communications from the public
- ii. Screen and assess the issues raised and determine how to address them
- iii. Provide, track, and document responses, if any
- iv. Adjust the management program, as appropriate. In addition, clients are encouraged to make publicly available periodic reports on their environmental and social sustainability.

**NOTE:** Depending on the scale of the project and significance of the risks and impacts, relevant document(s) could range from full Environmental and Social Assessments and Action Plans (i.e., Stakeholder Engagement Plan, Resettlement Action Plans, Biodiversity Action Plans, Hazardous Materials Management Plans, Emergency Preparedness and Response Plans, Community Health and Safety Plans, Ecosystem Restoration Plans, and Indigenous Peoples Development Plans) to easy-to-understand summaries of key issues and commitments. These documents could also include the client's environmental and social policy and any supplemental measures and actions defined as a result of independent due diligence conducted by financiers.

*Source:* a. International Finance Corporation, "IFC Performance Standards on Environmental and Social Sustainability," International Finance Corporation, Washington, DC, January 2012, [www.ifc.org/sustainability](http://www.ifc.org/sustainability).



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## BOX 4.4.

### ONGOING CONSULTATION: IFC PS REQUIREMENTS

The client will undertake a process of consultation in a manner that provides the affected communities with opportunities to express their views on project risks, impacts, and mitigation measures, and allows the client to consider and respond to them. The extent and degree of engagement required by the consultation process should be commensurate with the project's risks and adverse impacts and with the concerns raised by the affected communities.

The client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the affected communities, and will inform those affected about how their concerns have been considered.

Effective consultation is a two-way process that should:

- i. Begin early in the process of identification of environmental and social risks and impacts and continue on an ongoing basis as risks and impacts arise
- ii. Be based on the prior disclosure and dissemination of relevant, transparent, objective, meaningful, and easily accessible information which is in a culturally appropriate local language(s) and format and is understandable to affected communities
- iii. Focus inclusive<sup>a</sup> engagement on those directly affected as opposed to those not directly affected
- iv. Be free of external manipulation, interference, coercion, or intimidation
- v. Enable meaningful participation, where applicable
- vi. Be documented.

The client will tailor its consultation process to the language preferences of the affected communities, their decision-making process, and the needs of disadvantaged or vulnerable groups.

For projects with potentially significant adverse impacts on affected communities, the client will conduct an Informed Consultation and Participation (ICP) process<sup>b</sup> which involves a more in-depth exchange of views and information, and an organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the affected communities on matters that affect them directly, such as the proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues.

**Note:** a. Such as men, women, the elderly, youth, displaced persons, and vulnerable and disadvantaged persons or groups. b. The ICP process should: (i) capture both men's and women's views, if necessary through separate forums or engagements, and (ii) reflect both men's and women's different concerns and priorities about impacts, mitigation mechanisms, and benefits, where appropriate.





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## 4.5 A GENDER-RESPONSIVE APPROACH

In adopting a gender-responsive approach to engagement, the company has the opportunity to build relationships based on credibility and trust with both men and women in the communities. Each brings a different perspective on the concerns and expectations of the community. A gender-responsive approach provides equal opportunities for men and women to benefit from the project, either through direct (part of the workforce) or indirect (providing goods and services to the company) employment; income-generating activities; access to health care, education, and infrastructure (i.e., clean water); and well-being, all contributing to long-term community sustainability.

Benefits to the company of a gender-responsive approach and the development benefits for the community, include<sup>2</sup>:

- **Stronger development results:** Improving the status of women is a key step toward improving the education and health of the family overall and ensuring that women are able to capture other development benefits for the rest of the family.
- **Conflict resolution:** Women can play a constructive role in reducing conflicts, reminding the men of broader, longer-term benefits.
- **Conflict avoidance:** Women have a long history of mobilizing against extractive companies when they are not satisfied with development outcomes.
- **Equality of opportunity:** Men and women experience the benefits and risks from an extractive industry project presence unequally. The company's responsibility is underscored by Equal Opportunity Laws, which ensure that men and women can assert their rights to equality, preventing discrimination against them in all spheres of public and private life.<sup>3</sup>

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2 Adapted from the companion piece of the *Guide for Good Practice—Gender Sensitive Approaches for the Extractive Industry in Peru*, B. Ward, K. Heller, J. Strongman, and A. Eftimie, World Bank, Washington, DC, 2011.

3 For further details, see B. Ward, and J. Strongman, *Gender-Sensitive Approaches to the Extractive Industry in Peru: Improving Impacts on Women in Poverty and Their Families, Appendix I*, World Bank, Washington, DC, 2011.



# CHAPTER

# 5

## ESSE in Project Life Cycle Stages

- 5.1 Introduction
- 5.2 Incorporate an Exit Strategy from the Beginning
- 5.3 STAGE: Reconnaissance/Prospecting
- 5.4 STAGE: Early Exploration
- 5.5 STAGE: Advanced Exploration
- 5.6 STAGE: Feasibility/Development Planning
- 5.7 STAGE: Construction
- 5.8 STAGE: Operation
- 5.9 STAGE: Closure and Postclosure

“You don’t have to see the whole staircase—just take the first step.”

—*Nelson Mandela*

# ESSE in Project Life Cycle Stages

## 5.1 INTRODUCTION

### A Strategic Planning Framework for Early Community Engagement

**“Community consultation as crisis management is destined to fail.”**

—Luc Zandvliet, *Getting It Right*

This handbook is organized around, and focuses on, the various stages of project exploration, feasibility, development, construction, and early implementation. The Early Strategic Stakeholder Engagement (ESSE) process (see table 5.1) established in these early stages will inform ongoing consultation throughout the operation and eventual closure and postclosure stages of the project life cycle. In other words, getting it right in the beginning will pay off over the long run. Stakeholder engagement is an ongoing and dynamic process. It should take place from the earliest prospecting activities and throughout the life of the project (see box 5.1).

The following sections provide guidance on strategic stakeholder engagement approaches throughout the project life cycle, with an emphasis on the exploration, feasibility, and planning stages to build the foundation and relationships necessary for ongoing engagement during the construction, operation, and closure stages.

**Table 5.1. The ESSE Process**

PLANNING		
<b>Think Strategically</b>	<ul style="list-style-type: none"> <li>✓ Linking to business drivers</li> <li>✓ Risks and opportunities</li> <li>✓ Core competencies</li> </ul>	<ul style="list-style-type: none"> <li>✓ Internal alignment</li> <li>✓ Stage of project cycle</li> </ul>
<b>Elements of a Strategic Approach</b>	<ul style="list-style-type: none"> <li>✓ Initial assessment</li> <li>✓ Invest in process</li> <li>✓ Don't skip the strategy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Align with project cycle</li> <li>✓ Use communication tools</li> <li>✓ Take a holistic approach</li> </ul>
IMPLEMENTATION		
<b>Scope the Local Context</b>	<ul style="list-style-type: none"> <li>✓ Socioeconomic and environmental scoping</li> <li>✓ Stakeholders and networks</li> </ul>	<ul style="list-style-type: none"> <li>✓ Institutional mapping</li> <li>✓ Potential partners</li> <li>✓ Framework consultation plan</li> </ul>
<b>Engaging Stakeholders</b>	<ul style="list-style-type: none"> <li>✓ Relationship building</li> <li>✓ Expectations management</li> <li>✓ Assets and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Visioning and prioritization of activities with communities</li> <li>✓ Grievance mechanism</li> <li>✓ Multistakeholder involvement</li> </ul>
MONITORING AND EVALUATION		
<b>A Continuous Process</b>	<ul style="list-style-type: none"> <li>✓ Communications</li> <li>✓ Feedback</li> </ul>	<ul style="list-style-type: none"> <li>✓ Indicators</li> <li>✓ Community perceptions</li> </ul>



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## BOX 5.1.

### STAKEHOLDER ENGAGEMENT IS A CONTINUAL PROCESS

- Whether you are the first boots on the ground, or going into construction and beyond, it is important to analyze the context on an ongoing basis.
- Communities change over time, both on their own and in response to changing exploration activities.
- The resources an exploration company can devote to community engagement change over time.
- Exploration staff and the community will know more about each other and develop a deeper common understanding over time.

*Source:* Prospectors and Developers Association of Canada (PDAC) et al., Preventing Conflict in Exploration: A Toolkit for Explorers and Developers, Toronto, [www.pdac.ca/docs/default-source/.../2012-news-toolkit-english.pdf](http://www.pdac.ca/docs/default-source/.../2012-news-toolkit-english.pdf)

## Think Strategically—An Internal Process

Taking time to discuss and define company commitment to stakeholder engagement and Corporate Social Responsibility (CSR)/Sustainability principles can help maximize resources dedicated to ESSE, provide clarity for operations-level staff and contractors, and contribute to the development and implementation of a cohesive ESSE action plan. Once this commitment has been fleshed out, establish and implement a transparent and consistent internal approach to ESSE.

Monitoring and evaluation will drive some changes in ESSE strategy throughout the mine life cycle. While there are some stage-specific aspects of thinking strategically, it is a good idea for any change in leadership or company to revisit this, even if only to confirm and recommit to existing policies and practices. Transparency through this evolution and consistency in the company's commitment to stakeholder engagement will strengthen relationships as opposed to creating an atmosphere of uncertainty.

### How to Establish an Internal Participatory Process:

- **Identify legacy issues (e.g., previous exploration activities and environmental and social [E&S] impacts in the area, unfulfilled commitments, and raised expectations).**
- **Understand the complete range of impacts of exploration activities (e.g., raised expectations and speculative activities, including land acquisition and increased land prices; influx of people seeking jobs and entrepreneurial opportunities; changes in local power relationships including political dynamics, and gender dynamics).**
  - › This is an ongoing activity and may require you to think beyond where the project currently stands. As exploration activities ramp up, the potential social and environmental impacts change and increase. Being prepared helps avoid risks and increase positive opportunities.
- **Deepen senior leadership and operations-level staff understanding of the local culture and context and how company behavior and ESSE activities may be received.**
  - › This should include both expatriate staff and national staff who may be from urban centers working in rural settings where customs and interactions can vary dramatically.
- **Encourage all staff and contractors on the ground to be “ambassadors” of the company (e.g., identify key roles and responsibilities; provide communications toolkits, training, incentives, and rewards).**
  - › Technical staff or contractors may feel this is not within their purview. It is important for everyone associated with the project to understand that gaining and maintaining the SLO is critical for operations to continue smoothly and that everyone has a role to play in this.
- **Facilitate cross-functional and internal alignment between all staff and contractors.**
  - › Ensure internal communications are in place to allow for the alignment of exploration activities and necessary milestones for ESSE.



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**“Our relationships with local communities around the globe are complex and dynamic. We know that relationships we build are fundamental to the success of our business.”**

**—Richard O’Brien, CEO, Newmont Mining Corporation**



› While this may seem like an extra layer of effort, it will likely save time and frustration when exploration activities intersect with the state of relationships with the community.

- **Identify core competencies and nonfinancial resources to support ESSE.**
- **Fine-tune identification of impacted communities and appropriate methods of consultation (for additional details on stakeholder mapping and analysis, see section 6.5).**
  - › Plan to integrate women’s and other marginalized/underrepresented groups’ perspectives (such as youths, Indigenous People, and artisanal and small-scale mining groups). Ensure that these groups are included throughout the stakeholder engagement process and that their views and concerns are taken into account.
- **Identify business drivers or economic development opportunities within the community. Building a comprehensive understanding of this from the very earliest exploration stage will enable the project to make well-informed decisions as future labor and supply chain needs become clearer.**
  - › To get started:
    - › Compile a list of small and medium-size locally owned businesses to identify potential suppliers for the project.
    - › Identify community members trained and/or experienced in skills and jobs relevant to exploration activities including driver, line cutter, core cutter, cook, logistics, driller, drill helper, prospector, and security guards. Employing local labor when people with appropriate skills and experience are available can set a tone of mutual benefit early in the project.
    - › Commit to building capacity and providing opportunities to local community members (e.g., hiring as an apprentice someone who has completed vocational education and safety courses, but has no on-the-job training) can also contribute to building positive relationships within the community.
    - › Research any government- or donor-funded small and medium enterprise (SME) or economic development initiatives supporting capacity building, access to finance, and technical or vocational education.
    - › Assess the value of teaming up with local government and other industry players that have or would be willing to initiate business incubation centers or technical and vocational education programs.
- **Ensure all staff and contractors are aware of the company’s ESSE policy and that compliance is mandatory for everyone. Linking key performance indicators, bonuses, and/or promotions to ESSE can help reinforce this.**
- **After defining internal stakeholder engagement and CSR policies and practices, undertake external participatory planning in the development of the ESSE.**

As the project develops, each succeeding stakeholder engagement stage continues to build on and complements the activities of the previous stage.

*Appendix 1* provides a quick guide and reference for users to see at a glance the ESSE action steps relevant to the project phase and how the strategy will progress.

## 5.2 INCORPORATE AN EXIT STRATEGY FROM THE BEGINNING

Throughout this handbook we emphasize managing stakeholder expectations concerning both the likelihood of an exploration project progressing to a producing oil/gas/mine project and the possibility of company-sponsored benefits from exploration/extractive activities. With regard to the former, companies are often hesitant to engage with stakeholders early in a project because of the high likelihood that it will not advance. This concern is understandable, but is not a good reason to avoid engagement. Interacting early and demonstrating consistently transparent behavior are among the best ways to build trust and relationships, as opposed to beginning to engage at a later stage, when distrust and disappointment may have already taken hold. The key to managing the risk of engaging early while in the uncertainty of exploration stages is having an exit strategy and including it throughout ESSE implementation. An exit strategy may be needed in the following cases:

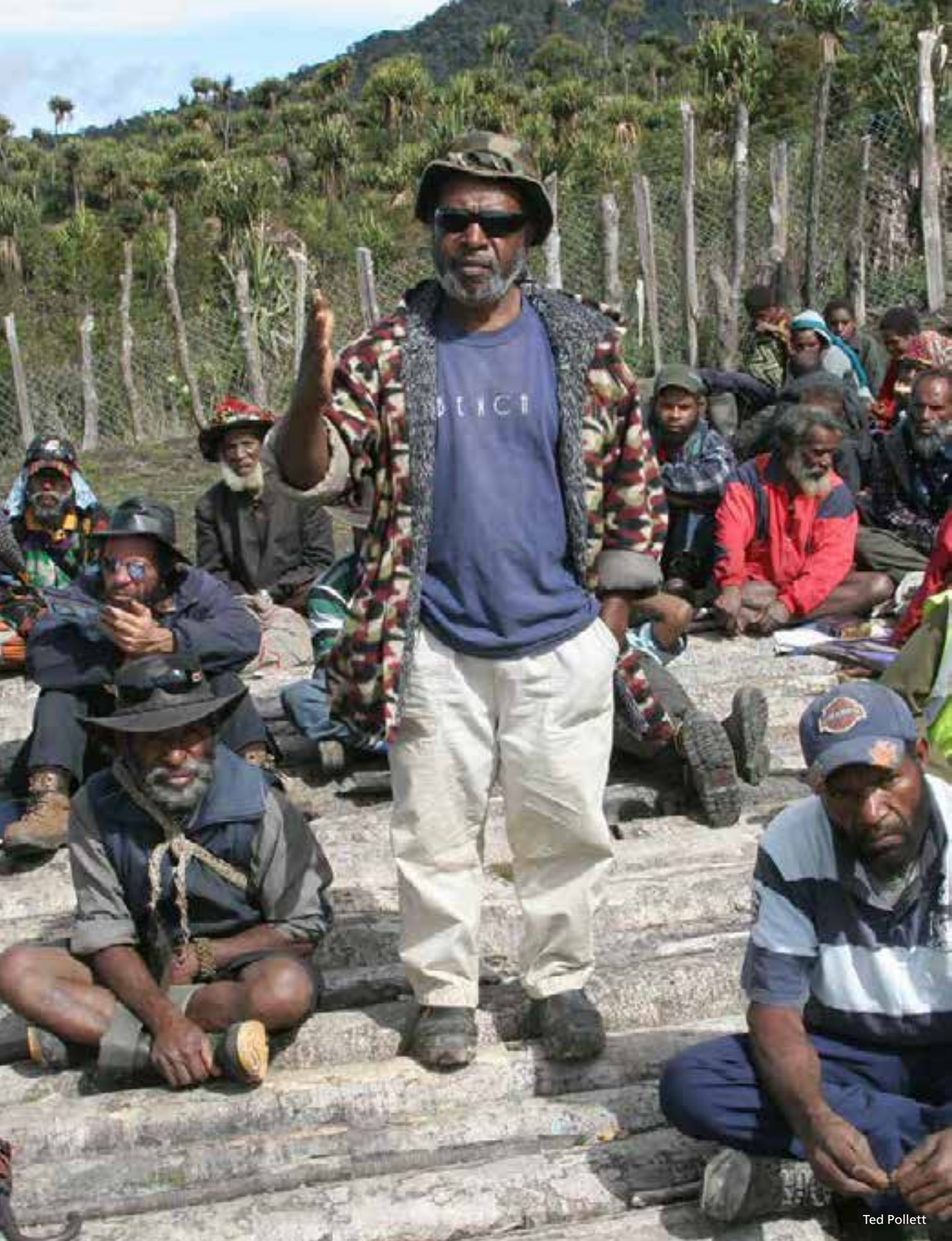
- **Change of company/license holder:** Will the new license holder/operator have the same level of commitment to engagement and implementation of ESSE activities?
- **Project is relegated to “care and maintenance” status:** Slowing or ceasing activities (which may or may not include ongoing stakeholder engagement, community investment, etc.) due to lack of funding, technology upgrades, changes in commodity prices, or force majeure.
- **No viable discovery warranting further exploration:** Situations leading to the license holder terminating further exploration activities include commodity prices (current and projected), costs of production (including activities related to maintaining a Social License to Operate), risk of expropriation, environmental challenges, geopolitical, and security.

### The Good, the Bad, and the Ugly: How and Why to Incorporate an Exit Strategy in Your ESSE

**The good:** Exploration results are positive and warrant further and more advanced exploration (i.e., if the project is moving from prospecting and soil samples to line cutting and drilling, impacted stakeholders should be informed). This is an opportunity to increase project life cycle awareness—including capital outlay, human resource needs, and potential environmental and social impacts—and to emphasize the continued uncertainty of whether the exploration will result in a project.

**The bad:** Activities have to be delayed due to weather, permitting issues, funding, or unpromising results. These “stop/starts” in project activities that can happen, particularly in the exploration stages, are actually opportunities for stakeholders to learn first-hand the uncertainty, expense, and complexity of the extractive industry. Don’t keep these issues from stakeholders. Make the stakeholders part of the process.

**The ugly:** Operations are going to stop (whether temporarily or permanently), including stakeholder engagement. You wouldn’t go to someone’s house, eat dinner—even if you contributed to part of the meal—then get up and leave without saying goodbye, would you? (You may want to come back for another meal if circumstances improve.) Having been honest with stakeholders up to this point, they will understand, respect, and appreciate it when you explain why activities are ceasing. To that end:



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- **Make sure that the exit is handled with the same care as entry.**
- **The message should come from you.**
- **Make sure that senior management is involved in the messaging around stoppages and closure/decommissioning. Treat the community with respect. Ensure stakeholders receive accurate information to:**
  - › Quell unfounded rumors
  - › Communicate to all project-affected stakeholders
  - › Demonstrate commitment to transparency and communication
  - › Approach closure/decommissioning with a positive perspective: provide certificates to staff, organize a thank you party, celebrate any accomplishments and the relationships and shared experiences during exploration.
- **Explain in local language(s) and in culturally appropriate and nontechnical terms why the project is ceasing:**
  - › Do this in writing, email, newsletters (even if it's the last newsletter), notice board announcements, community meetings, and radio announcements.
- **Include potential future scenarios (if there are any):**
  - › If there is a chance the company will raise further funds and recommence activities, be sure to inform stakeholders.
  - › Assure them (and be sure to follow through) that they will be notified before any activities restart or that the company will notify them if the licenses change ownership and another company might begin exploring/operating in the area.
- **When making strategic community investment commitments (always logging them in a commitment register), if they are long-term or future projects, be sure that:**
  - › Throughout the engagement process, you include the possibility of the company's exit and how this would be managed.
  - › All commitments are such that they can be managed in case of care and maintenance or project closure/decommissioning.
  - › Depending on the nature of the closure, determine what community investment activities should continue, be transferred to external parties (i.e., community-based organization, NGO, local government), or be closed.



## 5.3 STAGE:

### RECONNAISSANCE/PROSPECTING

#### Description

Early prospecting involves covering large areas of land using very small field teams made up primarily of geologists. Usually the mineral rights are nonexclusive at this stage. Companies are often operating with limited resources. Activities include data collection, desk reviews, airborne geophysics, sampling, soil and surface rock analysis, and geological mapping. Thoughtful (but not necessarily expensive) engagement at this stage sets the tone and nature of the relationships between the company and local communities and local government. This is a particularly challenging time because there is a built-in mismatch between the prospecting stage, which is filled with uncertainty and can end abruptly if unsuccessful, and communities' legitimate need to be informed. Managing expectations of stakeholders is critical.

## Planning

### *Elements of ESSE*

- **Familiarize yourself with the social landscape:**
  - › Research communities closest to the areas of prospecting: demographics, primary industries/livelihoods, literacy rates, political structure. Note other extractive projects in the area: size, scope, and, ESSE activities.
  - › Create a good first impression: On first entering a community area, take care to understand and follow local courtesy protocols (i.e., introduce yourself to the chief, local government leaders, the mayor, the village headman, landowners, household heads).
  - › If you are in the community as a stranger (to pick up supplies, obtain accommodation, have a meal, meet with local officials) you will not be unnoticed. Be sure to greet people, be friendly and introduce yourself, and make note of any questions or issues raised, any follow-up required, key personalities and leaders, the number and kinds of shops, whether there are public notice boards, if local people spend time at a particular café, under a specific tree, outside the market.
  
- **Identify stakeholders:**
  - › These are part of the social landscape. Focus specifically on the various interest groups (including women's, men's, and youth groups) in the community.
  - › List all possible stakeholders (see section 6.5).
  
- **Determine budget, scope, and timeline for ESSE:**
  - › The budget will change as the project changes and develops. Exploration activities are clearly a priority for any junior company, but carving out a budget for ESSE is critically important. It demonstrates to both external (community) and internal (company) stakeholders the priority placed on undertaking meaningful stakeholder engagement from the outset of a project rather than as a reaction to a problem down the road.
  - › Discuss internally how often the ESSE budget will be revisited; i.e., annually, by project phase, as investor funds grow?
  - › Scope: In these very early phases of exploration, an ESSE budget could be used for:
    - » A trip to the community to participate in an event important to the community (simply showing up demonstrates the company's intention to learn about the community and its priorities).
    - » Staying an additional night at a locally owned lodge or hotel; spending money in the community at locally owned businesses shows that the project will bring economic benefits to the community even if small in the beginning.
    - » Translation services: communicating in the local language is critical.
  - › What not to spend the ESSE budget on:
    - » Pet projects of key elected officials or community leaders.
    - » "Gifts" to the community (whether requested or that the company thinks the community needs).

- **Develop relevant, culturally appropriate, and consistent communication strategies.**
  - › This is context specific. It is critical to recognize that methods and frequency of communication that worked in one community/country/project may not work elsewhere.
  - › Take note of local community members' interactions:
    - » Do men and women speak to each other freely?
    - » What is the initial greeting people use with each other?
    - » Are there places of social gathering, such as places where men and/or women would be more comfortable spending time together?
    - » Are there public notice boards? Are the news and events posted there up to date?
    - » Is there a local radio station? Do people listen to it? What kind of programming plays and at what times of day/days of the week?
    - » Are there regular "town" meetings which community members attend?
    - » Is there more than one language/dialect used in the community?
    - » Are there newspapers?
    - » Is there widespread use of the Internet?
    - » Is there widespread use of social media? Does the community have a Facebook page or Twitter account?
    - » Are there other extractive projects in the area (current or recent past) from which you can learn of successes and challenges in engagement strategies?
  - › Basic principles to remember:
    - » Communicate clearly and at a level appropriate to your audience (i.e., use nontechnical terms, include pictures if literacy is an issue).
    - » Communicate in the language(s) used by the local community.
    - » Corporate communications of a listed company are distinct from the type of stakeholder communication described here. The technical language and tone used in a press release or on a website targeted at investors will likely not resonate with local community stakeholders and may end up alienating them.
- **Make sure both men and women have an opportunity to participate and have their voices heard. If women do not speak freely in front of men (due to social and cultural constraints), consult with them separately (either creating a space for them or use social gathering places to consult).**
- **Be transparent. The information you share with stakeholders should be available to all (confidential results and financial data intended for regulatory compliance can be an exception). Deliver the same information to various stakeholders; don't create or exacerbate uneven power dynamics by doling out key information to some and not others in the community.**

## Implementation

### *Understand the local context*

- **Use desktop stakeholder and community mapping (see section 6.5) (literature review, government information, scoping interviews).**
- **Take a phased approach to collecting information.**
- **Start with individual desk and field analysis and move on to group brainstorming and information collecting.**
- **Start with company staff and move on to people external to the company.<sup>1</sup>**
- **Set up systems for ongoing data collection that can inform community engagement (media monitoring, Google alerts, community events).**
- **Establish a simple log, such as the example below, to track stakeholder meetings, topics addressed, and follow-up/resolution to issues discussed:**
  - › Design a system for sharing information, internally and externally (see Communications and Sustainability Tool in section 6.6).
  - › Design a framework for ongoing ESSE (this will likely change, but a road map is critical).

Date/Place	Attendees/ Organization	Meeting Summary/ Key Issues Raised	Follow-up Action	Responsibility/ Timeline
16 January 2014  Local bakery	Shopowner (female)  Local council member  Youth	Local procurement: bread sales to exploration team	1. Determine quantity required by exploration team  2. Agree on delivery and payment schedule  3. Place order  4. Deliver at agreed times	1. Company/1 day  2. Company, bakery/ 1 day  3. Company/1 day  4. Bakery/agreed time

<sup>1</sup> Prospectors and Developers Association of Canada (PDAC), "A Framework for Responsible Exploration. Excellence in Social Responsibility e-toolkit (ESR)," E3 Plus, Toronto, March 2009.





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## Engage with the community

**Build relationships and trust** (see section 3.4 for details and best practice suggestions):

- **Stage-specific tip:** Request meetings with the head of the company and the recognized local leader(s) of local government and the nearby communities. Introduce yourself and the company to the leader. This is an opportunity to explain the early stages the project is in and the timeline for this early prospecting work. Importantly, it is also a time for the company to listen and assess. What are the prior experiences of the community; concerns around oil and gas development, and mining or exploration specifically; expectations of any private sector entities and extractive companies specifically; level of knowledge around the mine life cycle?

**NOTE:** This early sign of respect for the leaders in the community is often very important, but initial background research on the community and the politics of the place should be undertaken before the meeting occurs. Arrange for follow-up meetings.

**Manage expectations** (see section 3.5 for details and best practice suggestions):

- **Stage-specific tips:** During “building relationships” meetings recommended above, explain human resource needs for this stage (i.e., very few human resource needs and usually seasonal or short term), and expected timelines for this phase of the project. Explain that exploration is all capital outlay, not revenue generation, and often does not lead to a mine or oil and gas project. Do this in nontechnical terms, remembering that most stakeholders are not extractive industry or exploration experts.
  - › Access local traditional knowledge to understand areas of importance (sacred sites, burial grounds, hunting grounds, religious areas). Do this early to avoid inadvertently violating local customs and laws or conducting exploration on sacred sites.
  - › Consult with local leaders and landowners on a process for entering and traversing land, and specific rates of compensation for any damage caused by prospecting activities (e.g., different types of crops or fences damaged by vehicle access).
  - › Establish a procedure by which any concerns or complaints will be addressed.
- Focus on early stakeholder engagement processes to lay the foundation for mutual respect and trust (“only one chance to make a good first impression”).

**Thoughtful (but not necessarily expensive) engagement at this stage sets the tone and nature of the relationships between the company and local communities.**

- Add to or amend the stakeholder map through actual engagement.
- Explain the extent of local temporary employment opportunities and find out who may be available to do the work (e.g., exploration camp laborers, cooks and cleaners, security guards, clearing of access routes).
- Find out what supplies can be sourced locally (food: meat, fruits, and vegetables; water and fuel supplies; temporary camp construction materials) and use them.
- Consider small local procurement contracts (e.g., use a local in-country aircraft company for the airborne surveys if possible).

**Monitoring and evaluation** (see section 3.6 for details and best practice suggestions):

- **Stage-specific tip:** In this early stage, it is important to monitor local media and communications from stakeholders for any negative information about the company or the project. At this early stage, there may be more rumors among locals than media reports. This is a pivotal opportunity to begin building trust and managing expectations before they get out of control.

Monica Ospina







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## 5.4 STAGE:

### EARLY EXPLORATION

#### Description

In early exploration, the most promising areas have been identified from the larger sections covered in early prospecting. At this stage, the license holder usually has exclusive mineral rights. Larger field teams composed primarily of technical people focus on the following activities: construction of access tracks, geological mapping, sampling, cut-lines, trenches, clearing, seismic surveys (in the case of oil and gas), basic equipment, closure/rehabilitation, camp construction. The company continues to operate with limited resources. At this stage activities ramp up, while uncertainty about going forward still remains high. Managing expectations while engaging with stakeholders is still key to earning and maintaining a Social License to Operate.

## Planning

### Elements of ESSE

Identify opportunities for engagement and interaction that also raise awareness of the project life cycle, and particularly of the uncertainty involved in the exploration phase.

- **Expand budget and scope for phase-appropriate ESSE program.**
- **Provide project life cycle awareness from the very earliest interactions (in formal and informal formats) to help build understanding of exploration activities, likelihood of an actual project, financing and timing, and how this will impact ability to provide assistance to local communities.**
- **Be prepared to provide compensation for impacts to livelihoods, relocations, and/or other direct impacts at any time that they occur during exploration. Discussions on this should start early and be well thought out. It is critically important that agreed compensation measures and rates be applied uniformly to all affected communities and households. Once precedents have been set they are very difficult to change and can lead to grievances and conflicts.**
  - › The company will likely be approached about various types of compensation and community development assistance during early exploration. It is important to distinguish between compensation to mitigate project impacts (which is usually a compliance issue with local country or lender requirements) and added-value assistance to local communities. This can sometimes be driven by expectations raised with other/previous extractive projects in the area or by stakeholders or external groups.
  - › Internal discussions around compensation packages (rates, types of compensation) should begin early. Questions to start the conversation include:
    - » Who will need to be compensated? Individuals, households, or the community at large?
    - » What specifically will the company compensate for? (This is an important company policy question.)
    - » Are there compensation requirements (e.g., country legislation and regulations, Equator Principles, IFC Performance Standards, or other lender standards)?
    - » Who will conduct the negotiations? (Whether outsourced to a consultant, NGO, or deemed an internal role, it is strategically important, both optically and substantively.)
- **Complement the team with input from a social specialist/consultant to conduct a scoping Social Impact Assessment and develop a comprehensive ESSE program (aligned with regulatory requirements and other E&S performance standards).**
  - › This role does not need to be full time; it can be expanded in a graduated, phase-appropriate way.
  - › It is critical that when a social specialist/consultant is brought in that there be good communication between the person responsible for ESSE and the rest of the company staff and contractors, specifically regarding alignment with current and planned exploration activities.

- **Design and implement effective, transparent, and consistent communication with stakeholders.**

› While consistency is important to building trust with external stakeholders, it is also important to allow communications strategies to change over time as the company learns more about the community, and the community begins to count on the company as a trusted partner.

## Implementation

### *Scope the Local Context*

- **Continue to map the social landscape.**
- **Continue to build the stakeholder map.**
- **Analyze individual stakeholders, groups, and structures (formal and informal) of influence within the community.**
- **Map social risks and opportunities of the project.**
- **Review and assess communication and stakeholder engagement strategies.**

### *Engaging communities*

**Build relationships and trust** (see section 3.4 for details and best practices).

- **Stage-specific tip:** Since you and your project are likely new to the area, take a little time to research local holidays or feast days. If there are public celebrations, make a point to participate in the next one. If possible, participate in the whole celebration. Try to avoid arriving late and leaving early. Partake in the special foods and activities. These are generally not opportunities for discussing business, but are rather a time to celebrate local customs.

**NOTE:** This is a good practice to normalize into your ESSE.

**Manage expectations** (see section 3.5 for details and best practices).

- **Stage-specific tips:** Begin researching opportunities to raise awareness of the project life cycle. Igniting interest in and understanding of the oil, gas, or mining life cycle early will help communities prepare for this or other projects moving toward the possible building of a mine or oil and gas project, including workforce readiness, supply chain development, social and environmental objectives, and concerns. At this early point in the project, simply identify opportunities for engagement and interaction that also raise awareness of the project life cycle, and particularly of the uncertainty involved in the exploration phase. The key here is to get local stakeholders interested in and thinking about potential future opportunities without raising expectations unrealistically. This can be conveyed through project life cycle awareness raising that highlights, for example the low probability of exploration turning into full-fledged projects, low human resource needs, and high capital outlay in exploration stages.

- Consider graduated community investment activities (e.g., related to progress being made with exploration, ongoing support by the community).
- Give preference to local employment (e.g., cooks, camp helpers, guides, drivers, camp guards).
- Consider small-scale local procurement (food, water, and fuel supplies; camp construction materials; and camp furniture and equipment, such as tables, chairs, beds, survey stakes, sample bags).
- Establish and publicize a formal grievance mechanism.
- Strengthen capacity of stakeholders to effectively participate in ESSE consultation and implementation.
- Gather information and ideas from stakeholders on potential future graduated community investment programs.
- Work with stakeholders to identify mutually acceptable solutions, such as conducting a blessing on the land prior to any exploration, committing to returning to the community any cultural items found, and excluding specific sections (sacred sites) from exploration activities.
- Maintain a log of stakeholders you have met, key issues raised, and any commitments made.
- Follow up regularly to ensure that commitments made have been fulfilled.

#### **Monitoring and Evaluation** (see section 3.6 for details and best practices)

- **Stage-specific tip:** If possible, conduct a baseline perceptions survey as a basis for monitoring and evaluation going forward. Investigate whether other recent perceptions research has been done in the area that may be useful to inform ESSE and monitoring and evaluation of the implementation. Also, tracking of all third-party feedback can be aggregated and analyzed for internal review.





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## 5.5 STAGE: ADVANCED EXPLORATION

### Description

Advanced exploration narrows the exploration survey area even further, identifying specific areas with high potential for mining/oil and gas extraction. Field teams expand at this stage and usually include a social specialist. Considerable resources are needed during this stage and companies actively fundraise. Activities include access road construction, drilling, clearing, heavy equipment, sampling, closure/rehabilitation, and camp expansion. At this stage, the project-affected stakeholders are clearly defined. While there is still uncertainty about the viability and timing of a project, a comprehensive ESSE should be in full implementation. These activities continue to build trust and relationships while managing expectations.

## Planning

### *Elements of ESSE*

**A commitment by the company to build capacity of project-affected stakeholders so that they can meaningfully engage will strengthen trust and respect.**

- **Revisit and adjust budget, scope, and timeline for ESSE for project life cycle stage appropriateness.**
- **Continuing and more detailed consultation with impacted communities:**
  - › Prepare a detailed Stakeholder Engagement Plan (SEP) that will provide a framework for ongoing consultation, scoping of social and environmental issues, and preparation of preliminary impact assessments.
- **Conduct participatory assessments of social and environmental issues using Participatory Rural Appraisal (PRA) techniques (see section 6.4 for a detailed explanation):**
  - › Undertake an approach that includes more comprehensive gender responsiveness (see section 6.3).
  - › Expand the engagement strategy to other relevant stakeholders (government, interest groups, civil society).
  - › Establish consultative multistakeholder forums.
  - › Expand and maintain the log of stakeholder engagement, ensuring that key issues and any commitments are noted, and that previous commitments or follow-up actions have been carried out.
- **Preliminary assessment of land acquisition requirements and potential physical and economic displacement, including impacts on livelihoods dependent on local ecosystem services.<sup>2</sup>**
- **More detailed compensation discussions with the local community and affected households.**
- **Preliminary Social Impact Assessment, including an Artisanal and Small Mining assessment if relevant**
- **Revise the stakeholder map and continue to implement effective, transparent, and consistent communication with stakeholders.**

## Implementation

### *Scope the Local Context*

- **Update the social landscape assessment.**

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<sup>2</sup> Ecosystem services are benefits that people, including businesses, derive from ecosystems, such as provisioning, regulating, cultural, and supporting services. Refer to IFC Performance Standards, in particular PS4 and PS6.

- **Identify and scope local institutions and potential partners for stakeholder engagement and community investment (CI) projects.**
- **Support local private sector contractors to prepare to comply with company standards and specifications to be competitive in bids for contracts.**

### *Engaging Communities*

**Build relationships and trust** (see section 3.4 for details and best practices):

- **Stage-specific tip:** Providing or giving access to training to internal (i.e., community relations staff, environmental staff, administrative staff) and external (i.e., community members, local government officials and civil servants, media, and NGOs) stakeholders, particularly on technical issues, such as water management, environmental monitoring, and underground mining, enables them to come to the table empowered with a basic foundation of knowledge. This commitment by the company to build capacity of project-affected stakeholders so that they can meaningfully engage will strengthen trust and respect.

**Manage expectations** (see section 3.5 for details and best practices):

- **Stage-specific tip:** The cross-function list of activities above may seem daunting to an exploration project, but in order to capitalize on human resources and supply-chain potential for the impending project, planning and capacity strengthening needs to begin as early as possible. The expectations around economic development for project-impacted communities will be difficult to realize if efforts on all sides (government, company/industry, community, and NGOs/community-based organization [CBOs]) are not considered and acted upon early. The payoff for the company is not only earning the SLO, but also building a more cost-effective supply chain and access to a trained workforce.

**Monitoring and evaluation: Key positive indicators** (see section 3.6 for details and best practices)

- **Stage-specific tips:** At this point in the project, stakeholder communication tracking systems should be in place. Things to include:
  - › Positive community/civil society/NGO /local government feedback
  - › Positive tone of media coverage
  - › Low number of complaints
  - › Third-party endorsement
- Update the initial scoping assessment of key social and environmental baseline information and use the update to revise and inform ESSE strategy
- Monitor ongoing changes in the project area (e.g., influx/in-migrants, power relationships, politics)
- Continue local procurement/community investment initiatives (see section 6.9).





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## 5.6 STAGE:

### FEASIBILITY/DEVELOPMENT PLANNING

#### Description

When a possible mining/oil and gas project is identified, usually within a relatively small area, the Feasibility/Development Planning phase begins. There are potential linear impacts during this stage such as access roads, power lines, and pipelines. The operation and the growing field team require significant resources. The field team usually includes technical experts in geology, engineering, environment, and social development. Company leadership focuses on securing project financing.

Activities in this stage include expanding access road construction, drilling and clearing, heavy equipment, sampling, camp expansion, deposit delineation, carrying out production tests, reserve calculation, determining impacts (detailed Environmental and Social Impact Assessment [ESIA]), preparing a bankable feasibility study, and preparing the initial closure/rehabilitation plan. This is the stage for the company to establish a clear understanding of social, environmental, and development needs, priorities, and concerns. Through participatory approaches, the company should engage with the project-affected stakeholders in planning possible project development scenarios and timing.

## Planning

### *Elements of ESSE*

- **Conduct detailed consultation and participatory planning with impacted communities.**
- **Determine expanded budget, scope, and timeline for ESSE.**
- **Design detailed ESIA and E&S management plans, including detailed stakeholder engagement, land acquisition and compensation, livelihood restoration, biodiversity, ecosystem services, contractor control, and management plans.**
- **Develop initial closure plan in consultation with impacted stakeholders.**
- **Continue to implement effective, transparent, and consistent communication with stakeholders:**
  - › Expand and maintain the log of stakeholder engagement, ensuring that key issues and any commitments are noted, and that previous commitments or follow-up actions have been carried out.

## Implementation

### *Scope the Local Context*

- **Update the social landscape and stakeholder map as part of the ESIA.**
- **Identify strategic partners for implementing the project.**
- **Prepare and implement a detailed Stakeholder Engagement Plan (SEP) as part of the overall E&S Management Plan.**

### *Engaging Communities*

- **Undertake capacity building for stakeholders to effectively participate and contribute to the E&S impact assessment, feasibility, and planning process for a possible project.**

**Build relationships and trust** (see section 3.4 for details and best practices):

- **Stage-specific tip:** Convene public meetings/engagement opportunities where the company, community, and local government stakeholders can review the progression of the relationship. Discuss aims and goals set at the outset of the relationship and whether or how they were met, the benefits to all parties, and vision and priorities going forward. Highlight roles and responsibilities, successes, and room for improvement. This should be a dialogue and highly interactive, not a company presentation. Advertise the event widely, ensure the attendance of senior-level company people, and extend special invitations to decision makers and influencers in the community and local government, and those who have been actively engaging with the company to date.

**Manage expectations** (see section 3.5 for details and best practices):

- **Stage-specific tips:** While ESSE activities have increased in both volume and substance by this stage, it is important to continue to reiterate to stakeholders the remaining uncertainty in the project moving forward. It is helpful to include explanations of the remaining hurdles: securing financing, meeting regulatory/permitting requirements, proving the resource viability.
- Establish a preferential employment policy for local workers, and undertake training to improve relevant skills and competencies.
- Hire Community Liaison Officers who are fluent in the local languages and understand local socioeconomic conditions.
- Ensure that contractors are aware of and follow the requirements of the ESSE policy and SEP.
- Negotiate and implement comprehensive compensation packages to cover all direct project impacts to local communities and households.

**Monitoring and evaluation** (see section 3.6 for details and best practices)

- **Stage-specific tips:** Monitor implementation of detailed E&S Management Plans<sup>3</sup> including:
  - › Stakeholder Engagement Plan (SEP), e.g., type of issues being raised and questions asked.
  - › Grievance Management (GM), e.g., number of complaints/grievances, outstanding grievances.
  - › Influx Management Plan (IMP), e.g., number of newcomers, issues raised.
  - › Strategic Community Investment (SCI), e.g., local procurement, training, preferential local hiring, community development projects.

**“Small opportunities are often the beginning of great enterprises.”**

—Demosthenes

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<sup>3</sup> Refer to IFC Performance Standard 1 for Environmental and Social Management Plan requirements.







## 5.7 STAGE: CONSTRUCTION

### Description

The construction stage is characterized by rapid mobilization of construction equipment and contractors. There is an urgency to complete the activities on schedule and under budget. It involves a higher level of human and financial resources. Activities range from physical construction of the oil and gas project/ mine, facilities, infrastructure, and buildings, including temporary works (access roads), to management of contractors and construction contracts.

This stage brings dramatic changes to the physical landscape, the economic environment, and often large migration influxes. It is a time of turbulence and can result in a peak in community complaints, so careful management of and timely responses to grievances are crucial for avoiding the risk of disruption. Construction is also the stage which is seen by stakeholders as an opportunity to secure local economic benefits, such as direct or indirect employment, compensation arrangements, or dedicated community programs. This stage often introduces significant cash into the community (sometimes for the first time), with profound impacts that can be both negative and positive. With rapid changes and accelerated activity followed by “settling in” to the calmer, more stable production phase, managing expectations is key at this stage.

ESSE and ESIA studies from the planning stage should have already helped ensure that most of the adverse impacts have been identified and mitigated to within acceptable levels and that compensation agreements have been reached. A robust and ongoing ESSE will help the company identify and work with stakeholders likely to be impacted by or attracted to opportunities of the construction stage (workers and contractors from the region, returning household members, unforeseen stakeholders). How the company manages the engagement with stakeholders during this volatile and fast-moving stage will heavily influence the tone for community relationships for the rest of the project cycle.

**NOTE:** This handbook focuses on early stakeholder engagement and does not intend to address the construction, operation, and closure stages in detail. However, stakeholder engagement is a continual process and has to take place throughout the project life cycle. The following brief sections on construction, operation, closure, and postclosure provide a summary of stakeholder engagement in these stages. More details on how to engage meaningfully at these stages are provided in the IFC publication *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*.<sup>4</sup>

### Actions:

- **Update stakeholders likely to be affected by construction.**
- **Continue to communicate with those impacted, as well as with a broader range of stakeholders on the construction activities and any changes to the schedule throughout the construction stage.**

**NOTE:** This requires strong internal communication between the construction team and the community relations and government relations teams.

- **Have community liaison staff working daily in the community. Respond promptly and meaningfully to grievances following the established grievance mechanism process.**
- **Continue to engage with the affected stakeholders on the development of environmental and social management programs.**
- **Require contractors to comply with company/project social and environmental protocols (implement Contractor Management Plan [CMP]).**
- **Prioritize procurement of goods and services from local businesses if the quality and reliability of supply of such goods and services meet company needs and quality standards. Support SME capacity building, access to finance, and linkages programs.**
- **Continue to prioritize hiring of unskilled and skilled workforce from local communities. Support efforts of other stakeholders (i.e., donors, government, associations) to increase employability of local people.**

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<sup>4</sup> International Finance Corporation, *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*, World Bank Group, Washington, DC, May 2007, [www.ifc.org/ifcext/enviro.nsf/Content/Publications\\_GoodPractice](http://www.ifc.org/ifcext/enviro.nsf/Content/Publications_GoodPractice).



## 5.8 STAGE: OPERATION

### Description

The work during the operation stage involves recovering, processing, and transporting the minerals. This can last anywhere from two to 100 years or more, depending on the size and type of the mineral deposit. The transition period from construction to operation will bring many changes that may affect the ongoing stakeholder relationships and need to be carefully managed to ensure continuity. The most noticeable of these changes are decreased activity and construction and a dramatic reduction of overall employee and contractor workforce.

Stakeholder engagement should continue to be an integral component of operation management and should be aligned with existing systems (such as health and safety, environmental management, procurement and contractor management, security considerations, external communication, and project risk management). In this stage, exploration and construction financing are recovered and profits begin to be generated. Revenue depends on supply and demand and commodity prices in the market, which can vary greatly during the mine life cycle. This is the stage with the greatest presence of the company and relatively stable ongoing activities. There are opportunities to implement long-term strategic community investment programs and to continue building on stakeholder partnerships in program design, implementation, and monitoring.

## Actions:

- **Manage transition from construction to operation with the impacts on community relations in mind:**
  - › Communicate the change from construction to operation and what this will look and feel like for the community through, for example, radio, town hall meetings, and community bulletin boards.
  - › Prepare a retrenchment plan for construction workers.
  - › Retain experienced and trusted community liaison staff.
- **Communicate and update project information (i.e., job postings, environmental monitoring, community committee activities, community investment projects) regularly, using methods established throughout ESSE.**
- **Conduct stakeholder perception surveys on the company's performance as a good neighbor and use findings to inform ongoing engagement programs.**
- **Integrate ongoing stakeholder commitments into management systems.**
- **Continue adhering to transparency and public disclosure protocols.**
- **Consult and communicate regularly with stakeholders, particularly on changes to the project design and operational procedures, monitoring of ESIA management plans, and annual maintenance procedures.**
- **Communicate emergency preparedness and the response plan on a regular basis.**
- **Keep the grievance mechanism operational and respond promptly and effectively to complaints.**
- **Consider establishing a participatory third-party monitoring program.**
- **For complex projects with significant impacts (Category A<sup>5</sup>), establish an independent monitoring panel.**
- **Continue to prioritize procurement of goods and services from local businesses and contribute to building a diversified local economy through the support of small businesses.**



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## 5.9 STAGE: CLOSURE AND POSTCLOSURE

### Description

Mining or oil and gas closure is the process of implementing site closure measures and environmental clean-up at project facilities. The closure process starts in the planning stage and is implemented during the operation stage of projects (progressive closure when possible) or when operations are no longer technically or economically viable. The process generally includes (a) abandonment and physical removal of facilities, building, and equipment from the site; (b) remedial measures to mitigate against environmental pollution; (c) reclamation of land, waste, and tailings facilities to predetermined quality and standard; and (d) social mitigation measures.

Failure to properly decommission the site often creates significant environmental and social problems because many of the by-products of mineral resources development are hazardous to human health and the environment. This can be exacerbated by early, unplanned, or unforeseen closure. These hazards can eventually result in impacts to local ecosystem services and the reduction in economic productivity of agricultural lands and fishing areas, thereby negatively impacting the economy and livelihood of the affected population. The social aspects of the project closure involve loss of local employment, a general decline in regional economic activities, and cutting back on community services previously provided by the company. These can result in long-term financial and reputational liabilities for the project or company.

Engagement with relevant stakeholders throughout the closure process (i.e., including in the early development of the closure plan) is therefore critical to reducing the negative impacts of closure on stakeholders. The two groups of stakeholders that most directly bear the consequences of closure in the longer term are members of the local community (including local businesses) and local government. The main concerns of these stakeholders include compensation benefits, reemployment opportunities, community health and safety and environmental risks during and after closure, transfer of physical assets and land to other owners and users, environmental rehabilitation, and future status of services and infrastructure.

#### Actions:

**“A good beginning makes a good ending.”**

—English Proverb

- **Consult and engage relevant stakeholders in the preparation of the project closure plan (which first occurs at the project feasibility stage) and provide regular updates during the operation stage.**
- **Communicate with stakeholders early and often to allay fears and uncertainty.**
- **Provide regular updates and progress reports to stakeholders against agreed plans.**
- **Consult and reach agreements on transfer and management of assets and liabilities.**
- **Continue to use the established grievance mechanism.**

**NOTE:** This will likely be another peak time of complaints as the number of layoffs increase and concerns about the future escalate. Ensure adequate resources are in place to handle these grievances in a timely manner.







# CHAPTER

# 6

## Good Practice Approaches and Tools

- 6.1 Introduction
- 6.2 Early Stakeholder Engagement and Human Rights Issues
- 6.3 Early Stakeholder Engagement and Gender Issues
- 6.4 Participatory Rural Appraisal (PRA) Techniques
- 6.5 Stakeholder Map and Analysis
- 6.6 Communications and Sustainability
- 6.7 Risk and Opportunity Screening and Prioritization
- 6.8 Artisanal and Small-Scale Mining
- 6.9 Strategic Community Investment
- 6.10 Financial Valuation Tool
- 6.11 Grievance Mechanisms
- 6.12 Conflict Resolution: Tips and Tactics
- 6.13 Measure, Evaluate, and Communicate for Strategic Advantage

“Learn from the mistakes of others.  
You can’t live long enough to make  
them all yourself.”

—*Eleanor Roosevelt*

# Good Practice Approaches and Tools

## 6.1 INTRODUCTION

It is important to distinguish between compliance to meet the regulatory requirements of a country or the standards of a lender (such as the Equator Principles and IFC's Performance Standards), and added value to achieve development impacts.

If a company or project only aims to achieve compliance, then, particularly with respect to addressing challenging stakeholder and community engagement issues, the strategy may not be enough to earn a Social License to Operate.

## 6.2 EARLY STAKEHOLDER ENGAGEMENT AND HUMAN RIGHTS ISSUES

The work of the UN Special Representative on Business and Human Rights, Professor John Ruggie, on the issue of human rights and transnational corporations and other enterprises, has spurred new approaches to social and stakeholder engagement issues globally.

The Ruggie Report<sup>1</sup> and the UN's "Guiding Principles on Business and Human Rights—Implementing the United Nations 'Protect, Respect and Remedy' Framework,"<sup>2</sup> have been broadly accepted internationally. The report outlines the distinct, albeit complementary, roles of states and companies in relation to human rights as follows:

- Governments have the responsibility to "protect" human rights (analogous to their primary role in development).
- Companies must "respect" human rights (i.e., not infringe on the rights of others and not impede the social and economic development of communities).

The Ruggie Report specifically recommends that companies/projects:

- Undertake human rights due diligence (actual and potential human rights impacts).
- Contribute to the development of affected communities, recognizing that projects can only be successful if they enjoy broad local support.

While the roles of governments and companies are different, it is clear that companies can play an important catalytic role in the field of human rights, and at the same time gain broad local support for the company business.

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1 United Nations, *Report of the Special Representative of the Secretary-General on the issue of human rights and transnational organizations and other business enterprises*, John Ruggie, United Nations, New York, March 2011, [www.ohchr.org/Documents/Issues/Business/A-HRC-17-31\\_AEV](http://www.ohchr.org/Documents/Issues/Business/A-HRC-17-31_AEV).

2 [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf).

Increasingly, initiatives and organizations such as the Global Reporting Initiative, and the Ethical Globalization Initiative: Realizing Rights, headed by former President of Ireland and UN High Commissioner for Human Rights Mary Robinson, have focused on helping companies acknowledge and address shared responsibilities with respect to social, environmental, and economic issues and sustainable development.

There is a growing global consensus that the private sector has a responsibility to respect human rights independently of state duty by avoiding or addressing adverse human rights impacts from business operations through due diligence.

The IFC's 2012 Performance Standards (PS) review process confirmed that human rights are now a major sustainability issue for businesses and their stakeholders (box 6.1).

Other Multilateral Development Banks, Export Credit Agencies, and International Financial Institutions (in particular, Equator Principles Financial Institutions) have also recognized and strengthened similar requirements in order to provide project financing.

More comprehensive and rigorous requirements with respect to human rights, stakeholder engagement, and other social issues associated with private sector project development are increasingly being incorporated into the legal and regulatory requirements of national governments globally.

*The Voluntary Principles on Security and Human Rights*, established in 2000, are a set of principles designed to guide companies in maintaining the safety and security of their operations within an operating framework that encourages respect for human rights. These principles cover risk assessment, interactions between companies and public security, security arrangements, deployment and conduct of security personnel, consultation and advice, responses to human rights abuses, and interactions between companies and private security. The Voluntary Principles are gaining widespread currency and now have eight government participants, 22 international corporate participants, and nine international NGO participants.<sup>3</sup>

**“It’s not what  
you know,  
it’s what you  
do with what  
you know.”**

—Anonymous

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<sup>3</sup> Voluntary Principles on Security and Human Rights, <http://www.voluntaryprinciples.org/>.

## BOX 6.1.

### HUMAN RIGHTS: IFC PERFORMANCE STANDARDS (PS) REQUIREMENTS

The 2012 PS confirm IFC's recognition of the private sector's responsibility to respect human rights and support many human rights, including labour rights, rights of Indigenous Peoples, and the right to health (a clean environment).

- Support *due diligence*, as underscored by the UN Special Representative, by recognizing that project risk management includes management of environmental, social, labour, and other related risks.
- IFC's approach to human rights focuses on the identification of relevant linkages between environmental and social considerations and human rights. The IFC Sustainability Framework and PS reflect this approach by integrating human rights issues into applicable sections.
- The PS consistently reference key human rights such as *participation, transparency, and nondiscrimination, and explicitly require grievance mechanisms.*
- IFC's commitments regarding transparency and disclosure support important rights such as the right to freedom of opinion, information, and expression.
- IFC clients are responsible for identifying and addressing human rights impacts through environmental and social due diligence and risk management outlined in the PS. The 2012 PS strengthened the coverage of rights in economic, social, and cultural areas to include issues such as human trafficking, forced evictions, access to cultural heritage, and *Free, Prior, and Informed Consent (FPIC) for Indigenous Peoples in certain circumstances.*

Source: [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf).

## 6.3 EARLY STAKEHOLDER ENGAGEMENT AND GENDER ISSUES

### Key principles

Extractive industry companies should base their strategy to improve their positive impact on women, from the perspective of both the female workforce and all women in affected communities, on three elements:

- **Understand Women’s Situation and Perspectives:** It is important to understand the situation and perspectives of the women in the project area of influence and the benefits and risks that the company’s presence could pose to them. This information, and the relationships built in the process of researching it, can form the basis for taking action to improve the company’s impact on women and families.
- **Design for Gender-Responsive Approach:** It is important to design and implement extractive industry operations in a gender-responsive way. As a first step toward this goal, a company can integrate gender aspects into its community engagement, social programs, resettlement programs, and employment practices. These key immediate delivery areas can have significant positive impacts on gender responsiveness with minimal additional cost or effort.
- **Translate Commitment into Action:** A gender champion (for both staff and external issues) should be selected and appointed, to ensure that this work continues to be a corporate priority.

Given that these elements fall within the responsibility of different teams inside an operation, coordination and responsibility for them needs to be centrally maintained.

As the project progresses and the company grows, senior management should be aware that not all gender integration actions are the responsibility of the company’s community relations team. For example, with regard to the employment of women, the human resources, procurement, community relations, and management functions of a company should all work together to ensure that women are appropriately recruited and incorporated into the workforce at all levels as temporary, rotational, and permanent employees, and also into the supply chain.

### Steps to developing a gender-responsive approach

*As part of stakeholder mapping, understand the situation and perspective of women:*

- At the household level—roles and division of labor in the household, source of income, and household decision making.
- At the community level—women’s involvement in public decision-making processes with regard to benefits, organizations, jobs/posts held by women (mayor, judge, councilor, health post, etc.).
- On issues for community/women to discuss in a group or workshop setting (e.g., issues related to family violence, prostitution, sexual abuse, and alcoholism).
- Levels of capacity and skills of women in order to increase their access to job opportunities.



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### *Design for gender responsiveness in communities*

- Ensure women's participation in community consultation and decision making regarding community projects and programs.

**NOTE:** This may require special accommodation in terms of place, time, facilitation, etc. to enable women to participate meaningfully.

- Build women's confidence in their abilities.
- Work with and through local authorities where possible to support government programs for women.

### *Design for gender responsiveness in employment*

- Develop and enforce a nondiscrimination policy.
- Provide training on gender issues both within the company and within the community.
- Implement family-friendly work practices for female and male staff members.
- Develop a gender-responsive recruitment process.
- Develop a strategy to increase employment opportunities for women.

### *Translate commitment into action*

- Select and appoint a gender champion at a senior level. This function can be part time or full time.
- Gender aspects should be fully integrated into the company's business. The gender champion should work closely with both human resources for internal issues and with community relations for external issues. Ideally, the gender champion should be supported by a gender team to research, design, and implement specific programs.

Box 6.2 presents details on IFC PS requirements regarding gender issues.

## BOX 6.2.

### GENDER ISSUES: IFC PS REQUIREMENTS

- Recognizing that women have a crucial role in achieving sound economic growth and poverty reduction, including through private sector development, IFC expects its clients to minimize gender-related project risks and unintended gender-differentiated impacts.
- IFC's approach to gender is integrated throughout the PS with respect to general requirements protecting all workers, and reducing risks and impacts to all affected communities.

Examples include:

- The need to consider gender differences throughout the project life cycle (PS1).
- Consider specific hazards to women as part of the occupational, health, and safety measures that are nondiscriminatory (PS2).
- Targeted measures to help ensure women's interests, land and property rights are addressed in all aspects of land acquisition and resettlement, and in particular compensation and benefits (PS5).
- With respect to engagement with Indigenous Peoples, specifically consider women's role in the management and use of land and natural resources (PS7).

## 6.4 PARTICIPATORY RURAL APPRAISAL (PRA) TECHNIQUES

### Introduction

Practical rapid appraisal and participatory approaches of engaging with local communities (rural and urban) enables sharing and analysis of local knowledge. This facilitates local community participation in planning and implementation of projects. These techniques are often termed Participatory Rural Appraisal (PRA),<sup>4</sup> but can also be used effectively in urban settings. PRA provides a powerful tool to rapidly obtain local knowledge, attitudes, and perceptions of community interest groups, especially at the initial exploration stage of a project.

Why use a PRA?

- PRA is often more effective as a general information-gathering exercise with traditional, rural, or semiliterate communities than standard interview and questionnaire survey techniques.

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4 Neela Mukherjee, *Participatory Rural Appraisal: Methodology and Applications*, Concept Publishing Company, New Delhi, 2003.



- PRA techniques help facilitate an initial process of dialogue with, and participation by, respondents and interest groups to identify, order, and present key issues and data.
- PRA facilitates joint analysis of issues, and evaluation of constraints and opportunities and informed decision making.
- PRA techniques also help empower local people to take ownership of key findings, plans, and measures to mitigate key issues and project impacts.

### **PRA versus standard interviews and surveys**

PRA is not intended to replace the more rigorous data collection required at the detailed Environmental and Social Impact Assessment (ESIA) stage, but can provide relevant information quickly for the development of an effective ESSE. Table 6.1 provides a comparison of PRA and standard questionnaire surveys.

<b>Table 6.1. Comparison of PRA and Standard Questionnaire Surveys</b>	
<b>PARTICIPATORY RURAL APPRAISAL TECHNIQUES</b>	<b>STANDARD QUESTIONNAIRE SURVEYS</b>
<ul style="list-style-type: none"> <li>• Quick</li> <li>• Low/medium cost</li> <li>• Preliminary/wide scope</li> <li>• Flexible/informal</li> <li>• High participation</li> <li>• High joint learning</li> <li>• Low/no statistical analysis</li> <li>• Qualitative</li> <li>• Bottom-up approach.</li> </ul>	<ul style="list-style-type: none"> <li>• Time-consuming</li> <li>• Medium/high cost</li> <li>• Limited scope</li> <li>• Fixed/formal</li> <li>• Low participation</li> <li>• Low joint learning</li> <li>• High statistical analysis</li> <li>• Quantitative</li> <li>• Top-down approach.</li> </ul>

## PRA Techniques appropriate for ESSE

- **Semistructured interviews:** Only some of the questions are predetermined and others flow from the interview.
- **Focus group discussions:** Women, youths, crop farmers, livestock herders, etc.
- **Historical profile:** Often reveals important information for understanding the present situation in a community.
- **Time trends:** Quantitative changes over time (e.g., population size and number of households, migrants, land-use patterns, area under cultivation, crop yields).
- **Seasonal calendar:** Presents complex seasonal activities on a simple diagram.
- **Livelihood analysis diagrams:** Helps to interpret behaviors, decisions, and livelihood coping strategies of households and communities.
- **Preference ranking and scoring:** Allows rapid determination of key issues, preferences, and priorities.
- **Venn diagram:** Shows key institutions and individuals in a community, linkages and relationships, and importance for decision making.
- **Direct observation and indicator checklists:** To support and cross-check findings.
- **Participatory mapping:** Historical/future, social groups, land use, use of natural resources such as soil and water, mobility of different community groups.
- **Transects:** Diagram of main land-use zones.
- **Joint group analysis/decision making:** Facilitates participation of community members in decision making and ownership of outcomes.
- **Participatory monitoring and evaluation:** Project impacts and mitigation measures, community investment projects, etc.
- **Sustainability analysis:** Facilitates a high level of participation in assessing and deciding on modification/continuation of various activities/project initiatives.

## Use PRA techniques with caution

PRA techniques need to be used with caution, since inexperienced application can lead to incomplete, inaccurate information, misinformed decisions, and unforeseen consequences. Common dangers are:

- Moving too quickly and not “unpacking” issues sufficiently (becomes superficial)
- Failure to listen carefully, show humility and respect
- Failure to involve and build trust with all stakeholder groups
- Generalizing based on too little information or too few key informants
- Hierarchical (often male) dominance of group discussions

- Being misled by myth and gossip
- Making value judgments based on perceptions and not facts
- Imposing ideas and values (often unconsciously)
- Raising unrealistic expectations
- Overlooking key community interest groups (e.g., women, youth)
- Overlooking the “invisible”: issues not readily visible.

Box 6.3 presents a discussion of one interactive tool—the Community Scorecard—used to rate a company’s performance and gauge community concerns.

## 6.5 STAKEHOLDER MAP AND ANALYSIS

Identifying which stakeholders to target ensures that engagement is strategic and will help a project respond proactively to site-specific communication and social risks, while also taking advantage of opportunities to have a positive impact in its area of operation.

### Who are Stakeholders?

- **Stakeholders are organizations, interest groups, households, and individuals who are likely to:**
  - › Be affected, either directly or indirectly, by a project at various stages of its life cycle
  - › Have the ability to influence project outcomes (both positively and negatively)
  - › Have frequent contacts or an ongoing relationship with the company.
- **Stakeholder groups may include:**
  - › Government (local, regional, national)
  - › Local civil society organizations (community-based groups, NGOs)
  - › Nearby local communities/settlements (including artisanal and small-scale mining)
  - › Landowning households
  - › Transient migrant communities (e.g., migrant workers, nomadic livestock herders, artisanal and small-scale mining)
  - › Vulnerable groups (women, youth, elderly, disabled, marginalized groups)
  - › Project workforce
  - › Project contractors.



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### BOX 6.3.

## TRANSPARENT COMMUNITY SCORECARD

The Community Scorecard was an interactive tool that enabled the community to rate the company's performance and provided the company with a way to respond to the community's concerns around project impacts, especially those that relate to social, environmental, safety, and transparency issues.

The Community Scorecard tracked and measured company performance in areas of importance to both the company and the community. This methodology was pioneered by Eagle Mine (previously owned by Rio Tinto and now by Lundin Mining) in Michigan's Upper Peninsula. The approach is now used in other projects by stakeholders with varying levels of education, with feedback mechanisms ranging from ratings obtained in community or focus group discussions to anonymous feedback using handheld devices and software that enable instantaneous responses to be recorded.

Eagle wanted to demonstrate it genuinely listened to the community and worked to understand its concerns. The Community Scorecard was part of a strategy to be transparent, responsive, and willing to make changes. This approach contributed to building trust and improving business practice.

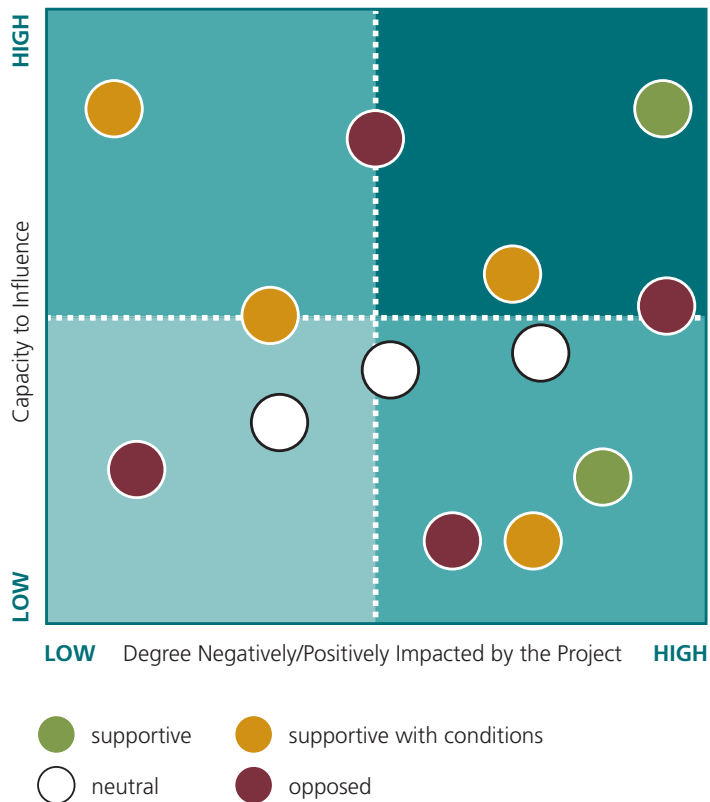
*Source:* L. Dixon, and L. Zandvliet, "Walking the Talk: Community Rating of Eagle's Social Performance," Triple R Alliance, Warton, Ontario, 2013.

## Mapping and analyzing stakeholders

- Once stakeholder groups have been identified, they should be mapped and analyzed to assess the degree to which they are affected by the project, and their capacity to influence the outcomes of the project.
- Use the matrix and figure 6.1, below, to map stakeholders according to the degree to which they are impacted by the project, either positively or negatively (horizontal access) and the level of influence they might have over project activities (vertical axis of the figure).

Stakeholder Identification and Mapping							
STAKEHOLDER	AFFILIATION	IMPACTED BY PROJECT			INFLUENCE OVER PROJECT		
		High	Medium	Low	High	Medium	Low
Boubacar Keita	Crop farmer, village elder Farabacouta Village			✓		✓	

Figure 6.1. Mapping and Analyzing Stakeholders



- Further analysis of these stakeholders can help a project improve its stakeholder engagement strategy to address potential risks and opportunities associated with each stakeholder.
- Key questions and points to consider include:
  - › How and to what degree is each stakeholder impacted (positively and negatively) by the project?
  - › How and to what degree are impacted stakeholders benefiting from the project?
  - › Which stakeholders are not benefiting, or are negatively impacted, and does this pose any risks to the project's business objectives?
  - › Which stakeholder groups are supportive of the project, and to what degree?
  - › Which stakeholder groups are neutral or opposed to the project, and to what degree?
  - › What type of power relationships exist between stakeholders/stakeholder groups?
  - › What are the key interests of each stakeholder group?
  - › What type of engagement approach is most appropriate for each stakeholder group?
  - › What level of engagement is required for each stakeholder group (inform, consult, involve)?
  - › How might the project's stakeholder engagement strategy address the various identified stakeholders, maintain supportive stakeholders, and help to address the concerns of less supportive stakeholders, or those who are opposed to the project?

### **Stakeholder engagement prioritization**

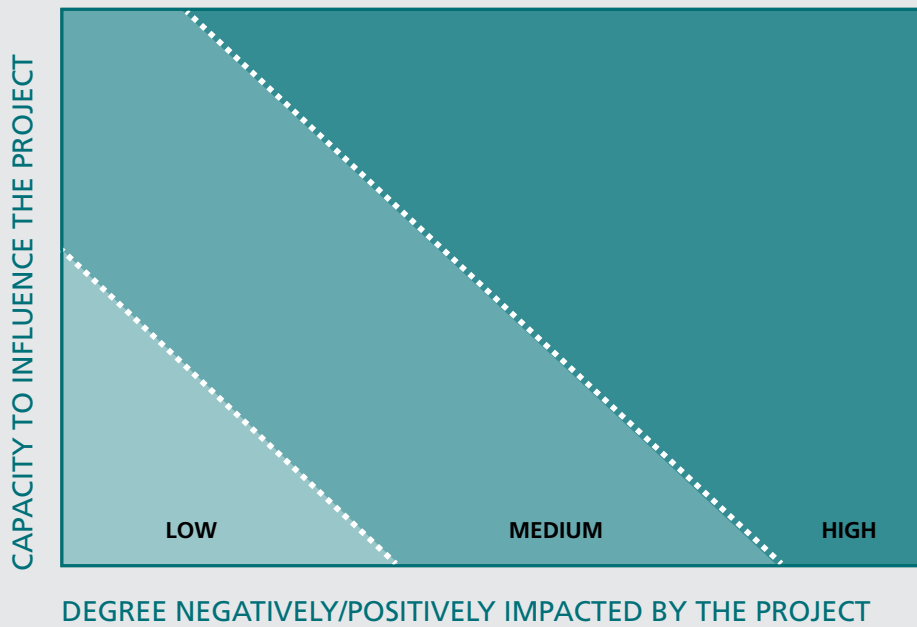
- Once stakeholders have been identified and analyzed according to the degree of potential project impacts (positive or negative), and capacity to influence the project, a strategic approach can be developed. This strategy can help prioritize the frequency and level of engagement with individuals and stakeholder groups.
- Use the matrix presented in figure 6.2 to identify which stakeholders to prioritize in a strategic engagement process.

Box 6.4 outlines the IFC PS requirements for stakeholder identification and engagement.



Adriana Eftimie

**Fig 6.2. Matrix: Stakeholder Analysis and Prioritization**



## BOX 6.4.

### STAKEHOLDER IDENTIFICATION AND ENGAGEMENT: IFC PS REQUIREMENTS

**PS1** underscores the importance of:

- i. Establishing an effective and dynamic Environmental and Social Management System (ESMS) to manage environmental and social (E&S) performance throughout the life of the project.
- ii. Effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them.

The ESMS is a dynamic and continuous process initiated and supported by project management that involves engagement among the client, its workers, local communities directly affected by the project (the affected communities), local authorities and, where appropriate, other stakeholders.

#### What PS1 says on Stakeholder Engagement:

- Stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential to the successful management of a project's E&S impacts, risks, and opportunities.
- It is an ongoing process that may involve, in varying degrees, the following elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, a grievance mechanism, and ongoing reporting to affected communities.
- The nature, frequency, and level of effort may vary considerably and will be commensurate with the project's risks and adverse impacts, and the project's phase of development.

#### Stakeholder Analysis and Engagement Planning

- The client should identify the range of stakeholders that may be interested in their actions and consider how external communications might facilitate a dialogue with all stakeholders.
- The client will develop and implement a *Stakeholder Engagement Plan* that is scaled to the project risks and impacts and development stage, and tailored to the characteristics and interests of the affected communities.
- In cases where the exact location of a project is unknown (e.g., early exploration stage) the client will prepare a *Stakeholder Engagement Framework* outlining general principles and a strategy to identify affected communities and other relevant stakeholders and plan for implementation of a PS-compatible engagement process once the project is more clearly defined.





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### What PS5 says on Stakeholder Engagement:

**PS5** recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land.

Decision-making processes related to resettlement and livelihood restoration should include options and alternatives, where applicable. Disclosure of relevant information and participation of affected communities and persons will continue during the planning, implementation, monitoring, and evaluation of compensation payments, livelihood restoration activities, and resettlement to achieve outcomes that are consistent with the objectives of PS5.

The consultation process should ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation. Addressing livelihood impacts may require intrahousehold analysis in cases where women's and men's livelihoods are affected differently. Women's and men's preferences in terms of compensation mechanisms, such as compensation in kind rather than in cash, should be explored.

## 6.6 COMMUNICATIONS AND SUSTAINABILITY<sup>5</sup>

Recently the roles and responsibilities of communications teams in the extractive industries have seen significant shifts. The Internet and rise of social media have increased the expectations of stakeholders for a deeper and wider range of information. Merely pushing information out is no longer enough to ensure that communications have taken place. Rather, companies are moving to a two-way, ongoing dialogue approach that systematizes information flows to, from, and across the company. In the face of significant business challenges to the mining sector, communications is playing an increasingly strategic role in securing a license to operate. As companies integrate sustainability across their business, strategically and tactically, communication success is key.

Companies are changing the way they organize, manage, and execute effective stakeholder communications by:

**“Communication takes the company out. Engagement brings the community in.”**

—Anonymous

- Creating an environment for effective stakeholder dialogue
- Using transparency to build trust
- Integrating communications to enhance sustainability efforts
- Enhancing internal communication and corporate culture
- Measuring impact.

When trust is lost, the cost is financial and reputational. The role of communications in managing this risk depends on how a company views and structures the function. Increasingly, this is moving from a short-term tactical role to a long-term, strategic one that includes:

- Closer and more strategic collaboration between communications and other business functions such as operations, human resources, legal, environmental, risk management, procurement, and community relations
- Searching for ways to ensure information is flowing around the group and that this cascades up, as well as down, in order to stay ahead of emerging risks and opportunities
- Building relationships with a wide group of stakeholders, including adversaries and supporters, is a critical buffer when crisis occurs. This is an essential insurance policy for any company, regardless of size. It can be helpful to have views from different perspectives to give a broader understanding of a crisis, even if that includes a stakeholder that does not agree with company actions.
- Increasingly, companies are investing in telling their story in an open, proactive, and structured manner. This includes robust content creation to ensure that communications convey a strong story with facts and anecdotes that truly represent the state of the business (box 6.5).

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<sup>5</sup> International Council on Mining and Metals and International Finance Corporation, and Brunswick Group, “Changing the Game: Communications and Sustainability in the Mining Industry,” October 2013, [www.icmm.com/changing-the-game](http://www.icmm.com/changing-the-game).



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## BOX 6.5.

### IN PRACTICE

Anglo American introduced a Global Editorial Calendar to capture communications strategies, programs, and themes at the asset level to ensure they are aligned with those at the corporate level and that all good-news stories are maximized both geographically and by channel.

In Peru, Rio Tinto has for years met monthly over breakfast with a reference group of NGOs to share updates on the company's activities. The NGOs have been appreciative of the proactive communication approach, and some of the opinions shared have made the company rethink some of its activities.

## Invest in your employees

With more access to information and powerful communications platforms, companies know that employees (and contractors) are their best ambassadors—or potentially a source of discontent and reputational risk. Companies that lead the field are investing in targeted training for staff at different levels that can carry out communications activities. This goes hand-in-hand with creating standard processes and roles across the organization in order to avoid duplication of effort or gaps.

Innovative companies aim to decentralize and humanize company messaging, tapping staff across levels and functions to engage in relationship building, truth telling, and open listening. In addition to ensuring that employees are getting the facts, there is more emphasis on training spokespeople at many different levels and providing them with communications toolkits on an ongoing basis.

## Embrace digital dialogue

News is without borders. The events in one location can have a significant ripple effect on markets and projects across continents. Digital communications have enabled more people to access and generate information to reach wider audiences. Increasingly, a company's communications must fit in the palm of the hand as mobile devices become an important platform for sharing content. Establishing a presence online is critical—especially at the asset level.

## Enlist more industry cooperation

The extractive industry operates with a shared reputation. That shared reputation is often based on the poorest performers. Industry organizations—as well as peer-to-peer collaborations—are a vital way to share lessons. Industry communications can be much more impactful when companies share one voice on key topics such as water management and reporting, and work together to build skills and knowledge (training for media, civil society, academia).

## Improve ways to measure what matters

Often communications and engagement are evaluated through perception studies (asking stakeholders directly about their views of the company's work) and through more traditional evaluations of media impact (frequency and quality of media coverage). Environmental and social baseline studies, critical for establishing business plans and credible messages, also have great potential to be more effectively used as indicators for communications functions. Many companies are moving to more tailored measurements for communications.

Increasingly companies are evaluating themselves on a spectrum from more tactical/reactive to more strategic/proactive by asking a few simple questions:

- How close is communications to the decision-making process?
- How much time is spent on short-term crises compared to long-term strategies?
- How well aligned are internal and external communication messages?
- Are communications materials more often ad hoc/reactive or ongoing/iterative?
- How are stakeholders listened and responded to?

- Building trust through transparency, which includes regular disclosure of key decisions, performance metrics, and contributions to local and national economies
- Understanding that communications is not a silver bullet. Communications can often bridge gaps in information or understanding, but it cannot “fix” underlying operational and strategic decisions that may be at the root of stakeholder concerns.

### Making the case for the bottom line

- It is often difficult to calculate the financial or reputational cost of a crisis that has been averted—or blunted—because of an effective communications strategy that is consistent with other company actions.
- Benefits of the crisis averted often accrue to other parts of the business—mining operations that did not have to slow or stop, community goodwill that was not damaged, government sanctions that were not imposed—but the communications activities that led to this are rarely praised. Nor are they isolated. They tend to be recurring and backed up by other company practices.

### Know your audience and the influencers within it

Effective communications begins by defining priority audiences and understanding their levels of concern and influence. At the corporate and asset level they are:

- **Corporate level:** Shareholders and investors, global organizations and multilaterals, international NGOs, top-tier media, and all employees.
- **Asset level:** Priority audiences are more broad-based but geographically targeted and include local communities, local and national government, local media, NGOs, employees and, increasingly, contractors.

### Find more opportunities to listen

Together with other functions, communications departments are designing opportunities to share the company’s experiences and to build trust with neighbors and potential partners, as well as adversaries.

### Align communications with stakeholder engagement and other functions

Alignment does not mean merging functions, but rather a recognition of shared objectives and the need for collaboration. One strategy is to tie communications activities into employment incentives, which can help members of the organization understand the relevance and value that communications brings. This includes incentives for information sharing.

### Keep records and share them

One of the most overlooked aspects of stakeholder engagement is the need to document and maintain records of communication activities, particularly public commitments and bilateral dialogues. Company-funded public information centers with strong record keeping and grievance collection and response systems are now industry good practice.

- How is communications measured?
- How are communications channels, including cell phones, radio, and social media, used to monitor/watch or to broadcast/engage?

## 6.7 RISK AND OPPORTUNITY SCREENING AND PRIORITIZATION

Junior companies at the exploration stage commonly face unrealistically high expectations of local communities and authorities and many ad-hoc requests for support and assistance, such as employment opportunities, repairs to local infrastructure (access roads, water points), treatment of minor health ailments, and transport of more serious cases to hospital.

In such a context, exercising strategic focus on stakeholder engagement and selectivity regarding activities to support is particularly important, especially given that companies commonly have limited resources and capacity to address these issues in the exploration and feasibility assessment stages.

Looking at these numerous issues and requests by local communities through the twin lenses of risk and opportunity provides a means of screening and prioritization.

Risk and opportunity screening can be a useful decision-making tool that involves:

- The identification of risks and opportunities associated with each stakeholder issue or request for assistance
- The evaluation and ranking of each identified risk or opportunity to identify potential priority areas for action.

Stakeholder engagement and community investment planning processes typically reveal a set of key issues that are important to local stakeholders. Using this as a starting point, map each issue against:

- The level of risk to the company (particularly if the issue is not addressed)
- The level of opportunity presented by addressing the issue.

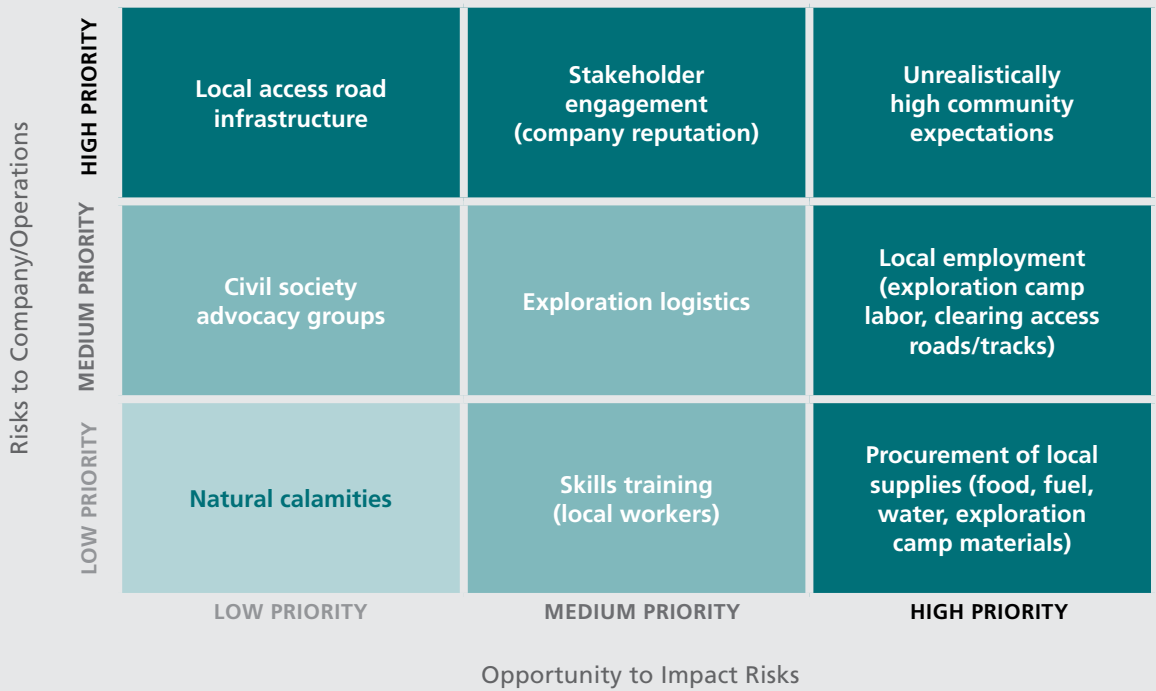
Use the matrix presented in figure 6.3 and table 6.2 to list stakeholder issues and community investment requests and to identify the nature and level of the risk and opportunity for each one.

For each identified risk, assign a rating of high, medium, or low (for consistency of ranking, it is important to establish a common definition). Factors to consider include:

- How great a risk does the issue pose to the company (in terms of project delays and disruptions, Social License to Operate, reputation, civil society, and media attention)?
- Is the issue considered high priority by a majority of stakeholders, or a select minority?
- What is the probability or likelihood of a “risk event” if the need or issue is not addressed?

For each stakeholder issue or request, rate the level of opportunity presented if it is addressed (for consistency of ranking, common criteria and definitions are required).

**Figure 6.3. Measuring Risks and Opportunities of Community Investment Requests**



**Table 6.2. Risks and Opportunities and Level of Risk of Company Involvement**

STAKEHOLDER ISSUE	NATURE OF RISK	NATURE OF OPPORTUNITY	LEVEL OF RISK (HIGH, MEDIUM, LOW)	LEVEL OF OPPORTUNITY (HIGH, MEDIUM, LOW)
High local unemployment/request for jobs	High expectations, low levels of education and skills, potential frustration and conflict over limited job opportunities	Need for labor to clear access routes, cut and provide marking stakes, exploration trenching, maintenance of exploration camp, training and skills improvement	H	M
Repair local area access road	Community grievances about increased damage to poor roads by project, transport delays	Improved access for community and project resulting from road repairs, increased goodwill, and level of social license	M	H

To determine the company's ability to address the risk consider:

- The company's resources and capacity to address the issue
- Practicality and ease of execution
- Support by local leaders, government agencies, etc.
- Cost of the intervention
- Potential to achieve broad-based benefits for local stakeholders.

Box 6.6 presents a discussion of the direct and indirect environmental and social impacts in risk management.

## 6.8 ARTISANAL AND SMALL-SCALE MINING

### Introduction

Artisanal and small-scale mining (ASM) is a global phenomenon, with estimates of those directly involved in the activity ranging from 13 million to 20 million people. A further 80 million to 100 million people depend on the sector for their livelihood in over 30 developing countries.<sup>6</sup> It is also a socioeconomic phenomenon that allows miners to earn some income (often subsistence or supplementary), generally in economies characterized by low levels of earnings and work opportunities.

Mining companies increasingly acknowledge the challenges posed by ASM in their exploration or mine lease areas. Extensive ASM activities can result in major difficulties and delays in undertaking exploration, feasibility planning, construction, and operation of a mine.

As a result, more companies are developing innovative approaches to engage with artisanal miners from the early stages of exploration and proactively address ASM issues and risks. Some risks related to ASM are:

- **Risk of conflict:**
  - The illegal occupation of land within a mine lease area increases the potential for conflict between the mining company (legal lease holders) and the ASM miners.
  - ASM miners are often migrants, and if the mining company finds a way to work with, and legitimize, the activities of the miners, there is potential for conflict with local communities that may not accept the arrangement.
- **Reputational risks for companies:**
  - ASM miners increasingly use cyanide or mercury for processing without the necessary knowledge or resources for safe handling. This use of hazardous materials often results in land contamination and significant negative impacts to miners and other local inhabitants and the environment. These impacts may then be wrongly attributed to the mining company's activities.

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<sup>6</sup> Community and Small-Scale Mining (CASM) Initiative.





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## BOX 6.6.

### RISK MANAGEMENT: DIRECT AND INDIRECT ENVIRONMENTAL AND SOCIAL IMPACTS

- Good social and environmental performance from the outset of initial exploration through to eventual project closure is fundamental to managing risks and building strong relationships with local communities.
- Any initial community investment programs—which should not be confused with mitigation or compensation for project impacts—are unlikely to be effective if the local population feels that the company is not adequately managing negative impacts.
- Good practice companies take broad responsibility for the wide range of impacts generated by the project (starting with exploration and continuing through construction, operation, and closure) and work with communities transparently and in good faith to address them.
- This includes indirect or “induced” impacts (such as potential population influx, impacts to ecosystem services, cropland, and food security, or an increased incidence of HIV/AIDS), as well as impacts from any associated facilities linked to the project.

- › Accidents resulting in injuries and deaths among ASM miners within the exploration or mine lease area may also be wrongly attributed to the company, which may then be held responsible and be subject to negative publicity about the safety of its operations, compensation claims, and conflict (blockages, stoppages).
- **Risk of interference to the company’s exploration, mine construction, or operations due to the uncontrolled activities of ASM miners.**
- **Risk of injuries and death and other security risks resulting from violence associated with stopping existing ASM activities in order to develop a large-scale mine.**

*Appendix 2* is a matrix that provides guidance on how to reduce the risks associated with ASM and how to consider opportunities and options to address the issues, including the identification of some potential “on the ground” solutions that can be used as a basis for discussion with ASM miners and other stakeholders. The matrix is an assessment tool to help provide an understanding of the complexity of issues and risks associated with ASM activities.

The matrix is specifically designed to help:

- Assess the socioeconomic, political, security, and human rights context under which ASM occurs
- Mitigate the potential reputational risks for the company
- Gather relevant information as a basis for finding “win-win” solutions
- Forge a transparent dialogue with all relevant stakeholders.

### How to use the ASM matrix

The ASM matrix can be used to consider issues associated with the proximity and presence of ASM near or within commercial mining companies’ exploration or mining concessions.

1. ASM operations may be adjacent to but not on a company’s concession/title. In that case, the company should at least address the following parts of the matrix in order to gain an understanding of their neighbors’ activities and potential associated risk:
  - › Legal status of ASM
  - › Government roles and responsibilities
  - › Security (especially if there is potential for theft of the company product).
2. If ASM operations are on the company’s concession but not in an area where the client wishes to explore or exploit an ore body, the company should address the following parts of the matrix (particularly if some form of collaborative arrangement or partnership is made with ASM miners):
  - › Legal status of ASM
  - › ASM profile and organization



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- › Livelihoods analysis
  - › Production and processing
  - › Sellers (supply chain)
  - › Government
  - › Security.
3. If ASM operations are on the company's concession and in an area where the company wishes to explore or exploit the ore body, then all parts of the matrix should be addressed.

## 6.9 STRATEGIC COMMUNITY INVESTMENT<sup>7</sup>

In a strategic approach, making the link between a project's community investment objectives and its business objectives is essential. Companies mistakenly assume that any good done for the communities will translate into goodwill that will benefit the company and support their Social License to Operate.

In reality, this outcome cannot be taken for granted. The following are some common company comments about Social (or Community) Investment Programs that have not performed well:

- "Our Community Investment Program cost a lot, but our relations with communities have not improved (and have sometimes even deteriorated)."
- "Our Community Investment Program has become a source of conflict among communities."
- "Local stakeholders have become dependent on us."
- "There are endless requests from communities with a long 'wish list'—how do we say no?"
- "We get pulled in a hundred different directions."
- "We have had to take over the government's role."
- "Our community investment program has little to do with our core business."
- "We are doing many good things for the local community, but we get no credit."
- "We have little to show for all the resources we have spent."

### Reasons "old-style" Corporate Social Responsibility programs have underperformed include:

- Poor understanding of often complex local socioeconomic issues
- Insufficient participation and "ownership" by local stakeholders

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<sup>7</sup> International Finance Corporation, *Strategic Community Investment: A Good Practice Handbook for Companies Doing Business in Emerging Markets*, World Bank Group, Washington, DC, June 2010.

- Lack of clear objectives, “giving” rather than “strategic investment”
- Lack of transparency and clear criteria for measuring outcomes
- Provision of free goods and services
- Detachment of the community investment program from the business
- Responding to multiple local requests in an ad-hoc manner
- Lack of business rigor and professionalism applied to the community investment program
- Insufficient focus on sustainability
- Overemphasis on infrastructure (“brick and mortar” projects) and underemphasis on skills building
- Failure to measure and communicate results
- No exit or handover strategy.

### **Ways community investment programs perform better when they are aligned with the business/project include:**

- Receive internal support and resources from management and shareholders
- Coordinate and interact more effectively to address issues that can impact the project-community relationship
- Core competencies and resources across the project can be more readily accessed and leveraged
- Survive budget cuts better (versus pure philanthropy, which tends to disappear during economic downturns)
- Measure and articulate return on investment of programs.

### **Making the business case for community investment**

- Identify the company’s/project’s broad business objectives.
- For each business objective, identify the underlying business drivers.
- For each driver, consider whether and how the community investment could contribute.

Prioritize those areas where the community investment program is likely to make the biggest contribution to facilitating the project’s business strategy and objectives, and use the business case to secure support for, and resources to implement, the community investment program.

Table 6.3 provides examples of making the business case for ESSE and CI.

Table 6.4 provides examples of possible types of strategic community investment projects that are appropriate for different stages of exploration and project development, and which potentially create shared value.

**Table 6.3. The Business Case for ESSE and CI**

BUSINESS OBJECTIVE	BUSINESS DRIVER	BUSINESS BENEFITS OF ESSE AND/OR CI	BUSINESS CASE FOR ESSE AND CI
<b>Define and obtain approval for a project within two years</b>	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Social license</li> <li>• Government approval</li> <li>• Access to land</li> </ul>	<ul style="list-style-type: none"> <li>• Builds trust and local support</li> <li>• Enables access to the area</li> <li>• Lowers risk of opposition</li> </ul>	Estimated costs of ESSE and CI relative to estimated value of benefits generated
<b>Maximize value for all project stakeholders</b>	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Social license</li> <li>• Government approval</li> <li>• Local workforce productivity</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Lowers risk of disruption or stoppage</li> <li>• Improves workforce skills and lowers absenteeism</li> <li>• Demonstrates local benefits/development impact</li> </ul>	Estimated costs of ESSE and CI relative to estimated value of benefits generated
<b>Build long-term, successful relations with stakeholders</b>	<ul style="list-style-type: none"> <li>• Social license</li> <li>• Reduced long-term operational risk</li> </ul>	<ul style="list-style-type: none"> <li>• Builds trust and long-term local support</li> <li>• Builds local “ownership” of the project, and defense against critics</li> <li>• Demonstrates long-term benefits sharing</li> </ul>	Estimated costs of ESSE and CI relative to estimated value of benefits generated



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**Table 6.4. Project Cycle and Possible Strategic Community Investment Activities**

PROJECT STAGE	KEY POTENTIAL STRATEGIC COMMUNITY INVESTMENT ACTIVITIES
<b>Reconnaissance/ prospecting</b>	<ul style="list-style-type: none"> <li>• Limited local employment (clearance of prospecting tracks, camp helpers, etc.)</li> <li>• Small-scale local procurement of supplies and services</li> </ul>
<b>Advanced exploration</b>	<ul style="list-style-type: none"> <li>• Local employment (e.g., camp helpers, cooks, guides, drivers, cleaners, field staff)</li> <li>• Purchase of local supplies (food, such as meat, fruits, and vegetables; water; fuel; camp construction materials; camp furniture; survey stakes; sample bags)</li> <li>• Identify potential partners for short-term community investment projects and in particular mutually beneficial projects such as malaria control programs, improvement of access roads to the exploration area and local communities</li> <li>• Support local entrepreneurial initiatives, including local contractors supplying goods and services</li> </ul>
<b>Feasibility/ development planning</b>	<ul style="list-style-type: none"> <li>• Engage with local stakeholders in participative planning for implementation of a possible mining or oil and gas project</li> <li>• Prepare a Preliminary Strategic Community Investment Plan (including local procurement, training, preferential local hiring, etc.)</li> </ul>
<b>Construction</b>	<ul style="list-style-type: none"> <li>• Complete a detailed Strategic Community Investment Plan to maximize local opportunities to participate in and benefit from project construction</li> <li>• Implement a training program to maximize local employment and use of local entrepreneurs and contractors</li> <li>• Prioritize local procurement of goods and services</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>• Complete a detailed long-term Strategic Community Investment Plan to maximize local opportunities to participate in and benefit from ongoing project operations</li> <li>• Implement long-term strategic community investment projects, with preference given to projects mutually beneficial to community and company</li> <li>• Maximize procurement of goods and services from local businesses in order to contribute to the diversification of the local economy</li> </ul>
<b>Closure/postclosure</b>	<ul style="list-style-type: none"> <li>• Reach agreement on responsibility for ongoing operation or closure of community investment projects post-oil and gas or mining project closure</li> </ul>

## 6.10 FINANCIAL VALUATION TOOL<sup>8</sup>

### Introduction

The Financial Valuation (FV) Tool helps a company measure the financial return of its stakeholder relationship and community investments (which are jointly defined as “Sustainability Investments”) to establish the value of risk mitigated through such activities. This comprehensive tool, which helps companies quantify early and ongoing investments, is usually applied at the operations stage. However, practice is showing that companies that think through the rationale of the FV Tool at earlier stages are more likely to have success in earning and maintaining an SLO, and in justifying early investments to internal decision makers.

Specifically it aims to answer three questions:

- What is the optimal portfolio of Sustainability Investments for a given stage of project exploration, planning, and operation?
- How large an economic return in terms of value of risk mitigated can be expected from such a portfolio?
- What is the ideal time frame for making a specific sustainability intervention?

The FV Tool also:

- Helps make the business case for strategic stakeholder engagement and community investments by quantifying their value.
- Enables company sustainability champions and practitioners to communicate more effectively, and in more rigorous business terms, with company financial teams and managers.
- Provides explicit rationale for each Sustainability Investment component program in terms of value protection and risk mitigation, and direct value creation.

### Application

- Demonstrates that Sustainability Investments (in particular, strategic stakeholder engagement and social investment projects) can create benefits for communities and create *significant business value* for companies.
- Enables companies to assess their Sustainability Investment projects, particularly in terms of company *value protection* and *risk management*, and also opportunities for *value creation*.
- Facilitates evaluation of site-specific stakeholder engagement and community investment portfolios in terms of estimated net present value with or without individual projects.

**“A friendship founded on business is better than a business founded on friendship.”**

—John D. Rockefeller

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<sup>8</sup> International Finance Corporation, Financial Valuation Tool for Sustainability Investments, 2012, <http://fvtool.com>.



## Value Protection and Value Creation

- **Value protection** refers to how much risk may be avoided or mitigated through Sustainability Investment projects by costing out the potential savings resulting from reduced frequency and intensity of negative events (e.g., delays in construction, disruptions in production, conflict, lawsuits).
- **Value creation** refers to the cost-benefit analysis of each Sustainability Investment project (e.g., value from building sound trust relationships with stakeholders; input savings or productivity rises of the workforce resulting from a malaria control program, substituting expensive expatriates with local hires through a local training program).

### 6.11 GRIEVANCE MECHANISMS<sup>9</sup>

A simple Grievance Mechanism (GM) should be implemented right from the reconnaissance/prospecting stage of exploration as part of a strategy to open channels for effective engagement and communication. While the GM is aimed at providing a platform to resolve complaints quickly and effectively before they escalate, it should be made clear to affected communities that the GM does not inhibit their access to legal or judicial recourse processes (box 6.7).

#### Key GM Principles<sup>10</sup>

##### *Principle 1. Proportionality*

The project GM should be scaled to the stage of the project. Grievances are likely to be relatively few at the exploration stage and most frequent during the construction and closure stages.

##### *Principle 2. Cultural appropriateness*

A project-level GM should be designed to take into account specific cultural attributes as well as traditional mechanisms for raising and resolving issues.

##### *Principle 3. Accessibility*

Unclear, difficult, or inappropriate GM processes can lead to lack of use and result in protests, demonstrations, or conflict to air grievances.

Accessibility depends on clear:

- Communication
- Ease of use.

Things to consider:

- Locations for receiving complaints

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<sup>9</sup> International Finance Corporation, "A Guide to Designing and Implementing Grievance Mechanisms for Development Projects," Compliance Advisor Ombudsman, International Finance Corporation, Washington, DC, 2008, [www.caoombudsman.org/howwework/advisor/documents/implemgrieving.pdf](http://www.caoombudsman.org/howwework/advisor/documents/implemgrieving.pdf).

<sup>10</sup> International Finance Corporation, "Addressing Grievances from Project-Affected Communities. Guidance for Projects and Companies on Designing Grievance Mechanisms. Good Practice Note." World Bank Group, Washington, DC, September 2009. [www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p\\_GrievanceMechanisms/\\$FILE/IFC+Grievance+Mechanisms.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_GrievanceMechanisms/$FILE/IFC+Grievance+Mechanisms.pdf).



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### **BOX 6.7.**

#### **WELL-IMPLEMENTED GRIEVANCE MANAGEMENT SYSTEMS:**

- **Demonstrate that the company is concerned about community members and their well-being**
- **Build trust, respect, and productive relationships**
- **Contribute to a Social License to Operate.**

- Literacy and education levels
- Local languages
- Gender issues
- Access by vulnerable and marginalized groups.

Access to the GM should be free of cost to complainants.

#### ***Principle 4. Transparency and accountability***

Ensure that all complainants are heard, taken seriously, and treated fairly. There should be consistency and predictability in the process. The project must be responsive.

Traits of transparency include:

- Clarity on roles and responsibilities. Who in the project is responsible for handling complaints and communicating outcomes?
- Information on the GM is distributed widely and regularly.

If affected stakeholders have confidence in the GM, they will tend to use it with respect and discretion.

Good practices in transparency and accountability include:

- Incorporating stakeholder input and evaluation into the design and maintenance of the GM process.
- Engaging third parties to help raise confidence in the impartiality of the process and to create a level playing field in cases where significant imbalances in knowledge, power, and influence exist.
- Committing to a certain timing of response to grievances.
- Creating an internal culture of accountability. For example, include the GM in the project's Environmental and Social Management System (ESMS), operational manual, and procedures; create internal decision-making bodies to reduce the gap between staff and senior leadership, who are often seen as the only decision makers.
- Monitor, measure, and share grievance resolutions, fulfilment of agreements, and commitments.

#### ***Principle 5. Appropriate protection***

To encourage use of the GM (and avoid the use of alternative mechanisms for expressing complaints), the process should:

- Assure there will be no retribution for participation
- Protect the identity of individuals who file grievances
- Provide information on mechanisms to escalate grievances
- Communicate stakeholders' right to use alternative remedies (e.g., external mechanisms/third parties, courts system).

## Steps for grievance management<sup>11</sup>

### STEP 1: Publicize GM procedures

- Promote awareness that summarizes the GM procedures:
  - › Present the GM at stakeholder meetings, focus group discussions
  - › Distribute pamphlets/handouts
  - › Sponsor radio announcements.

### STEP 2: Receive and track grievances

- Ensure accessibility to all affected stakeholders
- Allow for different ways for filing complaints: direct verbal report to company staff/designated third party, written complaint
- Log all complaints into a database ranging from a written logbook, to a simple digital spreadsheet or commercially available software packages, depending on the likely number and complexity of grievances.

### STEP 3: Preliminary assessment

- Categorize the complaint: access to land, employment, environment/social issue, health and safety.
- Decide how and who will be responsible for addressing the issue.

### STEP 4: Initial response to complainant

- Write or communicate verbally (where literacy is an issue) to the complainant within a set time
- Explain the process and timeline of the grievance mechanism process.

### STEP 5: Investigate grievance and develop resolution options

- Appoint an appropriate person or team to obtain information and investigate
- Devise a proposed resolution process, involving, where appropriate, communities and/or respected third parties to help solve the problem in conjunction with the complainant.

### STEP 6: Implement and follow up on agreed resolution

- Implement the agreed solution
- Follow up with complainant to ensure satisfaction
- Seek sign-off from the complainant, record and file documents in database.

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<sup>11</sup> International Council on Mining and Metals, Community Development Toolkit, 2012, [www.icmm.com](http://www.icmm.com).

### **STEP 7: Further action if complainant is not satisfied**

- Discuss further options
- Deepen community or independent third-party engagement to strengthen trust and find solutions
- If still unresolved, refer matter to third-party mediation or external review.

### **STEP 8: Monitor, evaluate, and report the GM**

- Regularly monitor numbers of grievances received, resolved, and outstanding
- Evaluate trends over time and stages of project development
- Internally evaluate how the GM is functioning; report externally on the overall results of the mechanism.

### **Resources needed to manage a grievance mechanism**

A GM will only be effective if adequate resources (people, systems and processes, budget, time, leadership and management) are assigned to implementation. A GM should be recognized as a business function and a risk management tool with clearly defined objectives, responsibilities, timelines, budget, senior management oversight, and regular reporting. The GM should be placed in the larger context of the overall ESMS.

Ted Pollett



## 6.12 CONFLICT RESOLUTION: TIPS AND TACTICS

Even in the best of relationships, disagreements happen. Having a solid foundation of trust and respect will be invaluable during these times. Establishing productive and transparent frameworks for handling conflict will increase the potential for win-win outcomes and reduce escalation of issues. The following are tips and tactics to use in a conflict situation to help avoid emotive responses and an escalation.

### Timing: Choose the moment

- When is the best time?
- Where is the best place to discuss the issue?
- Better to address the issue face-to-face rather than over the telephone.
- Check your emotions—remain calm and in control.

### Introduce the issue clearly

- Explain the issue/concerns/situation in a nonemotional way.
- Confirm with the complainant that you have accurately summarized the issue.
- Get across the background to the issue and your concerns.
- Be positive in introducing the issue. For example, say:
  - › *“I want to achieve a productive solution for both of us.”*
  - › *“I want to clear the air because misunderstanding is not good for either of us.”*

### Steps to assertive behavior: Challenging versus confronting

- Use the following examples to challenge while maintaining a positive approach without being confrontational:
  - › *“I know we all get stressed....”*
  - › *“I know you have been under pressure lately...”*
  - › *“I understand you need a solution to that issue...”*
  - › *“You probably don’t mean to come across this way...”*
  - › Avoid *“You said.”* Try *“My understanding of our conversation was....”*
  - › Don’t say: *“You’re wrong.”* Try *“You may have thought that...”*
  - › Be aware of your own body language; particularly avoid pointing or clenched hands.

The following techniques are useful when confronted by a person who is being aggressive, isn’t listening, and won’t let you state your position.

**“You cannot shake hands with a clenched fist.”**

—Indira Gandhi



Ted Pollett

### “I” statements

- Rather than say:
  - *“Whenever I start talking, you interrupt me and I never get to finish.”*
- Try the “when I feel-what I’d like...” approach;
  - *“When I’m not able to finish what I’m saying, I feel frustrated, and what I’d like to be able to do is complete what I want to say.”*

### Broken record technique

- The “broken record” is simply repeating the same message but using a different combination of words during a conversation to gradually get across and maintain your point.

For example:

- Your first response: *“I can’t deal with your complaint unless you give me more details of the incident, how and where it happened.”*
- Your second response: *“I appreciate that you want a solution, but without more details I can’t do anything to help you.”*
- Your third response: *“I’m really sorry but I can’t offer a solution without knowing more. Perhaps we could visit the site of the incident together to get more information about what happened.”*

## Reacting versus responding

Is it your choice or a habit to react? If a habit, then break it:

- Count to three to avoid instant reactions: *Act—don't react.*
- Delay your approach to responding until you're ready.
- Consider the other person's perspectives—*put yourself in their shoes.* See *company/community realities table 4.2.*

## Self-disclosure

- When we continually suppress our feelings, and they finally emerge, we very often lose control of the situation. By actually saying what we feel, we can express the feelings constructively. For example:
  - › *"I was really disappointed when the HIV community program we helped with was not mentioned by the village chief. It would be very much appreciated if our role is acknowledged in future meetings about the program."*
- Recognizing the other person's feelings can also be helpful in reducing tensions. For example:
  - › *I can imagine you may have felt very annoyed about the incident. I might have felt that way in your position."*

## Suspend the "history"

- Try to suspend how you feel about a person's or group's past behavior, or what was said "in the heat of the moment" last time you discussed the issue.
- Recognize that the other person's or group's previous behavior might have been reactionary and driven by strong emotions about the issue. Don't let the past get in the way of productive ongoing dialogue and moving toward a solution.

## Dealing with the other party's anger

- Don't interrupt. Give the other party a chance to be heard.
- Use empathetic statements to show you understand their frustration.
- Express your concern for the situation and that it has elicited such strong feelings.
- Don't mirror the other party's anger. Use a calm voice and a reasonable pace of conversation.

## Avoiding absolutes

- Words such as always, never, and constantly are absolutes and should be avoided. For example:
  - › *"You always have some complaint or demand."*
  - › *"You have constantly interrupted me while I am trying to respond to you."*
  - › *"You never listen to what I have to say."*



### Use of silence and “fogging”

- Keeping quiet for a few seconds after the other party’s response helps to calm tensions and allow time for a measured response or consideration of proposed solutions.
- “Fogging” involves training yourself to stay calm in the face of criticism, and agreeing with whatever may be fair and useful in it.
- By refusing to be provoked and upset by criticism, you remove its destructive power.
- Phrases typically used when “fogging” include:
  - › *“That point you make is fair and useful.”*
  - › *“You could be right about...”*
  - › *“Sometimes I think so myself.”*

### Look for a win-win approach and outcome

- Actively listen to the other party’s viewpoint.
- Remain open-minded as you listen. Avoid judgments or taking a position too early.
- Put yourself in the other person’s shoes.
- Consider what you both need to resolve the issue or situation.
- Use a positive voice: *“There must be a way to solve this if we work together.”*
- Take time to reflect on what the other person has said or proposed to resolve the issue.

**“Let us not be blind to our differences—but let us also direct attention to our common interests and to the means by which those differences can be resolved.”**

—John F. Kennedy

## 6.13 MEASURE, EVALUATE, AND COMMUNICATE FOR STRATEGIC ADVANTAGE

Monitoring and evaluation has most value when a company acts on the information it collects and engages stakeholders on the results of its ESSE program. By making this a participatory process, companies can engender trust, build local capacity, and promote mutual learning. This approach has been shown to enhance the credibility and ownership of agreed actions and development results among stakeholders.

While measuring value is important, communicating that value is equally important. Stakeholders at the local, regional, and international level need to know about these relationship-building activities for them to benefit the company.

### Goals and objectives

- Establish quantitative and qualitative indicators to measure success defined through a multistakeholder, participatory process.
- Communicate actively and repeatedly about the ESSE program as an integral part of the overall strategy to help improve the company's reputation, build and maintain a Social License to Operate, and support risk management.
- Measure the success of your ESSE strategy:
  - › Results of public perception surveys
  - › Number of third-party endorsements
  - › Positive civil society/NGO feedback
  - › Positive tone of media coverage
  - › Level of political support
  - › Community grasp of ESSE-related processes and issues
  - › Level of management and/or investor support
- Develop sound metrics to:
  - › Strengthen the business case for ESSE
  - › Help secure ongoing support from management and shareholders
  - › Convey signals to the market about good environmental and social risk management.



Anthony Arena

## Activities

Here are 10 ways to make the measurement of ESSE and CI more strategic:

1. **Set SMART objectives** that can be attributed to ESSE and CI:
  - **SPECIFIC:** Objective relates to intended results and identifies the target group(s)
  - **MEASURABLE:** Objective is clearly defined, with agreement on how to measure/collect evidence (from both the company and community perspectives)
  - **ATTRIBUTABLE:** Objective is fully or partially responsible for observed changes
  - **REALISTIC:** Objective can be achieved
  - **TIMEBOUND:** Objective establishes a time period by which the observed changes will take place.
2. Jointly define indicators and measures of success with stakeholders.
3. Establish a baseline.
4. Focus on outcomes and impacts, not just outputs.
5. Focus on qualitative indicators, not just quantitative indicators.
6. Track changes in community perceptions.
7. Make measurement participatory.
8. Track results by gender.
9. Integrate ESSE into the company's broader monitoring and evaluation systems.
10. Use monitoring and evaluation results to drive resource allocation for ESSE and CI.

## Documentation and information sharing

Measures of both quantity (numbers, percentages, ratios) and quality (based on people's perceptions and behaviors) are needed to capture the full ESSE story.

- Quantitative measures tell a company "how much," "how many," and/or "how often."
- Qualitative measures help assess what people think and provide insights as to "how," "how well," and/or "why."
- Qualitative data collection approaches and indicators are especially relevant in the context of ESSE, where hard-to-quantify intangibles such as social process, trust, capacity, sense of ownership, and perceptions are so important.
- Good communications amplifies reputational and other business benefits from ESSE and CI by increasing visibility and awareness among stakeholders of the positive impacts generated for local communities.

- Strategic communications:
  - › Supports a company's business goals and decision making related to community issues
  - › Promotes dialogue, participation, and a two-way flow of information, thereby enhancing transparency and recognition
  - › Can help mitigate political, regulatory, or reputational risks linked to the sector in which the company operates
  - › Disseminates ESSE and CI successes and achievements to enhance public reputation
  - › Addresses expectations for local benefits or mistrust/skepticism from local stakeholders
  - › Strengthens internal or shareholder support for ESSE and makes the case for resources
  - › Identifies key actors and relevant audiences
  - › Connects the company to its stakeholders and customers
  - › Defines and delivers specific messages that will resonate with target audiences, and follows a long-term plan of action.

### **Make adjustments**

- Use information gathered from participatory monitoring and evaluation to:
  - › Make adjustments as the project life cycle progresses
  - › Monitor the company's Social License to Operate
  - › Shape the company's communications strategy
  - › Assess performance of this strategy.

### **Be proactive**

- As the project advances from early exploration to feasibility assessment and planning stages:
  - › Don't stay silent during the feasibility assessment and planning period and allow rumors, misinformation, and frustration to take root.
  - › Keep the momentum going and counter long lead times before ESSE programs can show results by actively communicating about aspects of the multistakeholder process for designing future stakeholder engagement and CI programs.





# APPENDIXES, GLOSSARY, REFERENCES

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**APPENDIX 1** Matrix 1: Stages of Project Exploration and Development and Stakeholder Engagement

**APPENDIX 2** Matrix 2: Strategy for Artisanal and Small-Scale Mining

**GLOSSARY**

**REFERENCES**

Appendixes, Glossary,  
References

Good Practice  
Approaches and Tools

ESSE in Project  
Life Cycle Stages

Developing an Early  
Stakeholder Engagement  
Process: Context

Social License  
to Operate

Introduction

Executive Summary



## APPENDIX 1

# MATRIX 1:

## STAGES OF PROJECT EXPLORATION AND DEVELOPMENT AND STAKEHOLDER ENGAGEMENT

This matrix is presented in bulleted format to provide a quick guide and reference for users to see at a glance the current strategic stakeholder engagement action steps relevant to the project phase and how the ESSE strategy will progress. This tool is linked directly to the *Good Practice Principles for Strategic Stakeholder Engagement and Community Investment*, referred to below. These principles aim to:

- Create “shared value” by aligning business goals and competencies with the development priorities of local affected stakeholders
- Focus on building social capital and local ownership through multistakeholder processes
- Factor in sustainability and handover strategies into project design
- Measure and communicate results to optimize the business value derived from ESSE.

## Planning

STAGE OF EXPLORATION	DESCRIPTION	ELEMENTS OF ESSE	THINK STRATEGICALLY
<b>Reconnaissance/ Prospecting</b>	<ul style="list-style-type: none"> <li>• Large areas covered</li> <li>• Usually nonexclusive mineral rights</li> <li>• Very small field teams of technical staff on the ground (mainly geologists)</li> <li>• Limited company resources</li> <li>• Activities: data collection, desk reviews, airborne geophysics, soil and surface rock, geological mapping, sampling</li> </ul>	<ul style="list-style-type: none"> <li>• Familiarize yourself with the social landscape</li> <li>• Identify stakeholders</li> <li>• Determine budget, scope, and timeline for ESSE</li> <li>• Develop relevant, culturally appropriate, and consistent communication strategies</li> <li>• Build trust</li> <li>• Manage expectations</li> <li>• Identify, avoid, and mitigate social risks</li> <li>• Seek “win-win” strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Internal discussion and defining of company commitment to CSR/ Sustainability Principles</li> <li>• Understand impacts of operational activities</li> <li>• Understand and encourage the role of all staff on the ground as ambassadors of the company with external stakeholders</li> <li>• Understand legacy issues</li> <li>• Establish a transparent and consistent approach to ESSE</li> </ul>



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Implementation		
SCOPE THE LOCAL CONTEXT	ENGAGING COMMUNITIES	MONITORING AND EVALUATION
<ul style="list-style-type: none"> <li>• Desktop stakeholder and community mapping (literature review, government information, scoping interviews)</li> <li>• Set up systems for ongoing data (media monitoring, google alerts, community events)</li> <li>• Design documentation system</li> <li>• Design system for sharing information (internal and external)</li> <li>• Design roadmap for ongoing stakeholder engagement</li> <li>• Desktop research for sacred/traditional sites</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on initial stakeholder engagement process to lay the foundation for mutual respect and trust (“only one chance to make a good first impression”)</li> <li>• Establish dialogue using local context</li> <li>• Learn about ESSE activities of other projects/companies in the area</li> <li>• Add to stakeholder map through actual engagement</li> <li>• Consider small-scale local procurement of supplies and services</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of negative information being promulgated</li> <li>• Stakeholders attending meetings and/or inviting company in to meet/present</li> </ul>

**“It is not enough to take steps which may someday lead to a goal; each step must be itself a goal and a step likewise.”**

—Johann Wolfgang von Goethe

## Planning

STAGE OF EXPLORATION	DESCRIPTION	ELEMENTS OF ESSE	THINK STRATEGICALLY
<b>Early Exploration</b>	<ul style="list-style-type: none"> <li>• Identify the most prospective areas (smaller areas)</li> <li>• Usually exclusive mineral rights</li> <li>• Larger field teams, still largely composed of technical people</li> <li>• Limited company resources</li> <li>• Activities: construction of access tracks, geological mapping, sampling, cutlines, trenches, clearing, seismic surveys (oil and gas) basic equipment, closure/rehabilitation, camp construction</li> </ul>	<ul style="list-style-type: none"> <li>• Expand budget and scope for phase-appropriate ESSE program</li> <li>• Consider compensation plans</li> <li>• Complementing the team with a social specialist/consult and to conduct a scoping SIA and develop a comprehensive ESSE program (aligned with regulatory requirements and company operations)</li> <li>• Design and implement effective, transparent, and consistent communication with stakeholders</li> <li>• Build trust</li> <li>• Manage expectations</li> <li>• Consider graduated community investment</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure cross-functional and internal alignment between all staff and contractors</li> <li>• Ensure internal communications are in place to allow for alignment of exploration activities and necessary milestones for ESSE</li> <li>• Identify core competencies and nonfinancial resources to support ESSE</li> <li>• Seek external stakeholder input and suggestions (leads to local ownership and greater chances of success in CSR programming)</li> <li>• Identify business drivers or economic development opportunities within the community</li> <li>• Fine-tune identification of impacted communities and appropriate methods of consultation</li> <li>• Integrate gender and other marginalized/underrepresented groups' perspectives</li> <li>• Understand and encourage the role of all staff on the ground as ambassadors of the company with external stakeholders</li> <li>• Assess operational impacts (current and expected future)</li> </ul>

Implementation		
SCOPE THE LOCAL CONTEXT	ENGAGING COMMUNITIES	MONITORING AND EVALUATION
<ul style="list-style-type: none"> <li>• Continue to map social landscape</li> <li>• Continue to build stakeholder map</li> <li>• Analyze individual stakeholders, groups, and structures (formal and informal) of influence within the community</li> <li>• Map social risks and opportunities of the project</li> <li>• Review and assess communication and stakeholder engagement strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Consider small-scale local procurement, such as employment of community members (cooks, camp helpers, guides, drivers)</li> <li>• Establish a grievance mechanism</li> <li>• Gather information and ideas from stakeholders on future graduated CI program</li> </ul>	<ul style="list-style-type: none"> <li>• Establish social baseline</li> <li>• Conduct public perception survey</li> <li>• Community grasp of stakeholder-engagement-related processes and issues</li> <li>• Level of management/investor support</li> <li>• Positive community/civil society/NGO feedback</li> <li>• Low number of complaints</li> <li>• Third-party endorsement</li> </ul>



Xanadu Mining

## Planning

STAGE OF EXPLORATION	DESCRIPTION	ELEMENTS OF ESSE	THINK STRATEGICALLY
<b>Advanced Exploration</b>	<ul style="list-style-type: none"> <li>• High potential areas for mining/oil and gas extraction identified (smaller survey areas)</li> <li>• Larger field teams, usually including a social specialist/consultant</li> <li>• Considerable resources needed—fundraising</li> <li>• Activities: access road construction, drilling, clearing, heavy equipment, sampling, closure/rehabilitation; camp expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Revisit and adjust for mine life cycle phase appropriateness, budget, scope, and timeline for ESSE</li> <li>• More detailed consultation with impacted communities</li> <li>• Expand engagement strategy to other relevant stakeholders (government, interest groups, civil society)</li> <li>• Consultative multistakeholder forums</li> <li>• Compensation discussions should begin</li> <li>• Preliminary social impact assessment</li> <li>• Continue to implement effective, transparent, and consistent communication with stakeholders</li> <li>• Build trust</li> <li>• Manage expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure cross-functional and internal alignment between all staff and contractors</li> <li>• Identify core competencies and nonfinancial resources to support ESSE</li> <li>• Raise awareness of all staff and contractors on the company's ESSE</li> <li>• Capacity building of stakeholders to effectively participate in ESSE consultation and implementation</li> <li>• Prioritize (internally and externally) possible community investment projects</li> <li>• Understand and encourage the role of all staff on the ground as ambassadors of the company with external stakeholders</li> <li>• Integrate local contracting into project design</li> </ul>
<b>Feasibility Stage/ Development Planning</b>	<ul style="list-style-type: none"> <li>• Possible mining/oil and gas area identified (relatively small area)</li> <li>• Considerable resources needed—fund raising</li> <li>• Large field teams—technical, environmental, social, financial staff</li> <li>• Activities: Delineate deposit, carry out production tests, calculate reserve, determine impacts, closure/rehabilitation planning</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation and participatory planning with impacted communities</li> <li>• Determine budget, scope, and timeline for ESSE</li> <li>• Detailed ESIA</li> <li>• Initial closure plan developed in consultation with impacted stakeholders</li> <li>• Continue to implement effective, transparent, and consistent communication with stakeholders</li> <li>• Build trust</li> <li>• Manage expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Update core competencies and nonfinancial resources to support ESSE</li> <li>• Raise awareness of and support for all staff and contractors on the company's ESSE program</li> <li>• Participatory planning to maximize benefits and opportunities afforded by the project, including CI initiatives</li> <li>• Understand and encourage the role of all staff on the ground as ambassadors of the company with external stakeholders</li> <li>• Negotiate and implement compensation packages</li> </ul>

## Implementation

SCOPE THE LOCAL CONTEXT	ENGAGING COMMUNITIES	MONITORING AND EVALUATION
<ul style="list-style-type: none"> <li>• Update social landscape</li> <li>• Identify and scope local institutions and potential partners for initial stakeholder engagement and CI projects</li> <li>• Support local private sector to prepare to comply with company standards and specifications to be competitive in bids for contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Develop (and update as needed) detailed action plan in conjunction with stakeholders</li> <li>• Conduct participatory assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Positive community/civil society/ NGO feedback</li> <li>• Positive tone of media coverage</li> <li>• Low number of complaints</li> <li>• Third-party endorsement</li> </ul>
<ul style="list-style-type: none"> <li>• Update social landscape</li> <li>• Identify strategic partners</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity building for stakeholders to effectively participate in and contribute to the feasibility and planning process for a possible project</li> </ul>	<ul style="list-style-type: none"> <li>• Positive community/civil society/ NGO feedback</li> <li>• Positive tone of media coverage</li> <li>• Low number of complaints</li> <li>• Third-party endorsement</li> </ul>







Adriana Eftimie

## APPENDIX 2

# MATRIX 2:

## STRATEGY FOR ARTISANAL AND SMALL-SCALE MINING

### How to use the ASM matrix

The ASM matrix can be used to consider issues associated with the proximity and presence of ASM near or within commercial mining companies' exploration or mining concessions.

1. ASM operations may be adjacent to but not on a company's concession/title. In that case, the company should at least address the following parts of the matrix in order to gain an understanding of their neighbors' activities and potential associated risk:
  - › Legal status of ASM
  - › Government roles and responsibilities
  - › Security (especially if there is potential for theft of the company product).
2. If ASM operations are on the company's concession but not in an area where the client wishes to explore or exploit an ore body, the company should address the following parts of the matrix (particularly if some form of collaborative arrangement or partnership is made with ASM miners):
  - › Legal status of ASM
  - › ASM profile and organization

Areas of Concern	Checklist	Risks for the Company
<b>Governance</b>	<ul style="list-style-type: none"> <li>• What is the context under which the ASM is developing?</li> <li>• What is the capacity of local/ regional government to apply laws?</li> </ul>	<ul style="list-style-type: none"> <li>• Reputational risk—acting in a chaotic environment and being blamed for the faults of the system</li> </ul>
<b>Legal Status of ASM</b>	<ul style="list-style-type: none"> <li>• What are the laws governing access to land for ASM operations?</li> <li>• Does the mining code or mining regulations recognize ASM?</li> <li>• If so, what might be the differences between laws and what is practiced?</li> <li>• Do ASM operators have an authorization/permit/license?</li> <li>• Is that authorization/permit/license individual or collective?</li> <li>• For how long and under what conditions is it issued?</li> <li>• What is the tax obligation, if any?</li> <li>• Any requirements for environmental protection/health and safety?</li> <li>• Who obtains the authorization/ permit/license? Self? Intermediaries?</li> <li>• Are the legal processes for authorization/permit/license transparent and easy to understand?</li> </ul>	<ul style="list-style-type: none"> <li>• Illegal vs. legal</li> <li>• Formal vs. informal</li> <li>• Overlap of areas for permitting/ license</li> <li>• Risk of environmental and health and safety damages and social conflicts due to limited environmental and social monitoring and adherence</li> </ul>

Opportunities/Business Case	Options	Tools <sup>1</sup>
<ul style="list-style-type: none"> <li>• Support for decision to move forward</li> <li>• Be part of a transparent dialogue with stakeholders</li> <li>• Minimize shareholders' concerns on country/sector governance</li> </ul>	<ul style="list-style-type: none"> <li>• Understand legal framework and practice and have a transparent dialogue with government (either directly or through the Mining Association)</li> </ul>	<ul style="list-style-type: none"> <li>• ASM baseline survey</li> <li>• Stakeholder engagement</li> </ul>
<ul style="list-style-type: none"> <li>• Increase transparency and accountability of the processes</li> <li>• Identify clear roles and responsibilities that would limit liabilities to company activity</li> <li>• Support awareness campaigns on mining issues and environment</li> <li>• Identify areas in which companies may collaborate with miners</li> </ul>	<ul style="list-style-type: none"> <li>• Dialogue with government (either directly or through the Mining Association)</li> <li>• Partnership with government</li> <li>• Facilitate formalization (cooperatives, permitting) on site if needed and/or feasible</li> <li>• Interaction with ASM groups through a company social unit/consultant</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder engagement</li> <li>• ASM baseline survey</li> <li>• ASM/community desk</li> </ul>

<sup>1</sup> Most of the tools are from the "Working Together" toolkit, <http://commdev.org/working-together-how-large-scale-mining-can-engage-artisanal-and-small-scale-miners>.

Areas of Concern	Checklist	Risks for the Company
<b>ASM profile and organization</b>	<ul style="list-style-type: none"> <li>• Formal and/or informal organizational structure of ASM groups (or lack thereof)</li> <li>• Do the miners have a federation or regional/national association?</li> <li>• Number of ASM people currently working—men, women, children</li> <li>• Level of education?</li> <li>• Roles/responsibilities/repartition between team members?</li> <li>• Employed or self-employed?</li> <li>• Where are they from?</li> <li>• How long have they been involved in such activity and where else?</li> <li>• How long do they stay in an area?</li> <li>• How do they interact with local community (if they aren't local)?</li> <li>• What is the structure of the ASM community—is it a closed community or open to newcomers?</li> <li>• Women's role in ASM. How are women differently impacted by loss of ASM, or changes (such as formalization)?</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of influx</li> <li>• Risk of misperception of company's role in ASM</li> <li>• Risk of marginalizing women's role, or negatively affecting women while posing solutions</li> </ul>
<b>Livelihoods</b>	<ul style="list-style-type: none"> <li>• How much is ASM represented in people's daily life?</li> <li>• Is this a permanent activity or a seasonal one?</li> <li>• What do ASM miners do when they don't mine (for various reasons)?</li> <li>• How do women derive livelihoods from ASM activities?</li> <li>• How do they deal with landownership issues, if any?</li> <li>• Would mine development affect livelihood and trigger involuntary resettlement?</li> <li>• In what ways do ASM activities contribute to the local economy?</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of conflicts</li> <li>• Risk of interference of company operation</li> <li>• Risk of loss of livelihoods as a result of formal mining displacing ASM</li> <li>• Risk of impoverishing resettled ASM</li> <li>• Risk of forcing relocation because of lack of livelihoods</li> </ul>

Opportunities/Business Case	Options	Tools
<ul style="list-style-type: none"> <li>• Better understanding of the ASM operators' dynamics and, if needed, how to engage/work with them</li> <li>• Support awareness campaigns on mining and community issues</li> <li>• Working with women and women's groups may prove more effective in building trust with ASM communities and identifying actions to be taken to reduce the risks of ASM to the company</li> </ul>	<ul style="list-style-type: none"> <li>• Do nothing</li> <li>• Engage with ASM operators through their leaders</li> <li>• Stakeholder engagement includes women's focus groups</li> <li>• Physical mapping of ASM operations</li> <li>• Ensure baseline studies disaggregate data with women</li> <li>• Facilitate formalization (cooperatives, permitting) on site if needed and/or feasible</li> </ul>	<ul style="list-style-type: none"> <li>• ASM baseline</li> <li>• Stakeholder engagement</li> <li>• ASM/community desk</li> <li>• Influx mitigation</li> <li>• Community development using participatory planning with ASM</li> <li>• Technical Assistance (TA) programs</li> <li>• Organization of ASM</li> <li>• Regularization/formalization</li> </ul>
<ul style="list-style-type: none"> <li>• Understand the ASM value/disadvantage for the people/communities involved in ASM</li> <li>• Identify alternative livelihoods approaches (in case of resettlement)</li> <li>• Develop proper engagement strategies</li> <li>• In partnership with other stakeholders, develop strategy for assessing the financial impact to miners and to surrounding communities from impacts (i.e., ending) ASM</li> <li>• In partnership with other stakeholders, develop policy clarification/best practice guidance for mitigating loss of income from ASM activities (including supply chain, services)</li> </ul>	<ul style="list-style-type: none"> <li>• Probably no option but to interact with communities</li> <li>• Resettlement and alternative/replacement livelihoods</li> <li>• Develop plan to relocate to location of origin</li> <li>• Guidance/best practice on resettlement of ASM—with a focus on livelihood restoration/replacement</li> <li>• Development of services, training</li> </ul>	<ul style="list-style-type: none"> <li>• ASM baseline survey/stakeholder analysis</li> <li>• ASM/community desk</li> <li>• Resettlement Plan for ASM miners</li> <li>• Alternative livelihoods programs</li> <li>• Employment of ASM workers</li> <li>• Security</li> <li>• Conflict resolution mechanisms</li> <li>• Workforce awareness</li> <li>• Mine closure</li> <li>• Monitoring and evaluation</li> <li>• Purchasing programs</li> <li>• Segregation of mineral concession</li> </ul>

Areas of Concern	Checklist	Risks for the Company
<b>Production and processing</b>	<ul style="list-style-type: none"> <li>• How are the sites selected?</li> <li>• What exploitation methods are used?</li> <li>• Techniques, depth, potential/ productivity</li> <li>• What equipment is used?</li> <li>• Is the equipment theirs or rented?</li> <li>• How much do they produce a day/ month/year?</li> <li>• Seasonality of practice?</li> <li>• Any closure practice?</li> <li>• Who does processing? Men, women, children?</li> <li>• What type of processing?</li> <li>• How much do the ASM miners know about health and safety issues associated with ASM?</li> <li>• Where do they get the materials for processing the gold?</li> <li>• How do they handle the hazardous materials?</li> <li>• Costs of processing material</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of interference with company operation</li> <li>• Risk of land contamination from hazardous materials used for processing</li> <li>• Risk of accidents and death on mine lease site for which the company will be held responsible, even if company was not involved in any way</li> <li>• Reputational risk to company from environmental contamination and working conditions at ASM operations if not regulated by government</li> </ul>
<b>Sellers/buyers</b>	<ul style="list-style-type: none"> <li>• Who buys the mineral product, i.e., local vs. regional-/national-level buyers?</li> <li>• Are there intermediaries in the supply chain?</li> <li>• Where is the mineral product then going?</li> <li>• What is miners return in terms of price and quality and quantity?</li> <li>• Mode of payment for mineral product: <ul style="list-style-type: none"> <li>› Cash</li> <li>› Exchange for goods</li> <li>› Credit</li> </ul> </li> <li>• Legality of buying/selling ASM products</li> <li>• Government position (national/ regional/local) on buying/selling</li> </ul>	<ul style="list-style-type: none"> <li>• Reputational risk related to illegally produced/smuggled gold on property</li> </ul>

Opportunities/Business Case	Options	Tools
<ul style="list-style-type: none"> <li>Potential improvement of production conditions for ASM and generation of “good will” regarding relationships</li> </ul>	<ul style="list-style-type: none"> <li>Stop (not usually working)</li> <li>Cohabitate/work together</li> <li>Give ASM miners part of the lease which is not of commercial interest to the company</li> <li>Purchase of production (if advisable and feasible)</li> <li>Capacity building and training on safe production and processing techniques</li> <li>Employment opportunities</li> <li>Donor involvement</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Employment of ASM workers</li> <li>Security</li> <li>Conflict resolution mechanisms</li> <li>Workforce awareness</li> <li>Mine closure</li> <li>Monitoring and evaluation</li> <li>Technical assistance</li> <li>Purchasing programs and/or subcontractor model</li> <li>Segregation of mineral concession</li> <li>Security</li> <li>Conflict resolution mechanisms</li> <li>Workforce awareness</li> </ul>
<ul style="list-style-type: none"> <li>“Fair Trade” opportunity (if advisable and feasible)</li> </ul>	<ul style="list-style-type: none"> <li>Do nothing</li> <li>Direct involvement in purchasing the material/gold</li> <li>Facilitate involvement of Fair Trade NGO/association</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and evaluation</li> <li>Technical assistance</li> <li>Fair trade</li> <li>Purchasing programs</li> </ul>

Areas of Concern	Checklist	Risks for the Company
<p><b>Surrounding communities and civil society (such as women's associations or local and international NGOs in the area) relationship with ASM miners</b></p>	<ul style="list-style-type: none"> <li>• Main concerns (health, safety, potential involuntary resettlement issues for ASM)?</li> <li>• How do they deal with landownership issues, if any?</li> <li>• Community leaders with whom to engage?</li> <li>• How are conflicts with ASM/communities resolved?</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of conflicts with the surrounding communities if ASM is legitimized and work with ASM miners not accepted by the local communities</li> </ul>
<p><b>Government (both local and central) relationship with ASM miners</b></p>	<ul style="list-style-type: none"> <li>• What are the roles and responsibilities vis-à-vis ASM and how is the legal framework (if it exists) enforced?</li> <li>• What extension services are offered to ASM miners?</li> <li>• What type of knowledge on ASM (movements, production, legality, numbers of people involved, security) is collected by government agencies and how is it shared with the company?</li> <li>• How prepared is the government to address potential conflicts resulting from removing the ASM miners from the large-scale mining site and to address land issues?</li> <li>• What is capacity of local/regional government to apply laws related to ASM (if such laws exist)?</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of having the company being left alone to deal with these aspects</li> <li>• Risk of operation interruption due to conflicts</li> </ul>



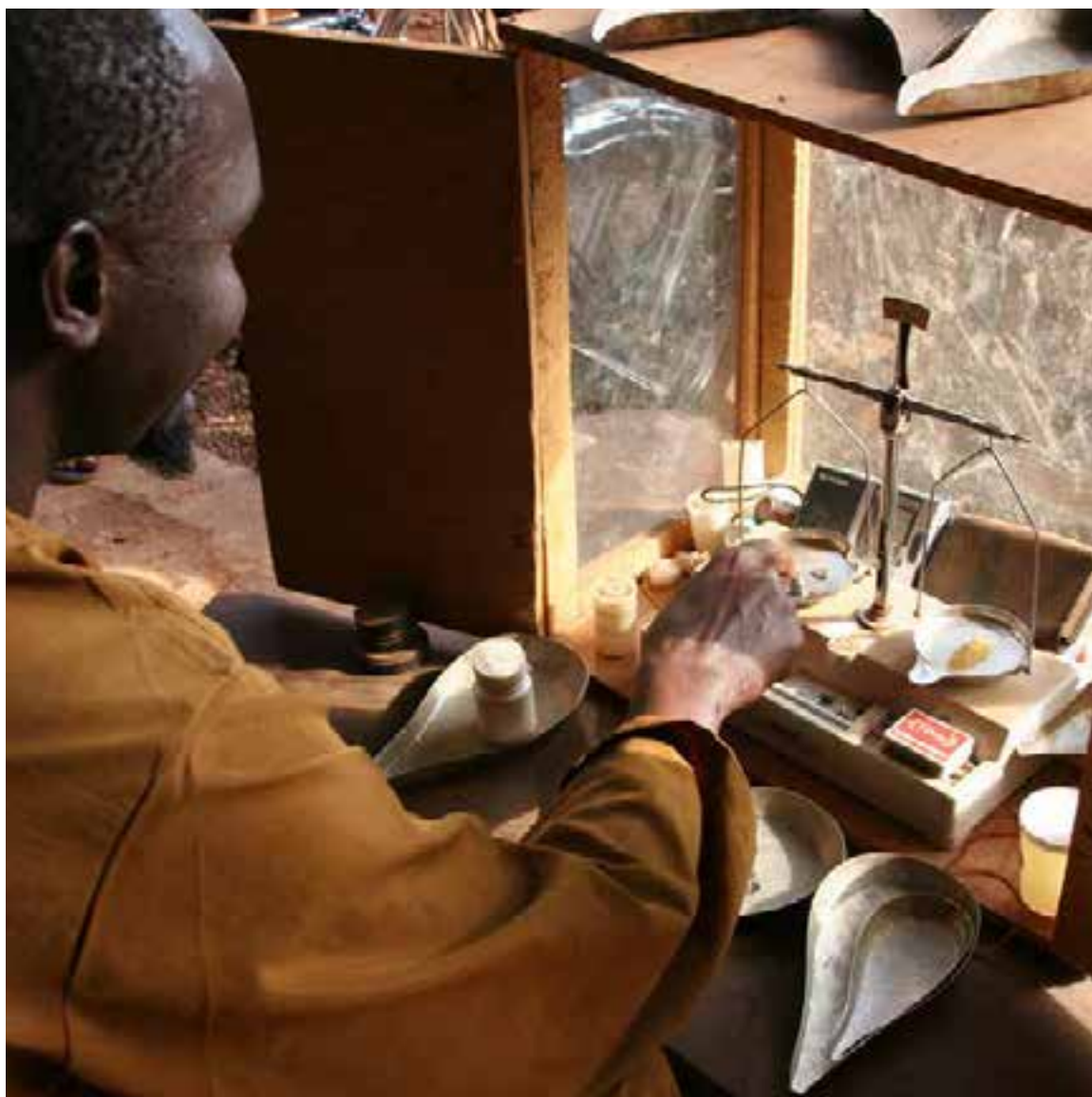


Opportunities/Business Case	Options	Tools
<ul style="list-style-type: none"> <li>• Improved social/ownership conditions</li> <li>• Obtain and maintain social peace</li> <li>• Smoother site development</li> <li>• Partner with active NGOs for ASM/ community coordinated</li> </ul>	<ul style="list-style-type: none"> <li>• Do nothing</li> <li>• Interact with communities/create consultation committees</li> <li>• Put in place grievance mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• ASM baseline survey</li> <li>• Stakeholder analysis and engagement</li> <li>• Community participatory planning</li> <li>• ASM/community desk</li> <li>• Conflict resolution</li> <li>• Technical assistance</li> </ul>
<ul style="list-style-type: none"> <li>• Partnership with government and contribution to a (local?) larger strategy to address ASM issues</li> <li>• Smoother site development</li> <li>• ASM coordinated engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Do nothing</li> <li>• Work directly with government authorities</li> <li>• Work through the Mining Association and/or a pool of interested/concerned companies (and donors?)</li> </ul>	<ul style="list-style-type: none"> <li>• ASM baseline survey</li> <li>• Stakeholders engagement</li> <li>• Technical assistance through donors</li> </ul>



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Areas of Concern	Checklist	Risks for the Company
<b>Security</b>	<ul style="list-style-type: none"> <li>• What security measures does the company have in place? Does it have a plan in place to manage conflict associated with potential impacts/engagement with ASM?</li> <li>• What is the government role in these measures (i.e., training, rules of engagement)?</li> <li>• Are armed police or private security allowed on the concession? Who do they report to (company or government)?</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of death and other security risks from violence associated with stopping ASM activities</li> <li>• Reputational risk</li> </ul>



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Opportunities/Business Case	Options	Tools
<ul style="list-style-type: none"> <li>• Peaceful coexistence; no loss of life</li> <li>• Best practice guide to security measures for companies operating in areas with ASM</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt the Voluntary Principles on Security and Human Rights (VPSHR)</li> <li>• Through the VPSHR, adopt practice of establishing community forums for ongoing and regular dialogue on security and human rights concerns associated with mining</li> </ul>	<ul style="list-style-type: none"> <li>• Voluntary Principles on Security and Human Rights</li> <li>• Community security guidelines</li> </ul>



# Glossary

**Accountability:** The rights and responsibilities that exist between people and the institutions that affect their lives, including governments, civil society, and market actors. In general, relationships of accountability have two important components: answerability (the right to get a response and the obligation to provide one), and enforceability (the capacity to ensure an action is taken, and access to mechanisms for redress when accountability fails).

**Artisanal and Small-Scale Mining (ASM):** Artisanal and small-scale mining refers to mining by individuals, groups, families, or cooperatives with minimal or no mechanization, often in the informal (illegal) sector of the market. Despite many attempts, a common definition of ASM has yet to be established. In some countries a distinction is made between “artisanal mining,” which is purely manual and on a very small scale, and “small-scale mining,” which has some mechanization and is on a larger scale.

**Baseline Data Information:** Initial information on a program or program components collected prior to receipt of services or participation activities. Baseline data are often gathered through intake interviews and observations and are used later for comparing measures that determine changes in a program.

**Broad Community Support (BCS):** BCS is a snapshot that documents IFC’s judgment on the community’s support for the project at a particular time—right before project approval. It should not be assumed that BCS is granted indefinitely, and depending on the project’s performance over time, the community’s perception of the project may change.

**Business Sustainability:** Creating long-term shareholder value by embracing opportunities and managing risks from economic, environmental, and social factors. This can be called the “sustainability dividend.”

**Capacity Building:** Developing the ability of individuals, groups, institutions, and organizations to identify and solve problems.

**Civil Society:** The network of associations, social norms, and relationships that exist separately from government or market institutions. Civil society may include various nongovernmental organizations (NGOs), such as religious organizations, foundations, professional associations, labor unions, academic institutions, media, pressure groups, and environmental groups.

**Community:** A social group possessing shared beliefs and values, stable membership, and the expectation of continued interaction. It may be defined geographically, by political or resource boundaries, or socially, as a community of individuals with common interests.

**Community-Based Organizations (CBOs):** Groups of individuals within a village or group of villages or residential area with similar interests, established to work together to achieve common objectives.

**Community Development/Community Investment (CI):** The process of increasing the strength and effectiveness of communities, improving peoples' quality of life, and enabling people to participate in decision making and achieve greater long-term control over their lives. Aims to empower and help communities improve their social and physical environments, increase equity and social justice, overcome social exclusion, build social capital and capacities, and involve communities in the strategic, assessment, and decision-making processes that influence their local conditions.

**Conflict:** Tension or disagreement between people or institutions; it may be preexisting or caused by an extractive project.

**Conflict Management:** This includes conflict prevention, conflict shifting, conflict resolution, postconflict reconstruction, as well as other measures designed to improve stability between and among parties.

**Conflict Resolution:** The process by which the participants, together with the assistance of a neutral party, systematically isolate disputed issues to develop options, consider alternatives, and reach a consensual agreement on solutions that will accommodate their needs.

**Consultation:** Two-way communications between project developers and stakeholders to improve decision making, reduce risk, and build understanding by actively involving individuals, groups, and organizations with a stake in the project. Their involvement increases the project's long-term viability and enhances its benefits to locally affected people and other stakeholders. To be meaningful, consultation should be carried out in a culturally appropriate manner, with locally appropriate time frames and in local languages.

**Corporate Citizenship:** The management of the totality of relationships between a company and its host communities, locally, nationally, and globally.

**Corporate Governance:** A set of relationships between a company's management, its board, its shareholders and other stakeholders. Provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

**Corporate Social Responsibility (CSR):** The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. For an individual company, this means integrating social (including human rights), environmental, and economic concerns into its values and culture. These values are then incorporated into the way the company does business and are reflected in the company's policies and strategies, decision making, and operations.

**Early Strategic Stakeholder Engagement (ESSE):** A proactive and considered plan and implementation process to ensure that initial stakeholder engagement will provide a foundation for attaining and sustaining support of stakeholders, and in particular directly affected local communities, throughout the life of the project.

**Economic Impact:** Any increase or decrease in the productive potential of the economy. Economic impact extends beyond the boundaries of any single organization and is linked to both the environmental and social elements of sustainable development. By understanding economic impact, we seek to understand how a company can add value to society.

**Ecosystem Services:** The direct or indirect contributions of ecosystems to human well-being (e.g., well-managed forested watersheds providing clean water for local communities and businesses). Priority ecosystem services are those services on which project impacts affect the livelihoods, health, safety, or culture of the ecosystem beneficiaries (primarily local communities).

**Empowerment:** Increasing peoples' ability to participate in decision making; that is, the ability to negotiate with, influence, control, and hold accountable the institutions that affect their lives.

**Environmental and Social Impact Assessment (ESIA):** A process for predicting and assessing the potential environmental and social impacts of a proposed project, and evaluating alternatives and designing appropriate mitigation, management, and monitoring measures.

**Equator Principles (EPs)** a credit risk management framework for determining, assessing, and managing environmental and social risk in project finance transactions, which are often used to fund extractive industry projects globally.

**Evaluation:** Systematic investigation of the worth, value, merit, or quality of an object. Criteria for evaluation may include relevance, effectiveness, efficiency, impact, and sustainability.

**Extractive Sector:** Oil, gas, and mining industries.

**Focus groups:** Groups selected for their relevance to a particular area of investigation that are engaged by a trained facilitator in discussions designed to share insights, ideas, and observations on the area of concern. Focus groups are typically open-ended, discursive, and used to gain a deeper understanding of respondents' attitudes and opinions. A key feature is that participants are able to interact with, and react to, each other. The group dynamic often provides richer insights and data than would have been achieved by interviewing the participants individually.

**Foundation:** A foundation is a nonprofit organization that donates funds to support other organizations and projects, or funds activities directly. A foundation can be publicly or privately funded by multiple or single donors. A foundation has a legal status, constitutive documents, defined objectives, an administration that runs operations, and a supervisory board. A foundation may spend or preserve its capital.

**Free, Prior, and Informed Consent (FPIC):** Builds on and expands the process of Informed Consultation and Participation (ICP) and will be established through good faith negotiation between the client and the Affected Communities of Indigenous Peoples. The client will document (a) the mutually accepted process between the client and Affected Communities of Indigenous Peoples, and (b) evidence of agreement between the parties as the outcome of the negotiations. FPIC does not necessarily require unanimity and may be achieved even when individuals or groups within the community explicitly disagree.

**Gender:** The socially constructed roles ascribed to males and females and resulting in socially determined relations. Gender roles are learned, change over time, and vary widely within and across cultures. Gender is a key variable in social analysis. It is important to understand the social, economic, political, and cultural forces that determine how men and women participate in, benefit from, and control project resources and activities. Social analysis should highlight gender-specific constraints, risks, and opportunities.

**Human Rights:** Human rights are rights inherent to all human beings, whatever their nationality, place of residence, gender, national or ethnic origin, color, religion, language, or any other status. All human beings are equally entitled to human rights without discrimination, and these rights are interrelated, interdependent, and indivisible.

**IFC Performance Standards (PS):** A part of the Sustainability Framework that comprises IFC's Policy and Performance Standards on Environmental and Social Sustainability. The PS consist of eight standards that IFC clients are required to comply with throughout the life of the project and the investment by IFC.

**Impact:** Any effect, whether anticipated or unanticipated, positive or negative, brought about by a development intervention.

**Impact Assessment:** The process of identifying the future consequences of a current or proposed action.

**Indicator:** A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, reflect the changes connected to an intervention, or help assess the performance of a development actor.

**Indigenous People:** No definition has been agreed upon internationally, but the principle of self-identification has been broadly accepted. The IFC/World Bank treats as indigenous people "those social groups with a social and cultural identity distinct from the dominant society, which makes them vulnerable to being disadvantaged in the development process."

**Influx Management Plan (IMP):** A strategy and implementation plan to manage potential influx and settlement of people attracted by opportunities (employment, entrepreneurial, petit commerce) associated with a project.

**Informed Consultation and Participation (ICP):** An in-depth exchange of views and information, and an organized iterative consultation leading to the client's incorporating into their decision-making process the views of the affected communities on matters that affect them directly, such as the proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues.

**Input:** The activities and resources allocated to the implementation of stakeholder engagement or community development projects.

**Institutional Analysis:** Analyzes the institutional capacities and relationships critical to operational success, and identifies gaps or weaknesses in institutional resources, performance, or sustainability. Over time, an institution may be considered sustainable if it can secure necessary support, provide continuing development activities and services that are valued by its stakeholders, and maintain its functions with decreasing levels of external support.

**Junior Company:** A small company that is currently developing or seeking to develop a natural resource deposit or field. Junior companies are most likely to be found in commodity exploration, such as oil, minerals, and natural gas. To a certain extent, a junior company is like a startup in that it is either looking for funding to help it grow, or looking for a much larger company to buy it out.

**Local Community:** Refers to towns, villages, or other groups of people within or near the area of investigation/project.



**Local Economic Development:** The purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business, and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation.

**Locally Based Suppliers:** Providers of materials, products, and services that are based in the same geographic market as the reporting organization (i.e., no transnational payments to the supplier are made). The geographic definition of “local” may vary because, in some circumstances, cities, regions within a country, and even small countries could be reasonably viewed as “local.”

**Mediation:** A process in which a neutral third-party facilitator helps people discuss difficult issues and negotiate an agreement. Basic steps in the process include gathering information, framing the issues, developing options, negotiating, and formalizing agreements. (Source: International Council on Mining and Metals, Energy Sector Management Assistance Program, and World Bank: Community Development Toolkit Bibliography: Glossary).

**Microenterprise:** Small, informally organized commercial operations owned and operated mostly by the poor. In many countries, microenterprises constitute the majority of businesses. They account for a substantial share of total employment and gross domestic product and they contribute significantly to poverty reduction.

**Monitoring and Evaluation (M&E):** A management tool that provides feedback on project effectiveness during implementation that allows for learning and adapting to changing conditions and experience on the ground. A participatory approach enables the incorporation of the perspectives and insights of all stakeholders, beneficiaries, and project implementers. Stakeholder participation in the identification of problems and solutions helps to develop ownership and commitment to any corrective actions that may be taken.

**Multisector Partnerships:** A multisector partnership describes a strategic alliance between organizations drawn from the three sectors of society (government, business, and civil society) who commit to work collaboratively on a project or program to pursue sustainable development goals, and in which all partners contribute from their core competencies, share the risks, and benefit by achieving their own, each other’s, and the overall partnership’s objectives.

**Nongovernmental organizations (NGOs):** Organizations that operate independently of government and that are often value based and guided by the principles of altruism and voluntarism. Broadly, NGOs may be operational, when their primary purpose is the design and implementation of development-related projects, or advocacy-focused, when their primary purpose is to defend or promote a specific cause or seek to influence development policies and practices.

**Outcome:** The longer-term results aimed for at the end of a program.

**Output:** The direct results of an intervention, a deliverable for which management is responsible.

**Participation:** A process through which stakeholders influence and share control over resources, development initiatives, and the decisions that affect them. Participation can improve the quality, effectiveness, and sustainability of projects and strengthen ownership and commitment of government and stakeholders.

**Participatory Monitoring:** A collaborative process of collecting and analyzing data and communicating the results in an attempt to identify and solve problems together. It can include a variety of people in all stages of the monitoring process and incorporates methods and indicators meaningful to the appropriate stakeholders. Traditionally, companies and agencies initiate and undertake monitoring. Participatory monitoring requires changing the dynamic so that a wider range of stakeholders assume responsibility for these tasks and learn and benefit from the results. Strives to not only generate credible data and information, but also to build trust and help resolve or avoid conflict surrounding perceived or actual impacts.

**Participatory Rural Appraisal (PRA):** A range of participatory approaches and methods that emphasize local knowledge and enable local people to conduct their own appraisal, analysis, and planning. It uses group animation and exercises to facilitate information sharing, analysis, and action among stakeholders. Although originally developed for use in rural areas, it can be employed successfully in a variety of settings, enabling development facilitators, government officials, and local people to work together to identify and address local development needs.

**Performance Indicator:** Qualitative or quantitative information about results or outcomes associated with the organization that is comparable and demonstrates change over time.

**Qualitative Surveys:** Research more subjective than quantitative and uses very different methods of collecting information, mainly a relatively small number of individual, in-depth interviews and focus groups. Qualitative surveys are exploratory and open-ended, and allow respondents greater freedom to influence the research scope and design. Participants are asked to respond to general questions, and the interviewer or group moderator probes and explores the responses to identify and define perceptions, opinions, and feelings about the topic or idea being discussed. The quality of the findings from qualitative research is directly dependent upon the skill, experience, and sensitivity of the interviewer or group moderator. Qualitative research is often less costly than quantitative surveys and is extremely effective in understanding why people hold particular views and how they make judgments. While qualitative research does not produce results that are statistically reliable, its findings can, if participants are broadly representative, be strongly indicative of the population as a whole.

**Quantitative Surveys:** Research concerned with measurement of objective, quantitative, and statistically valid data. It is about numbers. In quantitative surveys, a relatively large and scientifically calculated sample of a population is asked a set of closed questions to determine the frequency and percentage of their responses. Quantitative surveys can be used with reasonable levels of confidence to assess community attitudes across large populations. Weaknesses of quantitative surveys, however, are that they are relatively expensive, questions are strictly ordered and determined by the questioner, and are closed; that is, respondents cannot introduce topics into the survey and cannot expand on or qualify their responses.

**Ranking:** An exercise in which respondents identify what is most important to them (for example, in identifying development needs, communities may rank livelihood as more immediately important than education). Ranking allows facilitators to understand local preferences and how values differ among different groups. Identifying local preferences and priorities is critical to choosing appropriate and effective development strategies and interventions.

**Small and Medium Enterprise (SME) Development:** Projects that seek to build the capacity of SMEs to strengthen their operational capabilities.

**Social Impact Assessment:** Systematic analysis of the impact of a business project or operation on the social and cultural situation of affected communities.

**Social Landscape:** The social arrangements and dynamics of an affected community.

**Social License to Operate (SLO):** Ongoing acceptance by the people who live and work in the area of impact and influence of any given project. The idea is that there is more to running a business successfully and sustainably than just legal and regulatory compliance. The business also needs to earn the support of the community and society in which it operates.

**Stakeholder:** Stakeholders are defined broadly as those groups or individuals (a) that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; or (b) whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. They can be an individual, community, or organization that affects, or is affected by, the operations of a company. Stakeholders may be individuals, interest groups, government agencies, or corporate organizations. They may include politicians, commercial and industrial enterprises, labor unions, academics, religious groups, national social and environmental groups, public sector agencies, and the media.

**Stakeholder Analysis/Stakeholder Mapping:** A process that seeks to identify and describe the interests and relationships of all the stakeholders in a given project. It is a necessary precondition to participatory planning and project management.

**Stakeholder Engagement Plan (SEP):** The process of identifying and communicating with those people with a legitimate interest in a proposed activity.

**Strategic Community Investment (SCI):** Voluntary contributions or actions by companies to help project-affected communities address their development priorities and take advantage of opportunities created by private investment in ways that are sustainable and support business objectives.

**Sustainable Development:** Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Sustainable Development (Extractive Industries):** Sustainable development in the extractive industries is often characterized in terms of action today with a view to a future when project operations have concluded. The challenge of community-level sustainable development is to find other drivers of development so there are viable social and ecological systems as well as a thriving economy after extractive operations have shut down. In the context of the minerals sector, the goal should be to maximize the contribution to the well-being of the current generation in a way that ensures an equitable distribution of its costs and benefits, without reducing the potential for future generations to meet their own needs.

**Sustainable Livelihoods:** Initiatives that seek to improve and maintain the quality of life of people living in poverty. It includes business activities that are designed to serve the needs of the poor and to create new opportunities for the poor to become involved in sustainable local economic activities.

**Sustainability:** The ability of an organization to secure and manage sufficient resources to enable it to fulfill its mission effectively and consistently over time without excessive dependence on a single funding source. Sustainable organizations have (a) the ability to scan the environment, adapt to it, and seize opportunities it offers; (b) strong leadership and management; (c) the ability to attract and retain qualified staff; (d) the ability to provide relevant benefits and services for maximum impact in communities; (e) the skills to demonstrate and communicate this impact to leverage further resources; (f) community support and involvement; and (g) commitment to building sustainable (not dependent) communities.

**Sustainability Investments:** Investments in stakeholder engagement and community development. Used in the Financial Valuation (FV) Tool to measure the financial return on such investments.

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