



Australian Government

Department of Foreign Affairs and Trade

SAFEGUARD GUIDANCE NOTE

CONSULTING STAKEHOLDERS



This Guidance Note is one of a series that provide supplementary information on the identification, assessment and management of environmental and social impacts in program investments. The notes complement the *Environmental and Social Safeguard Policy* and the *Environmental and Social Safeguard Operational Procedures*.



1. WHY IS CONSULTING WITH STAKEHOLDERS IMPORTANT?

Consulting with stakeholders is essential to effective investment design and implementation. Engaging with relevant parties can identify design and delivery preferences, sources of support and opposition, and risks and concerns that may need to be addressed.

Consultation is especially important in the development of investments that may have environmental or social impacts. Communicating with those who are to be directly affected, allows investment managers to obtain information about local conditions that contribute to effective design and operation of the investment. Providing the opportunity for those affected to have a stake in the process. Successful engagement provides a stronger basis for effective and efficient management of environmental and social risks and impacts.

2. DISCLOSING INFORMATION TRANSPARENTLY

Disclosing information about the environmental and social risks of an investment is an important element of effective consultation, an accepted good practice, and is commonly a requirement of environmental laws and policies. It helps to establish a public record of investment assessment processes and commitments made to manage risks appropriately. It facilitates consultation with people who may be affected and helps to protect their rights. It enables people who may be affected to voice their concerns and provide information that can help investment managers plan for, avoid and manage risks.



3. WHO ARE 'STAKEHOLDERS'?

A broad definition of stakeholders includes institutions, organisations and people who:

- May have an interest in an investment, or who may be affected by it
- Whose input may be important to the success of an investment
- Whose views and experience may need to be considered.

The nature, scale and location of the investment should be considered in determining specific stakeholders to be consulted. As an indicative list:

- Ministries or agencies of the partner government that may have an interest in the investment, or a role in its design or operation
- Subnational-level government agencies whose cooperation in design or operation may be needed
- Non-governmental organisations, community organisations, religious or customary leaders, or private service providers who may be affected by the investment, or whose support may be sought in its design or operation
- People affected by environmental impacts or changes caused by the investment including vulnerable and disadvantaged groups
- People subject to physical or economic displacement as a result of the investment.

4. WHAT ARE DFAT'S RESPONSIBILITIES?

Consultation processes may be required under partner national legislation or, in the case of co-financed investments, under the policies of multilateral or bilateral development partners. There may be inconsistencies between domestic legal requirements and those of DFAT or other development partners. Where inconsistencies involve DFAT and other development partners, normal international practice is to adopt the most stringent consultation requirements, commensurate with the nature of the investment and proportional to its potential risks and impacts.

5. APPROACH TO CONSULTATIONS

The scope and scale of consultations should be proportional to the range of potential stakeholders and the complexity of potential issues associated with the investment. In some instances (for example, support for administrative reform or upgrading of information technology), consultation requirements may be minimal because the range of potentially interested stakeholders may be very small. For development investments with potentially significant environmental or social risks and impacts, by contrast, more intensive and iterative consultation processes are likely to be necessary during design, implementation and operation of the investment.

Partner governments may bear primary responsibility for conducting consultation processes. Representatives of ministries and regional or local authorities relevant to assessment, planning, implementation and operation of the investment should be involved. Consultations should include, as appropriate, representatives of non-governmental organisations, civil society organisations and indigenous peoples.



What is the role of DFAT? –DFAT, in collaboration with any co-financing partners, should ensure an adequate consultation strategy is devised and implemented. If the investment involves environmental or social risks or impacts, the strategy should include consultation with potentially affected communities during assessment and mitigation planning processes. For investments that may be particularly complex or potentially controversial, DFAT should consider observing consultations. DFAT also has a role to play in ensuring consultation results are adequately reflected in mitigation plans, in implementation, and in monitoring of implementation.

The development of a consultation strategy should begin early in the design of an investment.

Key considerations are:

- a. Who should be considered stakeholders, and consulted about the investment?
- b. Who will be responsible for the planning and conducting of the consultations?
- c. Who will prepare records of the consultations and how will they be disseminated?
- d. How and when in the assessment and design process will institutions, organisations, communities or people who may be affected by environmental or social risks or impacts be consulted about their concerns and preferences?
- e. What role will DFAT and other development partners play, if any, in consultation processes (other than discussions with stakeholders in the course of supervision functions)?
- f. Will consultations be appropriate to conduct during the implementation of the investment?
- g. What role will the affected people or communities have in monitoring the implementation process for the investment?
- h. How will grievances that affected people or communities may have be addressed?

An integrated Environmental and Social Impact Assessment (ESIA) may be the most appropriate way to incorporate stakeholders' views and concerns into the design process. An integrated ESIA process, including stakeholder engagement, increases the effectiveness of the assessment by increasing the likelihood that the full range of relevant concerns will be identified and examined as part of the assessment process. It also increases the efficiency of the assessment process by reducing duplication of effort that often occurs if separate environmental and social assessments are undertaken.

6. WHAT ARE THE ELEMENTS OF GOOD PRACTICE?

Planning and design phase – Elements of good practice include:

- ☒ **Begin as early in the design process as possible** – Early identification of potential issues and concerns allows for consideration of alternatives, promotes a more optimal design process, and reduces the risk that delays in design or approval will be necessary because of untimely discovery of significant potential problems.
- ☒ **Tailor the scope of consultation to the level of risk** – Consultation for medium- to high-risk investments will be more comprehensive than for low-risk investment.
- ☒ **For medium- to high-risk investment, engage skilled and impartial assessment experts** – They can support the design and facilitate the consultation process, using local knowledge. Ensure that environmental and social expertise is commensurate with the potential risks and impacts involved.



- ☑ **Promote meaningful consultation** – Consultation processes are not effective if conducted in a strictly pro-forma manner. Consultations should be conducted in a time and place accessible to those to be consulted. Language is often also a consideration. Ensuring meaningful consultations may include other important considerations, including advance disclosure of information relevant to the consultation, and focus group discussions or other mechanisms that enable women or other disadvantaged or vulnerable people to feel free to speak frankly.
- ☑ **Responsiveness to consultations** – As part of the assessment process, a record of consultations should be maintained. This should include basic information as to the time and place of consultations, the number and general characteristics (e.g. gender, age, minority status) of participants, and issues discussed. As much as possible, agencies sponsoring the investment should respond directly to those consulted on issues raised. Consultation results, and responses to issues raised, should also be reviewed in any environmental and social mitigation plans required for the investment.
- ☑ **Always consider potential social risks** – Although legal requirements and established practice may focus on environmental assessment, social risks may be far greater than risks to the physical environment. Social risks may include gender or ethnic inequities in distribution of impacts or opportunities to benefit, culturally inappropriate design of investments in areas with indigenous peoples or ethnic minorities, or investments that may exacerbate tensions in areas of conflict, or recovering from conflict.
- ☑ **Be gender inclusive and responsive to the needs of people with disabilities and other vulnerable groups** – DFAT requires all investment designs to incorporate the principles of gender equality and consider the needs of people with disabilities. Consultation processes in environmental and social assessments must follow these DFAT requirements.
- ☑ **Make information accessible** – Provide information about the investment and the assessment of environmental and social risks in an accessible place, language and form that is understandable by affected people and other stakeholders (e.g. local government agencies). This process should include disclosure of the records of consultations in places that are accessible to the public.
- ☑ **If documentation is lengthy or technically complex** – Provide summary material on key content, findings and an estimated timetable for future actions, in a form, location and language that are accessible to stakeholders and affected communities. Engage them in decisions about management of risks.
- ☑ **Disclose information in a timely manner** – Documents should first be disclosed while still in draft, with sufficient time for intended audiences to review and respond before final decisions about investment design and mitigation arrangements are made. Final versions of assessments and plans are disclosed to establish a public record of decisions and commitments made.
- ☑ **Build local capacities** – Consider engaging local leaders, local social experts and local environment agency personnel in the team.



Implementation phase - In the implementation phase, elements of good practice include:

- ✓ **Include stakeholders in implementation monitoring** – Monitoring promotes early identification of implementation problems, increasing the likelihood that time and resources will be available to address them. Affected people or communities can provide valuable assistance in monitoring, they are most aware of local conditions and changing circumstances. Involving them in monitoring also reinforces their stake in the process and provides an opportunity for direct interaction with parties responsible for implementation of the investment.
- ✓ **Provide avenues for complaint and redress** – Any investment with potential environmental or social risks or impacts should establish a grievance redress process. Complex development undertakings almost always generate complaints. International development experience shows that development investments that internalise the management of complaints tend to perform better, with fewer delays and controversies than those in which complaints are lodged externally (e.g., to the media, to political agencies, or courts). A functioning grievance redress process:
 - Informs those potentially affected about how and where to lodge complaints
 - Is available and accessible at little or no cost to those who wish to lodge complaints
 - Provides clear performance standards for responding to complaints received
 - Includes arrangements for impartial, or third-party, review of complaints received
 - Does not prejudice complainants' access to other legal avenues for grievance redress.Arrangements for reporting on status of grievances received should be incorporated into implementation monitoring processes and the effectiveness of the grievance process should be reviewed in the course of DFAT supervision.
- ✓ **Stakeholders should also be consulted in post-implementation evaluation processes** – Both intended beneficiaries and people or communities potentially affected in an adverse manner should be consulted at the conclusion of the implementation process to assess their views as to whether the investment has achieved its intended results, and whether any adverse environmental or social impacts have been mitigated.

Examples of best practice consultation processes for international development investments can be found at:

- [World Bank Environmental and Social Framework – Environmental and Social Standard 10](#)
- [Asian Development Bank Environment Safeguards: A Good Practice Sourcebook](#)

GET HELP IF YOU ARE UNSURE

For assistance please contact aidsafeguards@dfat.gov.au.

