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Stakeholder Communication and Engagement

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Stakeholder engagement is an inexpensive and efficient way of creating a better operational environment for a project. The consultation process reduces risks and increases its chance of success. Most large infrastructure projects will have a wide range of stakeholders, including those that support the project, and those that oppose it. Stakeholder engagement plays two important roles throughout the project cycle:

- The information gained by consulting stakeholders confirms or reassesses whether a project will deliver value to society—consultation often improves the initial project concept.
- Governments can mitigate risk by disseminating project information, thereby learning of potential project issues, and establishing a dialogue with a range of stakeholders.

The capacity of the procurement agency to conduct stakeholder engagement is an important factor. Broad constituencies of stakeholders often need to be consulted, and agents do not always convey the opinions of beneficiaries effectively. This is a challenge in advanced economies and developing countries alike. Direct consultation is always beneficial. The timeframe during which the consultation is conducted is particularly critical.

Benefits of engaging stakeholders

Stakeholder engagement helps governments identify critical issues and prepare effective strategies. In particular, it can frame discussions with beneficiaries, clarify project impacts and objectives, and ultimately increase public support for a given project. In certain circumstances, creating space for dialogue and allowing stakeholder participation in project decision-making can increase its endorsement in the national political arena and strengthen its sustainability. The process can enhance the social capital between the government and the public, generating long-term benefits for the effectiveness of policy reforms. Moreover, stakeholder engagement is one of the ten **Equator Principles** (EP 2017); a thorough consultation is a requisite to receive funds from Equator Principle Financial Institutions.

The engagement process can also give governments the opportunity to explain how a PPP differs from privatization. In modern PPPs, the government retains control over the use of the asset; it defines minimum service quality and maximum user costs. This is fundamentally different from older concessions wherein the operator acted as a local monopolist with limited accountability to the contracting agency.These factors underline the critical importance of identifying an accountable public spokesperson for any project. Before any consultations, it is good practice to appoint a project spokesperson, preferably a senior figure within government. This is critical for establishing and maintaining a regular flow of information about a project, addressing and being perceived as addressing public questions and concerns, and correcting any misinformation in the media. This spokesperson lends his or her credibility to the project throughout the project cycle.

Identifying stakeholders

Identifying stakeholders requires thinking carefully about those who may be affected by, have a legitimate interest in, or the ability to influence the project. Identifying stakeholders too broadly may be cumbersome and open a project to risks. However, defining stakeholders too narrowly may result in potentially influential stakeholders being overlooked, and undermine local ownership and support.

The **IFC stakeholder engagement handbook** (IFC 2007, 10) defines stakeholders as "persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively." This definition is broad. It demonstrates the inclusiveness needed when mapping stakeholders—but not the range of stakeholders that should be consulted in each phase of the PPP cycle. In some phases, it is crucial to include a broader set of stakeholders; in others, it should only be the core stakeholders—the users and the affected persons—that should be consulted.

The same **IFC handbook** (IFC 2007, 14-16) recommends two parallel approaches to identify stakeholders based on the project's geospatial sphere of influence. First, identify those stakeholders that are likely to be impacted by the primary project facilities and the related facilities, such as transportation routes and areas. The analysis should focus on socio-economic and environmental consequences for those directly affected by the project, such as end-users, homeowners or specific professional categories, as well as groups that appear peripheral but perceive that they may be impacted by the project.

The second component of IFC's parallel approach for identifying stakeholders applies to those that have interests in the project but are not affected by it geospatially. These include institutions such as political parties, trade unions, chambers of commerce, think tanks, community leaders, professional associations, or local and international civil society organizations. Analysis and mapping of motivations and influence patterns can help identify these stakeholders. Cost effective solutions, such as websites or newsletters, may provide an efficient method of establishing and maintaining communication.

It is important to note that **over the PPP life-cycle, stakeholder communication and engagement will address different categories of stakeholders**—and, as the goals will not be the same, the consultation mechanism will vary. Consider the main phases of the PPP cycle:

- **PPP program definition**—engaging citizens (as taxpayers and as potential users) during the identification phase of the government's infrastructure program. Infrastructure programs are designed, developed, publicly presented, and tested through formal and informal feedback-collection mechanisms. The emphasis is on demonstrating the program's ability to serve user needs—instead of simply listing projects and amounts—The process ensures that investment programs serve the public interest and reward politicians that promote them.
- **Project assessment and preparation**—engaging potential users and populations likely to be affected by the project. This engagement tests the quality of the project and provides elements for its optimization. The process is critical—the intensity of engagement with **users** and genuinely **affected persons** should be high. Extensive communication with relocated persons should be organized and publicized; and efforts to mitigate the impact on the environment should be communicated exhaustively.
- **Contract tendering**—no stakeholder consultation should take place during the tender process to avoid introducing undue pressure on the selection of the PPP operator. An **initial market consultation**, before the Call for Tender, will be highly relevant for assessing market interest and for receiving feedback that can help optimize the project, the draft contract, and the tender regulations. A competitive tender should avoid creating opportunities for collusion and force the procuring authority to deal independently with each bidder, and only with bidders.
- **Project implementation and evaluation**—requires **full proactive disclosure** of the contract, followed by periodic dissemination of information on project performance, and continuous collection of feedback from users using contractually-prescribed (or regulator-defined) communication channels.

Careful mapping to determine who is genuinely affected by the project is important to ensure the right stakeholders are consulted and to avoid legitimizing vested interests. The consultation process may attract groups of individuals to the discussion arena who are not directly or significantly affected by the project. The government's efforts to give voice to genuine stakeholders may be perceived by these individuals as an opportunity to obtain undue benefits if they are able to become actors in a process that does not concern them. In an improperly conducted engagement process, vested interests may garner too much power and

derail a project.

For instance, unions representing employees of State-Owned Enterprises who see services transferred to PPP concessionaires may try to block projects that reduce their power. Engaging with them will be critical, However, it is equally important to engage directly with employees. Safeguarding the interests of workers is an essential part of project sustainability, but it should not be given priority over the public interest and the needs of users.

Risks of disregarding stakeholders

Technocrats are often tempted to focus on technical issues and rush to finish projects. However, this approach can be dangerous—some influential stakeholders may have deeply-rooted ideological opposition to private provision of public services, and fears and suspicions of government capture and/or abuse of a local monopoly may be easily spread and difficult to diffuse.

Moreover, people may have strong apprehensions that a project will degrade their quality of life. Constituencies—including small ones—that feel threatened by a project may be powerful enough to stop it, even when the overwhelming majority of people would benefit. Disregarding such considerations, and not building stakeholder consensus for a project, has led to many PPPs being abandoned or failing to achieve expected results.

Even if a project can be demonstrated to be economically advantageous and welfare-enhancing for society as a whole, some stakeholders may be negatively affected by it—environment and social assessments, discussed in Assessing Fiscal Implications, should identify these stakeholders and propose whether they should be compensated. Legitimate claims for compensation, for example, due to expropriation, need to be recognized and publicized in the consultation process—claims that do not lead to compensation also need to be identified and explained.

For example, a **project to develop infrastructure and local capacity and institutions at the village level in Lao PDR** (IEG 2015) did not achieve optimal results because it focused on provision of infrastructure instead of engaging stakeholders in participatory processes. Such suboptimal results could have been avoided by preparing and implementing a well thought-through strategy for stakeholder engagement.

The **World Bank working paper on strategic communications** (Calabrese 2008, 25) also provides examples of how some stakeholder opposition can arise when the project is structured as a PPP.

Formulating a stakeholder engagement strategy

Upon completing the identification of stakeholders and the analysis of their interests, concerns, information needs, communication channels, and likely impact of the project, governments should then map key influencers to identify important entry points for their engagement and formulate context-specific strategies. These strategies need to be approached systematically; they should cover all consultation activities. The **IFC stakeholder handbook** (IFC 2007, 8) emphasizes that they require clear objectives, budget, and allocation of responsibilities.

Calabrese's paper on strategic communications (Calabrese 2008, 11) recommends that governments begin the formulation of their project engagement strategy by highlighting the government's national economic development and poverty reduction objectives and other relevant strategic priorities. The engagement strategy can then demonstrate how the specific objectives of the project are aligned with the overarching national policy.

Governments should customize their level of engagement with each category of stakeholders according to their relative ability to impact the project and availability of government resources to engage. Attempting to engage all identified stakeholders at the same level may lead to project delays.

The following resources provide two more in-depth methodologies for formulating stakeholder engagement strategies:

- The **European Commission guidelines on stakeholder consultation** (EC 2015, Section 6.1)
- The **IFC stakeholder engagement handbook** (IFC 2007, 34-46)

The preliminary consultation process

In the preliminary consultation period, governments should begin by disclosing all relevant information, including identified socio-economic and environmental risks. This leads to transparency and gives an informed view of the project to stakeholders. Opinions and points of contentions can then be collected. **Calabrese's paper on strategic communications** (Calabrese 2008, 2) explains that this consultation process fleshes out the understanding of the perceptions that stakeholders hold about the project, enables governments to improve their communication efforts by directly addressing stakeholder concerns, and may provide solutions for critical project issues. It also functions as a feedback mechanism to continually improve the overall strategy. Integrating feedback into the project design has the additional benefit of demonstrating that stakeholders' input is being considered.

There is a broad consensus among policy makers and practitioners that the consultation should be as inclusive as possible. This does not necessarily mean that the level of engagement will be the same, as discussed previously, but it will ensure that all stakeholders are able to contribute their voice and thus avoid negative sentiment toward the project through feelings of exclusion.

The **European Commission guidelines on stakeholder consultation** (EC 2015) provide the following five minimum standards for conducting effective consultations:

- **Clarity**—All communication and the consultation documents should be clear, concise and include all necessary information to facilitate responses.
- **Targeting**—All relevant groups should have an opportunity to express their opinions regarding the project.
- **Publicize broadly and effectively**—Adequate awareness-raising publicity is essential; the specific consultation's communication channels should be adapted to meet the needs of all target audiences.
- **Time limits for participation in the consultation period**—Sufficient time should be provided for planning and responses to invitations and written contributions.
- **Feedback**—Receipt of contributions should be acknowledged and contributions published.

These principles provide a solid framework for conducting engagement. However, there are times when governments will need to moderate their usage. For example, in the **United Kingdom** (UK 2015b), after the authority in charge of a runway expansion at Heathrow Airport committed to responding to all comments received from the public, more than 70,000 comments were received.

An article in the **Engineers Journal** (Morrissey 2015) suggests that following the preliminary consultation, it remains important to communicate regularly around the critical milestones of the project, as well as when relevant information becomes available. This will feed the continuous feedback loop, identify concerns from stakeholders throughout the project cycle, and enhance stakeholder participation in the process. This reinforces the need for a project spokesperson to be appointed who can provide regular and timely information to stakeholders and have regular interaction with the media at key project milestones.

Stakeholder engagement post-contract award

Once the project contract has been awarded the nature of stakeholder engagement will shift largely to managing stakeholders' expectations, maintaining relationships, and obtaining user feedback. The **IFC stakeholder engagement handbook** (IFC 2007, 135–147) presents a series of recommendations for the

construction and operation phases.

For the construction phase of infrastructure projects, engagement will involve notifying those local stakeholders that will be affected by the construction. The nature of the construction, its duration, potential impacts such as noise or traffic, and information on whom they may consult regarding grievances should be provided at this stage.

Upon transitioning to the operations phase, stakeholder engagement will focus upon management of established stakeholder relationships as well as continued user feedback. This may be accomplished through retaining community liaison officers or by having an overlapping period with old and new staff, in which liaison officers with established rapports may introduce newer officers.

As operations progress, it is important to continue to review and update stakeholder information at regular intervals. Disclosure of pertinent information as well as stakeholder consultations should continue as well. This will ensure that the any new issues or changes in the perception of the project may be integrated into the overall strategy. Stakeholders during this phase may shift, and, as such, the strategy may need to be adapted to include them as well.

Role of the public

PPPs are meant to provide value to the public. Getting the right level of public involvement in the PPP process and program can enhance the legitimacy of PPP as a procurement tool, and contribute to good governance as defined in Good Governance for PPPs**.** As described above, direct public participation—by service users or other stakeholders—at various points in the PPP process can improve project design and performance. Equally important, making PPP projects and processes transparent enables PPP performance to enable informed policy debate.

User feedback mechanisms can be structured in various ways, as described further in Managing PPP Contracts—some projects provide a web portal for continuous user-based input, others conduct regular user surveys. A specific mechanism may also be needed for user grievances. In **Chile**, the Ministry of Public Works collects and measures user feedback statistics on their website (CL-Proyectos).

The Delhi Water Project

In 2004, the government of Delhi decided to reform its water sector with support from the World Bank. Delhi had access to a sufficient supply of water for its population but lacked adequate transmission and distribution systems. These deficiencies largely stemmed from political, institutional and governance issues that resulted in sub-optimal performance for the system. The project sought to increase accountability in the sector by separating the responsibilities for ownership and policy-making and provision of services while establishing a transparent mechanism between the two.

The government of Delhi engaged stakeholders at various levels to learn their concerns and formulate an implementation mechanism. A willingness to pay survey was also conducted, which found that consumers were willing to pay more for improved service quality. This led to an increase in water tariffs for the first time in six years.

A pilot project was proposed in two of Delhi's 21 zones to be conducted under a management contract. In July 2005, before the consultation on the pilot project could be completed, a local NGO, Parivartan, made public its opposition to the project.

It made several claims about the project, including that it would lead to even higher tariffs, create inaccessibility to water for the poor, and gradually privatize the water sector. Additionally, Parivartan

suggested that the World Bank was manipulating the Delhi Water Board, the entity in charge of water and sanitation services. It spread these claims widely through media and by seeking to influence important players in civil society, government, and academia.

Parivartan's claims against the project were unfounded. However, no one in either the Delhi Water Board or the government of Delhi stepped forward to refute them. Additionally, there was already a public outcry over power privatization, adding to antipathy toward the project. Because of this unaddressed popular sentiment against the project, it was eventually suspended in November 2005 and fell into a perpetual hiatus.

Source: (Odugbemi and Jacobson 2008)

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- **Public Financial Management Frameworks for PPPs**
- **Broader PPP Program Governance**
- **Municipal and other subnational PPPs**
- **Key References - PPP Framework**

- **PPP CYCLE**

Additional Resources

- Setting Standards for Communication and Governance: The Example of Infrastructure Projects

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