Stakeholder Engagement and Grievance Mechanisms*

Introduction

Stakeholder engagement aims to build and maintain an open and constructive relationship with stakeholders and thereby facilitate and enhance a company’s or a project’s management of its operations, including its environmental and social effects and risks.

The last decade has seen a fundamental transformation in the way that the private sector and government entities relate to stakeholders during project development. Whether building a road or assessing the feasibility of a mine, project proponents are finding that they can minimize risk and increase positive outcomes through early, ongoing engagement with stakeholders that builds trusting relationships. At the same time, stakeholders have increased expectations of their role in providing input into project development, particularly where they anticipate direct impacts or benefits. These stakeholder expectations may require project proponents to gain new engagement skills.

New approaches and forms of engagement are evolving as approaches to consultation and disclosure change from a short-term means of meeting regulatory and lender requirements to a longer-term, more strategic channel for relationship-building, risk mitigation, and identification of new business opportunities. This Guidance Note gives an overview of current approaches to stakeholder engagement as well as resources for further study.

Definitions

The following terms are often found in the literature on stakeholder engagement:

Stakeholders: 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. They may include locally affected communities or individuals and their formal or informal representatives, national or local government authorities, politicians, religious leaders, civil society

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organizations and groups with special interests, the academic community, or other businesses.

**Stakeholder Mapping:** The process of identifying a project’s stakeholders.

**Grievance:** An issue, concern, problem, or claim (perceived or actual) that an individual or community group wants a company or contractor to address and resolve.

**Grievance Mechanism:** A locally based, formalized way to receive, assess, and resolve stakeholder complaints about the performance or behavior of project proponents, including its contractors or employees.

**Stakeholder Engagement, A New Approach**

The term “stakeholder engagement” is emerging as a way to describe a broader, more inclusive, and continuous process between a company and those potentially affected by a project. Stakeholder engagement can encompass a range of activities and approaches, and usually spans the life of a project. A broad array of terms describes this new approach to engaging stakeholders, including consultation, engagement, external relations, information disclosure and dissemination, and participation. These terms have been used loosely and interchangeably, because all these components can be part of an integrated engagement process. Although each organization or project must determine the type and scale of stakeholder engagement that best serves the organization’s or project’s purposes, the following are hallmarks of strong stakeholder engagement programs:

1. **Initiated Early, Continues through Project Completion** For the best outcomes, stakeholder engagement begins during project design and continues for the life of the project. Building a strong relationship from the start can help develop support for the project. Information exchange during the design phase can help organizations avoid costly mistakes that are difficult to fix at a later stage.

2. **Transparent and Honest** Interaction with stakeholders is characterized by transparency and honesty, and builds trust in the process.

3. **Managed as a Business Function** Engagement with stakeholders should be driven by a well-defined strategy and have a clear set of objectives, timetable, budget, and allocation of responsibilities. Organizations that take a systematic approach grounded in business operations get better results from their time and resources, and can more effectively track and manage stakeholder issues and risks.

4. **Inclusive** Efforts are made to include highly visible stakeholders as well as those that are typically underrepresented, such as minority groups, women, youth, and vulnerable people. When these important groups are left out of the process, the stakeholder engagement process is inadequate.
5. **Culturally Appropriate and Accessible**  
Information is given in a format, language, and location accessible and comprehensible to stakeholders.

6. **Proactive**  
The project or organization plans ahead and identifies stakeholders and their concerns, supplies information, and solicits feedback before problems arise.

7. **Grievances Managed**  
Effective stakeholder engagement includes using a procedure to ensure that grievances are received and responded to in a timely manner, and are tracked so that results can be analyzed.

**Stakeholder Engagement: the Building Blocks.** Most programs for stakeholder engagement contain the following nine key components (eight of which are illustrated in figure 1):

- **Stakeholder Identification and Analysis**  
  This involves determining who your project stakeholders are (this process is called *stakeholder mapping*). From this flows stakeholder analysis, a more in-depth look at the interests of stakeholder groups, how they will be affected, and what influence they can have on a project.

- **Information Disclosure**  
  Good practice suggests adopting a “presumption in favor of disclosure,” which means being forthcoming with information whenever possible, especially if there is no compelling reason not to share it. To the extent possible, companies should be open about the project; in short, “tell it like it is.” Companies that share objective information of importance to stakeholders are more likely to be considered trustworthy.

  To be able to participate in an informed manner, stakeholders should receive the information they need when they need it and in a format and a language that is accessible. There are almost unlimited methods of disclosing information, including radio programs, posters, meetings, theater, videos, consultation forums, puppet shows, comic books, expert presentations, participatory monitoring, and mock-ups. Proactive organizations can identify innovative means of information disclosure that target their stakeholders.

- **Stakeholder Consultation**  
  This is a dialogue between the project (including third-party experts where necessary) and its stakeholders. This dialogue, much like in any relationship, is about initiating and sustaining constructive relationships over time. For projects with environmental and social impacts, this will not be a single conversation but a series of opportunities to create understanding about the project among those it will likely affect or interest, and to learn how these stakeholders view the project and its attendant risks, impacts, opportunities, and mitigation measures.

  Listening to stakeholder concerns and feedback can improve project design and outcomes, and help a company identify and control external risks. It can also form the basis for future
collaboration and partnerships. Methods for consultation are varied and might include large-scale forums, key stakeholder interviews, focus groups, mapping of community interests and concerns, and attitude surveys. However, all methods used should ensure that all stakeholders are sufficiently informed before consultation so they can be informed participants during consultation. In other words, stakeholders need to understand the project and its potential positive and negative impacts to develop informed opinions.

- **Consultation with Indigenous Peoples**  Indigenous peoples, as social groups with identities that are distinct from dominant groups in national societies, are often among the most marginalized and vulnerable segments of a population. If a project will directly affect indigenous groups and their customary lands under use, early engagement is an essential first step in building longer-term processes of consultation, informed participation, and good-faith negotiation. In many countries, as with many financial institutions, there are special legal, statutory, and regulatory or procedural requirements for consulting indigenous people.

- **Negotiation and Partnerships**  Effective stakeholder engagement lays the foundation for effective negotiation. With negotiation and partnerships, as with so many other things, the quality of stakeholder relationships is important to facilitating mutually acceptable outcomes. Negotiations with stakeholders can cover access to land or land acquisition, positions for local employment, or formation of benefit-sharing programs. Negotiations with stakeholders should be approached in “good faith,” that is, conducted with an open mind, a willingness to engage in the process, and a genuine desire to build solutions and reach agreements. Negotiations must be free from coercion and must take place with legitimate community representatives; stakeholders must also have equal access to the best available information.

- **Grievance Management**  A grievance mechanism should be scaled to fit the level of risks and impacts of a project. It should flow from a company’s broader process of stakeholder engagement and business integrity principles, and integrate the various elements of engagement discussed so far. For more detail on grievance mechanisms, see the following section.

- **Stakeholder Involvement in Project Monitoring**  One way to help satisfy stakeholder concerns and promote transparency is to involve project-affected stakeholders in monitoring any mitigation measures or other environmental and social programs. Frequently called “participatory monitoring,” these programs can increase the frequency and quality of company communication with communities. Such participation and the flow of information can also encourage stakeholders to take a greater degree of responsibility for their environment and welfare, and to feel empowered that they can do something practical to address issues that affect
their lives. Participatory monitoring also tends to strengthen relationships between the project and its stakeholders.

- **Reporting to Stakeholders** In both personal and business relationships, follow-through is important. The same principle applies to stakeholder engagement. Once consultations have taken place, stakeholders will want to know which of their suggestions will be used, what risk or impact mitigation measures will be put in place to address their concerns, and how, for example, project impacts are being monitored. Often the same methods used in information disclosure are applied to reporting back to stakeholders. This can include large-scale forums, brochures, targeted meetings, and consultative committees.

- **Management Functions** Increasingly, good practice points to incorporating stakeholder engagement activities into a company’s environmental and social management system. In practice this means making its management systematic by integrating it with core business activities. Consequently, stakeholder engagement should be managed as one would manage any other business function: with clearly defined objectives and targets, professional and dedicated staff, established timelines and budget, and senior management responsibility and oversight.

Eight of these components are shown in figure 1, which illustrates their interconnectedness.
Figure 1. Major Components of Stakeholder Engagement

Grievance Mechanisms

A grievance can be defined as “a real or imagined cause for complaint.” It may be expressed formally (for example, in writing) or informally (for example, by telephone). In the context of development projects, grievances may relate to alleged or potential risks and adverse impacts associated with a project, an alleged non-compliance with a project commitment, or to matters concerned with employment and working conditions. A grievance mechanism is an important pillar of the stakeholder-engagement process because it creates opportunities for companies and communities to identify problems and discover solutions together. It also helps evaluate the performance of the social and environmental management system, and to strengthen project operations by informing the company about needed improvements.

Stakeholders generally expect an acknowledgment of their problem or concern as well as an honest response to questions about company activities. Depending on the grievance, stakeholders may want a detailed explanation, an apology, compensation, or modification of the conduct that led to the grievance. In expressing their concerns, they also expect to be heard and taken seriously. They may also want to be involved in monitoring the conduct so that it will not happen again. Although grievance mechanisms must be designed to suit the project context, both the approach and the underlying principles are aligned with the other components of the company’s stakeholder engagement process. The grievance mechanism should have the following characteristics:

- **Procedure Is Formalized** Grievances are systematically recorded, tracked, analyzed, and responded to. The process is predictable, with known procedures and timeframes for each stage. The system provides a learning opportunity for companies. Summary results from the grievance monitoring are given to stakeholders.

- **Proportionality** The mechanism is scaled to potential project risks and adverse impacts. Staffing is appropriate for the volume and type of grievances.

- **Cultural Appropriateness** A project-level grievance mechanism should take into account specific cultural attributes as well as traditional mechanisms for raising and resolving issues, to ensure that the concerns of significantly different groups and subgroups are addressed appropriately.

- **Accessibility and Responsiveness** The grievance mechanism must be one that is clear and understandable. The mechanism must be accessible and responsive to all segments of the affected communities, and provided to all segments at no cost to them. The community must be well informed about the mechanism. Methods for achieving this can include information booths, community liaisons who schedule regular visits to stakeholders, phone hotlines, and open-door policies at the project site.
Transparency and Accountability to All Stakeholders

A grievance mechanism should be a way for the community to hold the company accountable, to be sure it takes community inputs seriously, deals with them through a clear and transparent process, follows through with actions, and communicates with the community. A grievance mechanism is transparent when members of the affected community

- know who in the organization handles complaints and communicates outcomes, and who is in charge of the mechanism’s oversight;
- have input into its development;
- have enough information on how to access it; and
- have power to ensure that the process is adhered to by those directly responsible for managing it.

Staffed and Budgeted

The company or organization must ensure adequate staffing and budgeting of the mechanism.

Appropriate Protection

A grievance mechanism will work when communities are encouraged to share their concerns freely, with the understanding that no retribution will be exacted for participation. A mechanism free of retribution will consider potential dangers and risks to complainants and incorporate ways to prevent harm.

These precautions include a clear policy of no retaliation, measures to ensure confidentiality and physical protection of complainants, safeguarding of personal data collected in relation to a complaint, and an option for complainants to submit anonymous grievances where necessary.

Redress Mechanism

The grievance mechanism must allow access to an external body for consideration of the grievance where necessary.

Five Step Grievance Process. Grievance mechanisms should be scaled to the size and degree of complexity of projects as well as to the potential for significant impacts. Typical grievance procedures will generally include at least the following five steps:

1. Publicizing the Grievance Mechanism to Stakeholders

   Organizations should ensure that stakeholders know who can raise a grievance, where grievances can be filed, who is responsible for receiving and registering complaints, what sort of response stakeholders can expect from the company including timing of response, and what other rights and protections are guaranteed.

2. Receipt, Register, and Tracking of Grievances

   The method for registering and tracking grievances will vary with the scale of the mechanism. However, all incoming grievances should be acknowledged and registered in a grievance log, which can be as simple as a spreadsheet or as complex as the situation demands. All methods
should allow the organization to view trends and to monitor grievance outcomes.

3. *Review and Investigation of Grievances* For a grievance mechanism to work, all complaints should be handled as promptly as possible, depending on the nature and complexity of the matter. Some grievances are easily resolved and are actually requests for additional information. Other grievances can be quite complex, such as those involving multiple parties and land ownership. In these cases, management, contractors, and even external experts may become involved in the investigation. In circumstances where the resolution process takes time, the mechanism must ensure that the complainant is informed of the progress.

4. *Development of Resolution Options, Response to Grievances, and Close-out* Like the grievance mechanism itself, resolution options can be very simple and streamlined, or they can be complex and drawn out, involving multiple parties. Resolution of grievances caused by a one-off breach of environmental standards, or by a single traffic incident, will differ significantly from complex and repetitive community grievances. More complex and controversial issues, especially those raised by large groups of people, usually involve overlapping issues with no obvious solution. Resolution of these issues may benefit from access to independent bodies that can provide the credibility that comes with impartiality. Such independent bodies can foster dialogue and collaboration between companies and affected communities as they undertake the often-lengthy process of exploring resolution options. Regardless of the outcome, all complainants should receive a response.

5. *Monitoring, Reporting, and Evaluation of the Grievance Mechanism* Monitoring and reporting can be tools for measuring the effectiveness of the grievance mechanism and the efficient use of resources. These tools can also help determine broad trends and recurring problems so they can be resolved before they become points of contention. Monitoring helps identify common or recurrent claims that might require structural solutions or a policy change, and it enables the company to capture any lessons learned in addressing grievances. Monitoring and reporting also create a base level of information that can be used by the company to report back to communities.

**Benefits of Stakeholder Engagement and Common Challenges**

**Benefits of Stakeholder Engagement.** Organizations that have grasped the importance of actively developing and sustaining relationships with affected communities and other stakeholders throughout the life of a project reap the benefits of improved risk management and better outcomes on the ground. The new approach to stakeholder engagement has benefited both projects and stakeholders. Projects that apply stakeholder engagement tools and disclose project information, actively seek feedback from
communities, encourage stakeholder design of mitigation measures, and establish relationships with stakeholders based on mutual trust are more likely to receive and sustain support for the project. Following are some benefits from an effective stakeholder engagement process:

Support for the Project  Stakeholders are more likely to support a project’s development if they have been involved in identifying project risks and mitigating impacts, and if they believe they will benefit from the project. Similarly, communities are more likely to trust and support a company if there are mechanisms in place to manage grievances, as well as mechanisms for holding the company accountable for its activities.

Risk Management  Stakeholder engagement is one way to manage project and reputational risk. A sound process for stakeholder engagement that offers continuous access to information, responds to grievances, and regularly solicits feedback can substantially reduce the risk of grievances arising in the first place, or escalating to a level that could undermine business performance.

Improved Project Outcomes  Stakeholders often have knowledge about the local area that companies do not. Consequently, engaging stakeholders during the project design phase can help ensure that the project has adequate mitigation measures. Understanding what stakeholders’ concerns and expectations are from the outset enables organizations to plan accordingly.

ISO Certification  Establishing robust procedures for consulting with external stakeholders will facilitate ISO certification. These procedures should include disclosing information about key aspects of the social and environmental management system to relevant stakeholders.

Reduction of Project Costs  Opposition to a project, such as blockages and demonstrations, can be extremely costly in money and time. Robust stakeholder engagement programs that are well designed and implemented can significantly reduce the overall cost of project development by promoting stakeholder support, and reducing conflict caused by misunderstanding or lack of information.

Common Challenges.  Stakeholder engagement empowers stakeholders. Depending on the country and project context, there may be restrictions on the degree to which stakeholder engagement is encouraged. Various factors (for example, historical, political, economic, social, and cultural ones) may limit the extent to which best-practice stakeholder engagement can be developed and implemented.

Complex Socio-Economic Contexts  Companies need to be prepared for the fact that they are entering into a preexisting yet dynamic environment with established histories and cultures, and often-complex political, social, and economic relations between groups. These relations can be destabilized by the development of a project and by the development process that may accompany it. Stakeholders typically do not present a unified front, and there may be a broad diversity of opinion and support for the project,
with some parties in the same community in favor of the project and others opposed. There is no easy formula for addressing these challenges, except to manage the process proactively and adapt some of the established good practice approaches and principles described in this toolkit to fit your own local context.

Organizational Project managers are increasingly recognizing the importance of adequate stakeholder engagement and are staffing and budgeting accordingly. Complex projects with insufficient internal resources for this critical process may find that stakeholders’ failure to support the project results in costs that could have been avoided.

Perception versus Reality The culture, language, and vision of stakeholders often differ from those of companies. What companies may understand to be a negligible issue may in fact be of enormous concern to communities. It is important to work to understand the real concerns of stakeholders to be able to provide the right information or the appropriate mitigation for the situation.

Interaction with Other Tools

Stakeholder engagement and grievance mechanisms can benefit from a range of supplementary tools. The potential for their application across a wide array of private sector and government contexts encourages project proponents to develop innovative relationships with stakeholders reflecting diverse considerations. As such, various other guidance notes in the Pollution Management Sourcebook are linked with Stakeholder Engagement and Grievance Mechanisms, including the following:

- Corporate Environmental and Social Responsibility (CESR) Programs
- Public Access to Information for an Active Citizenry
- Advocacy and Participation in Decision-making for an Active Citizenry
- Ability to Complain and Access to Legal Recourse (Public Interest Litigation Cases) for an Active Citizenry

Overview of Stakeholder Engagement or Consultation Guidelines

Today, many evolving global initiatives reflect an increasing international interest in the benefits of multi-stakeholder models. The following practical initiatives shape themselves around social and environmental considerations, in an effort to harness both public and private interest to green growth:

National Laws. These typically require project proponents to conduct public consultations before and after conducting environmental social impact assessments. Depending on the country, these public consultation forums can be held by the project sponsor or the relevant government authorities. Some countries have increased consultation requirements when stakeholders are indigenous people.
**Equator Principles.** These were established in 2003 through the voluntary participation of several Equator Principle Financial Institutions (EPFI) to ensure that projects to be financed were developed in a socially responsible manner and reflected sound environmental management practices. The Equator Principles are almost identical to the IFC Performance Standards. Currently, 72 banks are signatories (Equator Principles Association 2011).

**International Finance Corporation (World Bank Group) Performance Standards.** These social and environmental performance standards are guidelines on how projects will engage with stakeholders. The standards mandate that communities be appropriately consulted during project design and development, as well as engaged in project decision-making processes. The standards also require projects to establish a grievance mechanism as part of their social and environmental management system. Current standards call for free, prior, informed consultation (FPIC) of indigenous people. Revised standards will be issued in January 2012; these will require free, prior, informed consent of indigenous people impacted by projects.

**ISO 14001.** This is a voluntary international standard that is a framework for a sound environmental management system. The standard is applied by private sector and governmental entities around the globe and allows for standardized assessment and certification by independent agencies worldwide. ISO 14001 calls for establishing procedures for receiving, documenting, and responding to communications from external interested parties. There is a requirement that the entities consider externally communicating significant environmental aspects of their project activities.

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**References and Resources for Stakeholder Engagement and Grievance Mechanisms**

**Stakeholder Engagement**


Herbertson, K., A. Ballesteros, R. Goodland, and I. Munilla. 2009. *Breaking Ground: Engaging Communities in Extractive and Infrastructure*


Participatory Methods and Techniques


Grievance Mechanisms


IPA2 (International Association for Public Participation). Thornton, CO: International Association for Public Participation. www.iap2.org

