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MAINSTREAMING PUBLIC PARTICIPATION IN ECONOMIC INFRASTRUCTURE PROJECTS

In the last ten years, participation has become central to the social development sectors of official development assistance – smallholder agriculture, community forestry, health care, education, urban sanitation, small-scale water supplies, etc. More recently, attention has turned to the question of mainstreaming participation within the economic infrastructure sectors – transport, communications, energy, mining, construction and large-scale industry. Surprisingly, these continue to account for a sizeable proportion of oda. More significantly, perhaps, the growth in joint public/private ventures is opening new opportunities for aid agencies to influence public participation within such projects. The purpose of this Briefing Paper is two-fold: to summarise the driving forces behind this trend, and to describe the characteristics of the available operational models.

Agenda 21 of the 1992 UNCED conference places great emphasis on consultation, capacity building and empowerment of citizens, through the delegation of authority, accountability and resources. The rationale is that 'if people are not brought into focus through sustainable development, becoming both architects and engineers of the concept, then it will never be achieved' (Redclift, 1992). The term 'public participation' (PP) describes the goal of integrating these ideas within the planning and implementation of projects, programmes, plans and policies – from small-scale rural education programmes and water supply projects, to major transport infrastructure projects and national energy policy.

At a minimum, PP seeks to inform and consult with those directly affected by a project – either the intended primary beneficiaries or those unintentionally but adversely affected. At its most effective, it is about empowering all those parties influential in and/or affected by a project, in defining and realising the project’s objectives, ensuring sustainable benefits, and avoiding or mitigating harmful economic, social and environmental impacts. A hierarchical typology of PP is described in Box 1.

Public participation and aid

Within official development assistance, the operationalisation of PP has centred on the social development sectors – projects concerned with the development of specific disadvantaged groups, in terms of welfare and livelihoods, including smallholder agriculture, community forestry, health care, education, urban poverty and small-scale water supply. Until quite recently, relatively little attention had been paid to PP in economic, particularly large-scale, infrastructure projects (OECD, 1997). (For the purposes of this paper, we define economic infrastructure in line with the OECD, to include transportation, communications and energy. We also choose to add in the productive sectors of mining, construction and large-scale industry.)

In such projects, the disadvantaged tend to be consulted not so much because of their stake in the project, but because they happen to live in or around the project site or are unintentionally affected by off-site components of the project. Put another way, in social development projects, PP is an ‘internal’ component of the project, whereas in economic infrastructure projects, it is essentially an ‘externality’. It is not surprising, therefore, that aid agencies choose to institutionalise PP in economic infrastructure projects through the one management mechanism specifically designed to accommodate project externalities, namely environmental (impact) assessment (EA). Practically all aid agencies use formal EA procedures. These generally require public comment at the stage of the draft EA report. EA requirements are usually applicable only to projects of a certain type, and/or which pass certain thresholds of cost, scale, magnitude or complexity of environmental or social impact. Economic infrastructure projects often fall above one or other of these thresholds.

Box 1: Typology of Participation

Information Disclosure – people participate by being told what has already been decided or has already happened.

Public Consultation – people participate by being consulted. External agencies define problems and information-gathering processes, and so control analysis. Consultation carries no obligation to take account of people’s views.

Functional Participation – people are encouraged to participate as a means to achieve project goals, especially to reduce costs and comply with procedural requirements.

Interactive Participation – people participate in partnership with external agencies, at the early strategic stages of project design and throughout its implementation.

Self-mobilisation – people participate by taking initiatives independent of external agencies, particularly if governments, NGOs or private companies provide an enabling framework.

Source: Adapted from Pretty (1995)

Currently, EA procedures rarely lead to ‘interactive’ or ‘self-mobilisation’ forms of participation, but to a form of ‘functional’ participation, designed to promote more sustainable projects or to comply with the agency’s EA procedures. In many cases, however, this falls short even of the type of functional participation defined in Box 1, relying instead on information disclosure and/or some tentative form of public consultation. With reference to the participation typology, Box 2 contrasts the status of PP in social development projects with that in economic infrastructure projects.

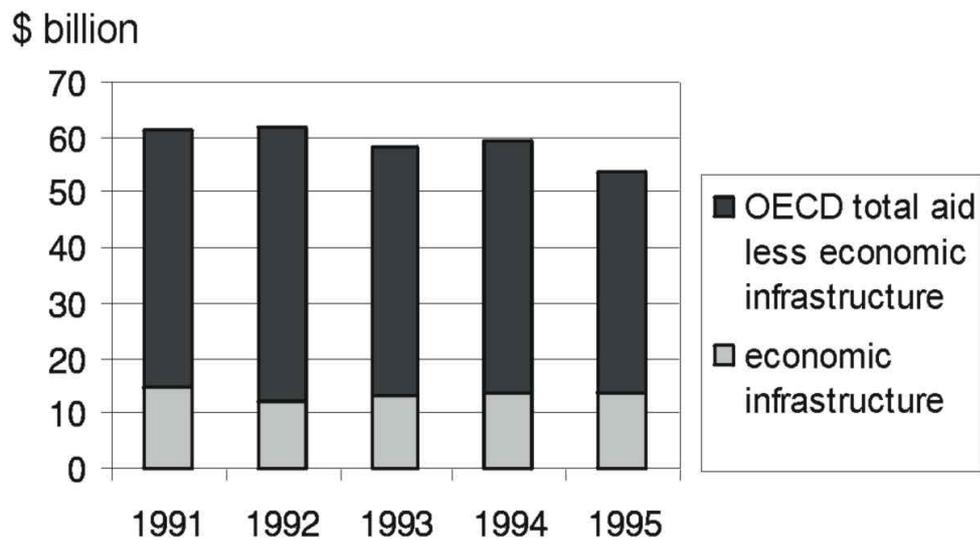
Driving forces for improved PP in economic projects

Economic infrastructure projects continue to account for a sizeable portion of total oda (e.g. 31% of total World Bank lending in 1996 and 25% of total OECD aid in 1995 – see Figure 1). More significantly, perhaps, a combination of the dramatic rise in foreign direct investment (FDI) (ODI Briefing Paper 1997 (3) September) and growth in private/public joint ventures for infrastructure projects is enabling oda to be spread across more projects. For example, there has been a rapid rise in the International Finance Corporation’s gross investment approvals for build-operate-own (BOO) and build-operate-transfer (BOT) type infrastructure projects, to \$1.4 billion (1997).

Box 2: Comparison of PP in Social Development and Economic Infrastructure Projects		
<i>Type of Participation</i>	<i>Social development projects</i>	<i>Economic infrastructure projects</i>
Information disclosure		X X X
Public consultation		X X
Functional participation <ul style="list-style-type: none"> • project approval • project sustainability 	X X X X	X X X X
Interactive participation	X X X	
Self-mobilisation	X	

This combination of FDI and oda finance is producing a complex array of forces driving improvements in the scope and effectiveness of PP in economic infrastructure projects.

Figure 1: Economic infrastructure projects as % of total OECD aid (1991–95)



Key

- total aid expenditure calculated as 'actual' x 'DAC annual deflators' set to 1994 prices, including contributions to multilateral agencies

Source: OECD Development Co-operation Reports, 1993–7

Leverage over project design and management The new BOT/BOO joint ventures are providing an altogether different partnership for project management, in which governments fund and control the initial strategic design stages, whilst construction and operational management are handed over to the private sector.

Aid agencies still exert some leverage. Their approval of part of the required finance at the design stage enables them to tie approval to compliance with environmental and associated PP requirements, thus, in essence, extending their influence over participation across the whole project. For example, the IFC's aforementioned \$1.4 bn was used in support of over \$4 bn worth of projects, all of it subject to the IFC's PP requirements.

Improvements in environmental and social policy and guidance In the 1980s, aid agencies' adoption of explicit environmental and social policy led the way in the promotion of PP in developing countries. Operational policies began to require explicit consideration of particular stakeholders, e.g. the poor and landless, women, those involuntarily resettled, and indigenous and minority groups. In the late 1980s, these policies started to permeate host government policy, in particular through the preparation of national and sectoral environmental strategies, and the development of EA policy and legislation. Most recently, the aid community has begun to develop

specific guidance in PP in EA and social assessment (see for example the guidance on Social Assessment from the World Bank, the IFC's draft revisions to its environmental and social review procedures and policy, and the proposals for revisions to EA in the new Lomé Convention).

Investment security A few well publicised delays and abandonments of large-scale projects have brought the social consequences of development to the top of the policy agenda for aid agencies, host governments and private companies alike. Examples are: the Narmada Sagar hydro/irrigation project in Madhya Pradesh, India; the Pangu Hydro-electric Project in Chile; mining on the island of Bougainville in Papua New Guinea; oil production in the Ogoni area of the Niger Delta of Nigeria; and the world's largest infrastructure project – the Three Gorges Dam on the Yangtze river in east China. Box 3 illustrates some of the consequences of poor PP.

The corollary has not gone unnoticed by the private sector, i.e. that PP can provide for more secure investment and greater returns, and inherently be 'good for business'. The incorporation of social risk assessments as part of the 'due diligence' studies undertaken by commercial banks is testament to this. There is also growing anecdotal evidence that participation by affected groups in project design can give rise to more cost-effective environmental and social impact mitigation, and more stable labour relations.

PP can also reduce the potential for political opposition, legal action, and local hostility during project siting and land acquisition – thereby avoiding expensive delays and damaged public image. The building of good relationships with both the directly affected communities and the wider population can also ease future project expansion.

Public relations back home Growing involvement in joint venture projects overseas is exposing transnational corporations to public opinion on third-world development issues in their domestic markets. It is not by chance that they are beginning to recognise that PP in the host country is an extension of public relations back home, and that they are looking for ways to enhance it.

Box 3: Some Consequences of Poor PP

In 1997, the private arm of a joint venture energy project in South-east Asia belatedly undertook a programme of public consultation over the design of a power-station, the intention being to satisfy the requirements contained within the EA procedures of the aid agency providing part of the public finance. The programme sought to identify the social impacts of the project and define a resettlement plan for those families directly affected by the power-station's location.

As far as the affected population was concerned, the consultation came too late to affect the location of the power-station. At one stage, the level of hostility from those to be resettled escalated to the point where incoming construction vehicles were shot at. The resulting media attention instantly generated negative publicity for the lead government ministry, the aid agency and the private company, and the aid agency refused to release any further funds until the resettlement issue had been resolved. This caused an eight-month delay in the project. In addition, despite a rapidly growing market for power, four years later the company found that its damaged reputation still prevented it from winning new government contracts.

Growing corporate social responsibility As companies evolve to take account of the opportunities of economic globalisation and trade deregulation, the private sector is being called upon by both governments and investors to play a more proactive and responsible role in tackling the social implications of its activities. As a result, some companies are choosing to engage in far wider and more prolonged stakeholder dialogue. At Shell International, for example, building relationships with government, other companies and local communities and interest groups now forms an integral part of operations.

Five PP models

Together these forces seem to be steering PP in economic infrastructure projects towards improved effectiveness. There remains wide variation, of course, and five models can be discerned, as discussed below and summarised in [Table 1](#).

1. Crisis Management

In response to negative publicity or local hostility, there are many cases where projects have turned to PP to put the project back on schedule. Common triggers of crisis management include the refusal of local residents to leave the proposed project site, inequalities in compensation arrangements, strikes by the local labour force over work conditions, culturally insensitive operational practices, and inter- and intra-community disputes over the distribution of project benefits and impacts. Crisis management often involves the contracting of public relations experts, immediate disclosure of relevant project information, appeasement of the hostile parties through concessions and/or additional compensation, and, in some cases, implementation of conflict resolution mechanisms to manage current and future incidents. The approach, though scoring low in terms of the quality of participation offered (see [Table 1](#)), should be recognised for its cost-effectiveness, not least because of avoiding false expectations and over-dependency.

2. EA participation (conventional)

This is the principal institutional framework for operationalising PP in economic infrastructure projects.

It is normal practice in joint ventures for an EA report to be prepared by independent consultants chosen and paid for by the project sponsor (public or private). The model is dominated by ‘information disclosure’ (usually on a ‘need-to-know’ basis), combined with ‘public consultation’, centred on those groups likely to be unintentionally affected, and ranging from a one-off public meeting to a programme of focus group discussions. With regard to the project cycle, consultation is conducted at the draft EA report stage, and in some cases also at the ‘scoping’ stage of the EA process, when the terms of reference for the assessment are being developed. In this latter case, it tends to take the form of discussions with community representatives such as NGOs, rather than the affected people themselves.

Beyond the authorising stage and into construction and operation, the extent of PP begins to deteriorate. This is because this second model is essentially 'functional'. PP is undertaken to satisfy the requirements of the various financing institutions and to gain planning consent from the government authorising agency. There are two explanations for this. First, because the consultants are required to operate on short-term contracts, there are few incentives for building the long-term rapport and communication channels critical to undertaking more extensive forms of participation. Second, for fear of over-committing themselves, sponsors are often reluctant to begin detailed negotiations over the project's local benefits with the affected local groups until the financing and planning approval has been finalised. In contrast, a completed and publicly reviewed EA report is usually a prerequisite to these decisions. This produces the paradoxical situation of the independent EA consultants being required to engage in public consultation over how best to mitigate the project's negative environmental and social impacts, ahead and separate from the project sponsor consulting over issues of compensation, employment and community development.

3. EA participation (project-cycle)

Aid agencies are increasingly aware of the shortcomings of the conventional model. The World Bank, for example, is currently revising its environmental and social assessment procedures to place greater emphasis on social issues and to provide incentives for PP throughout the life of its projects. Possible options for improving the model include:

- recognition of the government's right to make strategic decisions about the project, provided that the public participate, preferably within a legal framework;
- preparation of a PP strategy to guide preparation of the scoping for the EA studies;
- updating of this strategy at key stages in the project cycle;
- integrating the strategy into the Environmental Mitigation and Management Plan, and its results into the periodic environmental monitoring reports;
- preparation of a strategy that 'retro-fits' best practice into projects where the design decisions have already been made;
- disclosure of information to affected groups throughout the life of the project, to allow for informed decision-making; and
- establishment of a mechanism for hearing grievances.

Though still leading to a functional type of participation, these improvements would shift the model from a type of participation dominated by compliance with project and financial approval requirements, to one based on implementing the goals of social equity and environmental sustainability.

4. EA participation (concurrent)

In this model, the sponsor brings forward the timing of PP so that it coincides with consultation undertaken by independent EA consultants over impact mitigation. The model can have two variants: either the sponsor physically joins the consultants in the

field, and together they collaboratively negotiate locally acceptable 'packages' of impact mitigation, compensation and project benefits; or it delegates the authority to negotiate to the consultants.

Each approach involves additional costs, both with regard to more extensive public consultation, and to possible changes in the project design. The problem for the sponsor is that these costs may or may not be covered, depending upon whether the project is finally approved. Herein lies the dilemma: should the additional costs be absorbed by the project, or be seen in the context of the wider 'public interest' and therefore be paid for by government or indirectly through development assistance. Finally, this model carries risks not only for the project sponsor, but also for the participating public. To bring project benefits into consultations ahead of project approval may only raise expectations which may or may not be realised, depending upon whether the project is approved.

5. Dedicated participation framework

This model is the most radical. Its premise is that tying PP so emphatically to the EA process is both inconsistent and inefficient. From the sponsor's point of view, the requirement to comply with specific standards of PP only within the EA process reduces the overall credibility of participation. For a set of standards for public participation to be tied to only the EA, and not other project activities, fosters the perception that participation is simply functional, i.e. that it is about project approval rather than having relevance to preventing delays, increasing project returns or improving sustainability. From the perspective of the people affected, public involvement is required in decisions over all the following project planning activities: resettlement, land acquisition, livelihood compensation, employment, community development, and environmental and social impact mitigation (and not just the latter). Further inconsistencies arise when one set of issues is discussed with government officers (usually on resettlement and compensation), another set with consultants (about environmental and social mitigation), and yet another with the project sponsor (about employment and community development).

From the aid agencies' perspective, EA requirements are often only one of a raft of operational policies designed to encourage PP. The World Bank, for example, has additional and separate participation requirements integrated within its policies on social assessment, involuntary resettlement, indigenous people, gender, NGO involvement, and water resource management. Because much of this policy is designed for small-scale social development projects rather than large-scale economic infrastructure, and because the responsibility for their implementation (particularly resettlement) may fall not to the project sponsor but to governments, sponsors of economic infrastructure projects are often encouraged by aid agencies to focus on the EA process as the principal vehicle for PP.

Responding to this combination of inconsistencies and inefficiencies, the fifth model (a) advocates a more 'hands-on' approach to PP by the project sponsor, and (b) moves away from restricting participation to EA. In this model, the project sponsor enters into a process of PP dedicated not to creating projects with minimal environmental or social impacts, but to building and maintaining good community relations in all

relevant activities throughout the life of the project. Where required, the model maintains linkages to the EA process by adopting the *concurrent EA participation* model, but the consultation this involves is viewed as only one element of a much wider and independent framework. The model puts far more responsibility on the project sponsor, not only for contracting and training public liaison officers and coordinating their operations, but also for collaborating with national local government departments, NGOs, etc. in planning and delivering community development programmes, and establishing a democratically accountable permanent forum for managing conflicts throughout the life of the project.

Because the key driving force for these changes is commercial, there remains a question over the residual role left for aid agencies and recipient governments. Within the context of a dedicated framework for PP, they have an important role in promoting the best practicable standards, informed by effective ‘interactive’ and ‘self-mobilisation’ forms of participation, and in providing safeguards to ensure that minimum standards are met.

In essence, this fifth model is built on three pillars: *incentives*, *process* and *safeguards*. Commercial forces provide the key incentives, the project sponsor the process of participation management, and the aid agencies and host governments the various safeguards within the project cycle.

Table 1: Relative effectiveness of different models of public participation in economic infrastructure projects

<i>Type of Participation</i>	<i>Crisis management</i>	<i>EA participation (conventional)</i>	<i>EA participation (project-cycle)</i>	<i>EA participation (concurrent)</i>	<i>Dedicated participation framework</i>
Information disclosure	X	X X	X X X		
Public consultation	X	X X	X X X		
Functional participation <ul style="list-style-type: none"> • project approval • project sustainability 		X X X	X X X X	X X X X	X X X X
Interactive				X X	X X X

participation					
Self-mobilisation					X X

Conclusions

The practical responsibility for operationalising PP in joint venture economic infrastructure projects is increasingly falling to the private sector. However, the debate over the way in which aid agencies can best encourage effective and efficient PP in these types of projects is still evolving. In practice, the dominant model remains one where PP is entwined within conventional EA procedures, and is primarily ‘functional’, in terms of releasing project finance or gaining planning consent.

For the future, there are two broad choices: either significantly to extend the participation standards of the EA process, not only up- and down-stream of the point of project approval, but also across to the other public consultation and stakeholder negotiation activities already being undertaken; or to break away from the EA process altogether and develop a dedicated project management framework for PP, built around commercial incentives, a developer-led process of participation, and safeguards implemented by the host government and aid agencies.

The former approach is the direction in which aid agencies are currently heading. The latter approach is more fundamental and requires the application of comprehensive standards of PP across all relevant project activities, combined with capacity building for project sponsors in community liaison, participatory analysis, social impact assessment, public consultation, stakeholder negotiations and conflict management.

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