Managing Community Relations in the Palm Oil Sector
2015

A DISCUSSION PAPER ON STRATEGIC COMMUNITY
INVESTMENT AND ENGAGEMENT

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IFC | **International Finance Corporation**
WORLD BANK GROUP

CONTENTS

ABBREVIATIONS

CDC	Centers for Disease Control and Prevention		IFAD	International Fund for Agricultural Development (UN)
CDM	Clean Development Mechanism		IFC	International Finance Corporation
CER	certified emissions reduction		IIED	International Institute for Environment and Development
CIMMYT	International Maize and Wheat Improvement Center (CGIAR)		IPAC	Institute for Policy Analysis of Conflict (Jakarta)
CRC Forestry	Cooperative Research Centre for Forestry (Tasmania)		IPIECA	International Petroleum Industry Environmental Conservation Association
CSO	civil society organization		ISO	International Standards Organization
EIA	Environmental Impact Assessment		ITERPA	(the state land titling institute) (Brazil)
ERM	Environmental Resources Management		LACP	Land Acquisition and Compensation Plan
ESHIA	Environmental, Social and Health Impact Assessment		MDGs	Millennium Development Goals
ESIA	Environmental and Social Impact Assessment		NBPOL	New Britain Palm Oil Ltd.
			NGO	nongovernmental organization
ESMS	Environmental and Social Management System		NHSS	Numundo Half Stand System
			NPV	net present value
ESRI	Environmental Systems Research Institute		ODI	Overseas Development Institute
FAO	Food and Agriculture Organization of the United Nations		P&C	principles and criteria
			PCDP	Public Consultation and Disclosure Plan
FEDEPALMA	Federation of Oil Palm Growers		PNG	Papua New Guinea
FENALCE	La Federación Nacional de Cultivadores de Cereales y Leguminosas (Colombia)		PRA	Participatory Rural Appraisal
			PRONAF	National Program for Strengthening Family Agriculture
FFB	fresh fruit bunches			
FFI	Flora and Fauna International (UK)		PS(s)	Performance Standard(s)
FMO	Financial Management Oil (CDC)		RAP	Resettlement Action Plan
FPIC	Free, Prior, and Informed Consent		RSPO	Roundtable for Sustainable Palm Oil
FPP	Forest Peoples Program		SAN	Sustainable Agriculture Network
GAR	Golden Agri-Resources (Indonesia)		SEP	Stakeholder Engagement Plan
GIS	geographic information system		SIA	Social Impact Assessment
GRI	Global Reporting Initiative		SLO	social license to operate
HCVA	high conservation value area		WRI	World Resources Institute
ICP	Informed Consultation and Participation			

KEY TERMS

Stakeholders *are persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project or the ability to influence its outcomes, whether positively or negatively (IFC 2007).* Stakeholders may include individuals, businesses, villages, workers, local government authorities, and local nongovernmental institutions. This discussion paper focuses on engagement with local stakeholders, primarily communities. This focus is an important distinction. Some stakeholders inevitably come from entities outside a community, such as national and regional governments, national and international nongovernment organizations, financial institutions, and the media.

Community engagement *refers to both formal and informal means by which a company interfaces with and manages its relationship with communities affected by project activities.*

Stakeholder engagement is part of a broader process, which can encompass other relevant stakeholder groups who have interests in a project.

Community investment *is defined as contributions or actions by companies to support communities in their areas of operation in addressing the communities' development priorities and taking advantage of opportunities created by private investment (IFC 2010).* In the palm oil sector, community investment may be carried out voluntarily or may be required. Community investment also can be promoted as part of certification standards such as Roundtable on Sustainable Palm Oil (RSPO). Therefore, this discussion paper uses a broader definition of community investment to include voluntary and mandatory contributions and actions directed by companies in support of local development. "Community investment" and "community investment program" are used interchangeably throughout this discussion paper.

Strategic community investment *refers to the community investment programs that can demonstrate a link with the development priorities of communities in their areas of operation, alignment with business objectives, and creation of benefits that can become self-sustaining over time (IFC 2010).*

1. INTRODUCTION

The International Finance Corporation (IFC) has an ongoing commitment to share global knowledge with its clients and wider audiences. In response to this commitment and to "The World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector" (2011), this discussion paper presents experiences and lessons learned by palm oil companies from implementing community engagement and community investment activities on the ground.

1.1 STRATEGIC CONTEXT

In the last decade, the production of palm oil has doubled and is expected to continue to grow. Resulting demand for land to establish and expand oil palm plantations helps generate new investments and create jobs. At the same time, experience has shown that land acquisitions can lead to profound impacts on land use, ecosystem services, and traditional livelihoods. When such impacts are not adequately managed, competing interests for land and natural resources can create situations in which tensions, conflict, and mistrust between companies and communities affect not only business operations but the reputation of the palm oil industry as a whole.

Given these challenges, there is growing recognition of the business case for engaging with, and investing in, communities to earn the "social license to operate" (SLO). Furthermore, compliance with international sustainability standards such as the Roundtable on Sustainable Palm Oil (RSPO) has become important for companies that want to access the markets and supply chains that

Fresh fruit bunch (FFB) of oil palm. Photograph by M. Arsenova.

have committed to purchase certified sustainable palm oil. Other global standards, including IFC's Social and Environmental Performance Standards[1] and Sustainable Agriculture Standard,[2] also influence access to markets and required financing. In particular, IFC's Performance Standards form the basis of the Equator Principles, which have been widely adopted by global financial institutions.[3] The recently revised IFC Performance Standards (2012) contain stringent environmental and social requirements. These standards ask companies to demonstrate compliance, or plans to move toward compliance, with internationally recognized standards such as RSPO.

In response to these discussions, this paper has been prepared. It is targeted at companies that are developing and managing oil palm plantations, as well as at those who provide advice, support, and financing to the plantations. The objective of this paper is to present the collective experience of a number of companies and associated stakeholders as a resource to strengthen the management of community relations in the oil palm sector and foster additional discussion.

Indonesian oil palms. Photograph by M. Arsenova.

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1. http://www.ifc.org/performancestandards.
2. http://san.ag/web/our-standard/our-sustainability-principles.
3. "The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. Currently 80 Equator Principles Financial Institutions (EPFIs) in 35 countries have officially adopted the EPs, covering over 70 percent of international Project Finance debt in emerging markets" (http://www.equator-principles.com/).

The discussion paper lays out some approaches that an oil palm company can consider when building long-term relationships with local stakeholders. It presents real case studies that illustrate how other palm oil companies have engaged stakeholders, earned a social license to operate (SLO), maintained international standards, and invested in community programs that create shared value. These approaches are not meant to be comprehensive but rather to provide references for a spectrum of ways that companies work with their local stakeholders.

This paper has been built on field visits to plantations in the main oil-palm-producing continents, interviews with industry stakeholders, consultations and reviews, and a desk review of existing research and resources. The paper was prepared by IFC's Advisory Services based on research and technical input by two organizations: Proforest and Daemeter. Multiple collaborators and reviewers contributed to this publication along the way. Their input and support have been invaluable, and they are further acknowledged at the end of this paper.

1.2 SOCIAL LICENSE AND STAKEHOLDER RELATIONS

There is growing need for oil palm companies to earn a social license to operate (SLO) in response to stakeholder concerns and to manage business risks.

A social license to operate is not a formal document. The term refers to the status of a company's ongoing relationships with stakeholders. In practice, an SLO is, at the least, local and international groups' acceptance of a palm oil company's operations. Preferably, the SLO represents strong support and identification with the project. The individuals and groups who are most affected by the operations and can most influence the success of the operations must be the ones who provide this acceptance and support. Therefore, it is critical that a company understand who the critical stakeholders are. In the palm oil sector, many diverse stakeholder groups and subgroups, local, national and international, can influence the ability of an oil palm company to gain and maintain an SLO (figure 1.1).

Oil palm companies' engagement with local stakeholders is the focus of this discussion paper. Local stakeholders are those who are geographically close to the plantations. They are a particularly important group due to their proximity to operations and the likelihood of their experiencing a variety of social, economic, and environmental impacts. To earn an SLO, companies often are asked to demonstrate proactive engagement approaches and evidence that palm oil operations generate benefits for these local stakeholders.

Experience to date in the palm oil sector has demonstrated that companies that build strong relationships with their stakeholders and earn SLOs can also realize business benefits. The importance of strong relationships is especially true in high-risk environments in which unclear land and natural resource rights, local politics, and prevailing power relations increase the risk of local discontent and conflict.

BOX 1.1 FAILURE TO MAINTAIN AN SLO
CAN CAUSE SIGNIFICANT PROJECT DELAYS,
CANCELLATIONS, AND LOSS OF INVESTMENTS

- An agreement between the Government of Liberia and Sime Darby to develop 220,000 has (ha) over 63 years was significantly delayed due to local community opposition to the oil palm plantation project.[a]
- Sinar Mas in Indonesia was affected by the cancellation of its US$32.6 million supply contract with Unilever as a result of international NGO claims about the company's impacts on deforestation. The contract was later resumed.[b]
- In 2013 there were 119 registered land-related conflicts in the Indonesian plantations sector covering 415,000 ha and involving companies, local communities, farmers, and cooperatives.[c]

Photograph by M. Klang. Flickr photo collection.

Source:
a FPP 2012.
b Unilever Global 2009.
c IPAC 2013.

West Kalimantan oil palm plantation. Photograph by K. Bottriell.

BOX 1.2 REAL COMPANIES REPORTING REAL BENEFITS

Other companies contributing to this publication reported:

- "The main reasons why we are willing to invest time and resources into community engagement and investment activities is [that] it is the right thing to do; it is important for the reputation of our company and shareholders, and for managing our risks."
- "Benefits from our community investment and engagement activities have included having a better local workforce and being able to rely on our local suppliers more."
- "Good community development activities are key for the continuity of business."
- "The ability to operate has been an important return on our community investment activities. Any disruptions in operations can cost the company so much, and it is important to maintain the goodwill of the community, live harmoniously, and to be able to carry out our operations without any disruptions."

Source: Field visits, industry consultation, and personal communications, 2011–13.

"As one of the leading companies in our industry, [we believe] sustainability measures are equally vital in establishing and maintaining our license to operate."

—Wilmar (2011)

1.3 CHALLENGES FOR BUILDING STAKEHOLDER RELATIONS IN THE PALM OIL SECTOR

Earning and keeping a social license to operate (SLO) in the palm oil sector remains a challenge. An SLO can take a long time to develop but can be lost very quickly. Many companies find that, despite the investment of considerable time and resources, relationships with stakeholders remain strained.

In summary, lessons learned from the oil palm companies' engagement with local stakeholders demonstrate the critical importance of in-depth understanding of the operating context, particularly in relation to (a) identifying the affected community stakeholders and land-right holders; (b) understanding official and informal land acquisition processes; (c) appropriately engaging with diverse stakeholder groups and individuals; and (d) appropriately structuring and managing benefit-sharing processes.

More specific challenges commonly encountered by oil palm operations are described below.

Land acquisition and land rights can present a significant challenge for oil palm plantation companies. The tropical band on either side of the equator, in which palm oil grows best, includes many countries with poor land use planning, governance, and enforcement, as well as multiple land use pressures. Furthermore, the tropical forests found in these regions are valued for their biodiversity and ecosystem services, and many are under threat from population pressure and expanding agriculture. Compounding these inherent geographic challenges, companies (particularly those with foreign ownership and/or foreign senior management) may lack understanding about local land use systems, land tenure, and land rights issues. This lack of understanding can make the land acquisition process, as well as the relationship with individuals or groups who also may claim use rights or land ownership within the concessions or subsequent to the award of the concession, difficult to manage. In some cases, failures in the government's land use planning system may result in different government authorities issuing overlapping concessions such as mining, agriculture, conservation, forestry, or plantations.

BOX 1.3 WEST KALIMANTAN: PROGRESS IN LAND USE PLANNING AND GOVERNANCE

As part of an IFC-funded grant, the international NGO Flora and Fauna International (FFI) were working with an oil palm plantation company in West Kalimantan to maintain a High Conservation Value Area (HCVA) comprised of deep peat with high carbon stock. However, the development of this project was threatened when an overlapping mining concession explored the area and began developing an access road across the HCVA. In this case, due to the efforts made by the oil palm company, the mining company withdrew from the area.

The Indonesian Government is working on the One Map initiative, developing an all-encompassing map of Indonesia to contain all relevant information linked to forest licensing and land use claims. Through this initiative, Indonesia is seeking to reconcile multiple conflicting land use maps that show numerous overlapping concession areas, many allotted to different companies for different purposes.

Source: IFC 2012; FFI 2012; ESRI 2012; Indonesian Geospatial Information Agency.

Promoting genuine participation by local stakeholders often is difficult if the company has a goal of providing information rather than seeking input and stakeholder involvement in the planning and decision-making. Participation also can be difficult when the company involves only few selected groups and individuals in the communities rather than promote broader consultation. Insufficient participation often leads to insufficient awareness and misinformation about the project within the communities and stakeholders, as well as to the establishment of community projects with low relevance to local stakeholders.

Existing staff may not have the appropriate skills to manage community relations. Lack of the necessary skills can significantly influence the company's relationship with the community. Often, a significant share of responsibility for structuring and managing community relations and the degree to which corporate policies and procedures are adhered to is left to a plantation manager and, thus, to his or her personal values, background, experience, and discretion. Such managers often are experts in agricultural management of oil palm but are decidedly less experienced in dealing with the diverse stakeholders and the multitude of requests that come to a plantation every day. Unless plantation managers instill in their staff that robust community engagement is an accepted and required norm in everyday operations, the risk is that it will be implemented half-heartedly.

Responding to multiple requests for support often results in projects that are superficial, have minimal impact, and lack sustainability and creates local dependency on the company's ongoing support, which can be very difficult to overcome. While, in the short term, it may seem a good idea to respond immediately to various community requests and to provide donations, doing so can create very high expectations that also can be expensive to maintain. In the long run, a strategic and targeted approach based on building mutually beneficial benefits for local communities and the company will be more effective.

BOX 1.4 OVERPROMISING

A palm oil company, already delayed in planting because of rocky community relations, sought to improve the relationship by providing local communities with goats, and rice for planting. The company also hired one person from every local household for plantation operations. However, community members reported that, unfortunately, the goats died; and the rice planting failed due to inappropriate agronomic conditions. The company, therefore, began delivering bags of rice for direct consumption to the communities. Furthermore, due to delays in planting, the workforce was much too large for the company' needs. However, to avoid conflict with the local communities, the company continued to pay the workers despite no work being done.

Source: Field visits and personal communications, 2011–13.

Ensuring continuity over the entire project cycle represents another challenge. Continuity means that communities are engaged throughout the project cycle on issues that are important to them. Given the large tracts of land occupied by plantations and dispersed communities, continuous engagement can be resource intensive. Nevertheless, arguably, continuous engagement is the most critical aspect of building long-term relationships with communities. Conflicts often arise when companies conduct engagement activities with short-term objectives in mind. In some cases, companies focus on the need to meet legal requirements and secure land to develop plantations, and significantly downsize the intensity of their engagement activities thereafter.

Developing a comprehensive Environmental and Social Management System (ESMS) helps embed social and environmental considerations in the heart of the business. One example of a company's approach to build ESMS is described below. In the palm oil sector, historically, many companies have under-invested in the understanding and management of material social impacts. However, this pattern is changing as responsible companies increasingly implement more systematic approaches to environmental and social risk management. The IFC PS requires that an Environmental and Social Management System (ESMS) be established and maintained appropriate to the nature of the project and commensurate with the level of its environmental and social risks and impacts. The ESMS will contain various management plans to ensure adequate resources and internal company capacity to address these risks and impacts. The stakeholder engagement plan and community investment plan (or community development plan) are key components of the ESMS. They should be designed to add value to the other management plans that are targeted to mitigate project impacts. Examples are the Land Acquisition and Compensation Plan and the Resettlement Action Plan. The challenge in developing a community investment plan that has mutual benefits for the company and affected community is to find ways to build on measures to mitigate negative impacts and seek opportunities to enhance positive impacts.

Managing the challenges described above is complex, and *focusing on the long term is paramount*. Companies with a long-term focus do not allow short-term interests, such as negotiating the lowest possible compensation rates, to jeopardize long-term goals. The following sections describe how companies in the palm oil sector are managing some of the challenges in building long-term relationships with communities.

BOX 1.5 MUSIM MAS GROUP: BUILDING A STRONG MANAGEMENT SYSTEM IN INDONESIA

The Musim Mas Group in Indonesia has developed and implemented an in-house management system for production of sustainable palm oil that is based on the Roundtable for Sustainable Palm Oil (RSPO) Principles and Criteria (P&C). The key drivers of the system are Principle 3: Commitment to long-term economic viability; and Principle 8: Commitment to continuous improvement. The priority is making continuous improvement part of the corporate culture through the implementation of a systematic problem-solving process called the Musim Mas Improvement Process.

On the basis of nominations by operational management, a steering committee selects improvement projects to be implemented by cross-functional teams. After the implementation, the improvements are institutionalized in the group's standard operating procedures. To date, several series of improvement projects have been implemented to address problems that include social conflict, pollution control, and management of peat soils.

The management system is implemented on a company-by-company basis. Each subsidiary company of the group undertakes self-assessments and independent audits to identify gaps between the company's performance and the requirements of the RSPO P&C. To address any deficiencies identified in the assessments, cross-functional teams implement improvement projects. When sufficient progress has been made in closing gaps, each subsidiary company will be subjected to third-party assessments prior to application for certification by the RSPO.

BOX FIGURE 1.5.1 MUSIM MAS GROUP'S MANAGEMENT SYSTEM FOR SUSTAINABLE PALM OIL PRODUCTION

Source: Vis and others 2012; Musim Mas Holdings n.d.
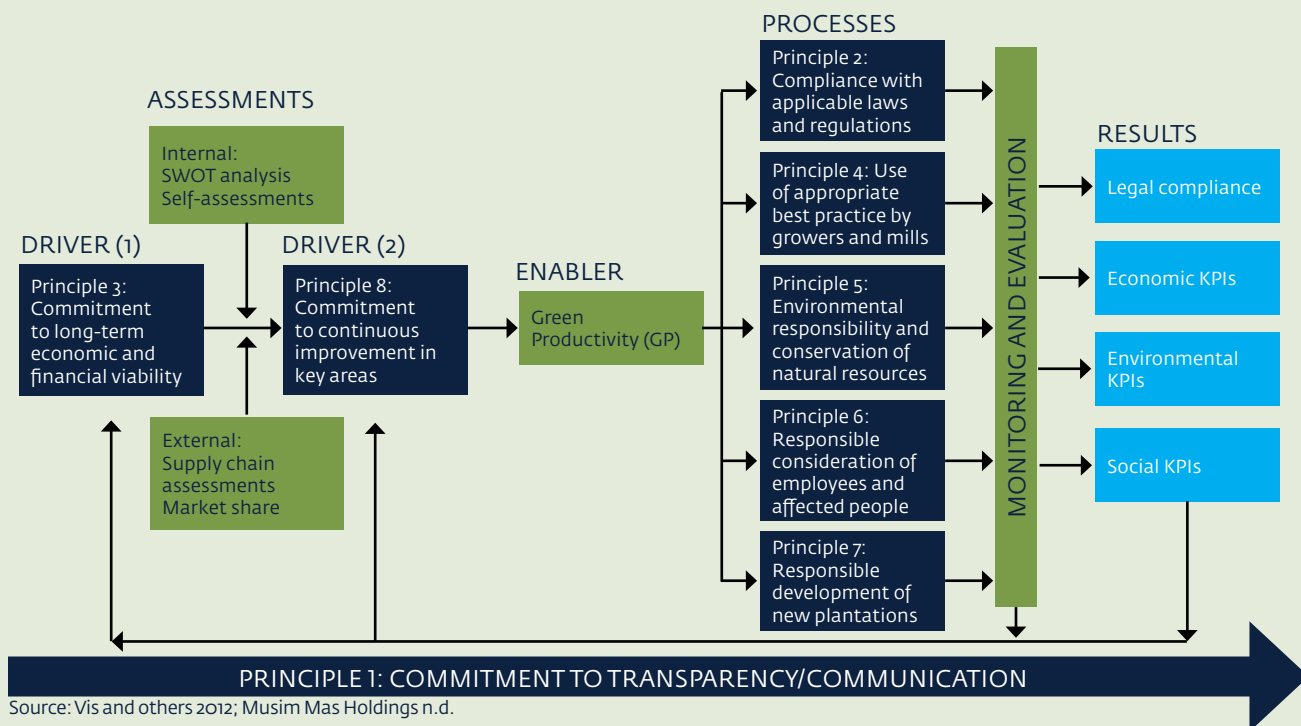
2. BUILDING THE BUSINESS CASE

In the palm oil sector, understanding is on the rise regarding the importance of good community relations to a company. However, the notion of developing and promoting a clear business case for community relations within a company is still lagging. Many companies view engaging communities as part of the RSPO certification process and overall corporate commitment to good social and environmental performance, but stop short of articulating and valuing links back to business.

Creating a business case for community engagement and community investments is important for any company that is committed to invest resources in building strong relationships with its local stakeholders. A systematic approach seeking to understand the financial implications of any investment is a good business practice.

FIGURE 2.1 STEPS TO DEVELOP THE BUSINESS CASE FOR COMMUNITY ENGAGEMENT AND INVESTMENT

1. Link proposed community investments to business objectives and drivers	2. Identify risks and opportunities for the operations at the site level	3. Develop and quantify the business case	4. Use the business case to secure internal alignment and support
Staff working on community engagement and invesment should work with colleagues to catalogue the resources, processes, or conditions that are vital for the continued success and growth of the business. Examples: Maintain operations with no disruptions Keep a steady supply of fresh fruit bunches (FFB) Achieve target yields	A company can develop a more specific business case by looking at how community engagement and investment programs help manage business risks and maximize opportunities. This case can be refined by focusing the analysis on the operations' area of influence.	A company can estimate costs of programs relative to estimated value of business benefits generated. **Example:** Cost ($) of community engagement program relative to estimated value ($) of preventing a mill shutdown during peak period	A company can create ongoing internal dialogue with staff and senior management to build support and understanding of the business case.

Source: IFC 2010; IFC https://www.fvtool.com/index.php.

Creating the business case should involve staff in a number of functional roles and aim at articulating the approach in financial language. Doing so can help provide clear justification for the selected programs using terminology familiar to management.

Experience suggests that when community engagement and investment programs are aligned with core business processes, these programs perform better, tend to receive greater internal support and resources, and are more resilient to budget cuts.

2.1 LINKING COMMUNITY INVESTMENTS TO BUSINESS OBJECTIVES

Ultimately, creating value for communities—by supporting their development aspirations and building long-term relationships—can add value to a business. For a sound strategy, it is essential to link community engagement or investment activities with company business objectives.

Business objectives typically focus on factors that maximize profitability and minimize costs. For a palm oil company with plantations and milling of fresh fruit bunches (FFB), this translates to business drivers such as risk management, maintaining operations with no disruptions, ensuring continued fruit production and a steady supply of FFB, ensuring maintenance of target yields for associated plantations, and continued market access.

FIGURE 2.2 BUSINESS DRIVERS FOR ENGAGING WITH AND INVESTING IN COMMUNITIES

Competitiveness

Risk management

Access to land

Good yield/productivity

Access to FFB

Business drivers

Supplier loyalty

Access to market

Meet customer requirements

Access to labor

Social license to operate

Meet government requirements
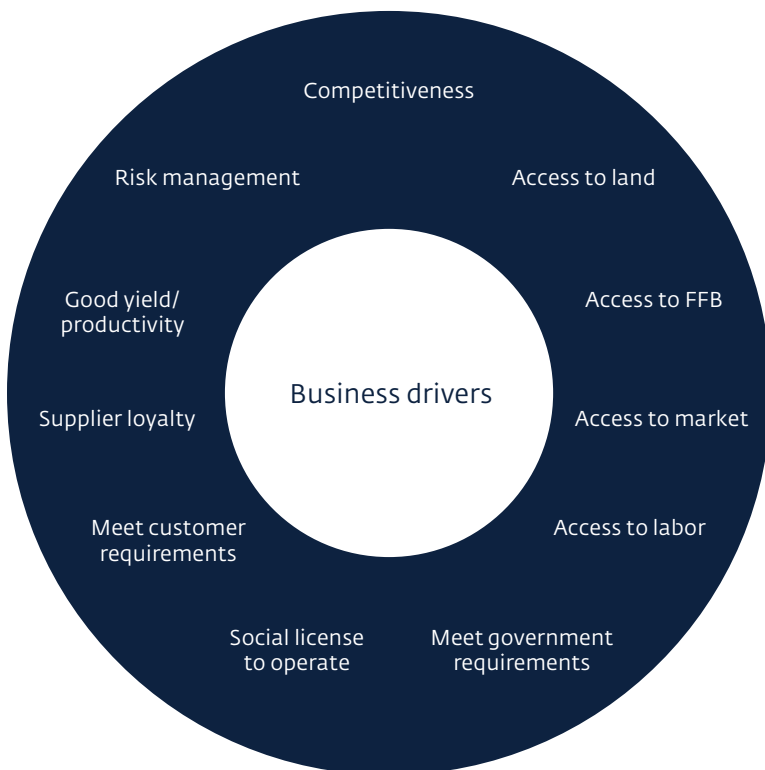
BOX 2.1 BUSINESS OBJECTIVES, BUSINESS DRIVERS, AND BUSINESS CASE

Business objectives are what an organization sets out to achieve. Business plans set out the process by which an organization will achieve the business objectives. Business objectives typically focus on maximizing profit and minimizing costs. However, progressive companies increasingly are including elements related to risk management and to social and environmental responsibility.

Business drivers are resources, processes, or conditions vital for the continued success and growth of a business. A company should identify its business drivers and seek to maximize any that are under its control.

The **business case** sets out the justification for undertaking an activity or making an investment. The business case describes the benefits, costs, and impacts, plus, where feasible, a calculation of the financial benefit.

While making clear the overall social goals of community programs, leading companies also make explicit their underlying business interests. It is therefore important that the staff tasked with working on community engagement and investment have a solid understanding of the operations and activities that are business-critical, and how their work links to these. As a first step in developing a community engagement and investment strategy, staff can work together to identify the links between these business drivers and opportunities for community engagement and investment.

FIGURE 2.3 EXAMPLES OF LINKING COMMUNITY INVESTMENTS TO BUSINESS OBJECTIVES

In Thailand, most producers of fresh fruit bunches (FFB) are independent smallholders. **To build partnerships with them and gain access to smallholder FFB supplies**, mills often offer access to training, agronomic support, and inputs (fertilizer and seedlings).

In Malaysia, where there are labor shortages, plantations often **support basic education programs** for children of migrant plantation workers to help attract and retain their workforces.

New Britain Palm Oil (NBPOL) operates in Papua New Guinea and in the Solomon Islands. There, indigenous peoples hold over 97 percent and 87 percent of land, respectively. Community engagement and dialogue are essential for **access to land** and for all **conservation activities.** To ensure that engagement and dialogue occur, NBPOL implements the principle of free, prior, and informed consent (FPIC) for all new developments.

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This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

Source: May 2011; UNICEF Malaysia 2012; NBPOL 2012a.

BOX 2.2 REPORTING THE BUSINESS BENEFITS OF RSPO CERTIFICATION

The Roundtable for Sustainable Palm Oil (RSPO) standard includes requirements related to community engagement and investment. To better understand the potential business benefits of implementing these good environmental and socially responsible practices, in May 2011, nine companies were surveyed. They represented approximately 40 percent of all RSPO-certified palm oil mills and accounted for approximately 45 percent (or 1.90 million tons) of production of certified sustainable palm oil. Participants were asked to report the main benefits or improvements realized from RSPO certification. Responses fell into five categories: corporate reputation and management; and economic, social, environmental, and governance.

In the social category, based on frequency of response, companies saw the main benefits as:

1. Better occupational health and safety risk management and reduction in workplace accidents
2. Improved communication and engagement with smallholders
3. Changed mindset and attitude of staff and workers; better teamwork
4. Improved communication and relationship with workers
5. More stable or loyal workforce; lower turnover rate
6. Enhanced productivity and well-being of associate smallholders
7. Better stakeholder engagement
8. Social license to operate obtained through consultation and engagement with communities.

New Britain Palm Oil Ltd (NBPOL), Musim Mas, and PT Hindoli all stated that training smallholders in best practices (in both sustainability and agronomy) has been key to improve the performance of their plantations. Improvements in working conditions—such as developing platforms to address important issues such as workers' rights, gender, and fair treatment of migrant workers—have improved company relationships with workers. Among the intangible benefits, the ability to gain a social license to operate was reported as an important benefit as well as a potential motivator for workers.

Wilmar plantation and mill management appreciated the importance of obtaining the social license from communities in which it operates.

NBPOL considered the implementation of the RSPO Principles and Criteria to be the foundation of its long-term business strategy and crucial to its license to operate in future.

Source: Vis and others 2012.

2.2 ANALYZING SITE-LEVEL RISKS AND OPPORTUNITIES

A company can develop a more specific business case by looking at how community engagement and investment programs help manage risks and maximize opportunities. This business case can be refined by focusing the analysis on the area of influence of the operations.

There are several ways to identify potential risks and opportunities. Two of these approaches—the "materiality matrix" and the "risk register"—are described below. Regardless of the approach, a comprehensive mapping of risks and opportunities is not a one-time exercise but an ongoing improvement effort. Therefore, to make this step as useful as possible, companies should regularly review existing information (such as environmental and social impact reports, stakeholder surveys, and government data), engage internal and external stakeholders, and update the companies' registers of risks and opportunities.

Several companies in the palm oil sector with publicly disclosed sustainability reports have provided a description of what often is called a "materiality matrix." Materiality matrices are used to map issues deemed important for a company and of high concern for stakeholders. This matrix becomes a valuable tool for capturing and reporting stakeholder views and feedback. A materiality matrix can be created at the corporate level (for example, Kulim Berhad), or it can be created for a specific plantation site.

BOX 2.3 KULIM BERHAD GROUP: DEVELOPING A MATERIALITY MATRIX IN MALAYSIA

Kulim (Malaysia) Berhad Group developed a materiality matrix that ranks issues that represent significant risks or opportunities to business (on the x-axis) regarding reputation, productivity, employee attraction and retention, and efficiency gains; as well as issues of stakeholder concern (y-axis). Priority issues—those that represent high business risk or opportunity as well as high stakeholder concern—are highlighted in the circle (authors' emphasis). Kulim used social impact assessments, stakeholder engagement, and regulatory frameworks to determine the key focus areas for its disclosure, engagement, and sustainability activities.

The results indicate issues of shared concern that should be prioritized. Companies then can make better choices as to what community investments and engagement activities are needed to address priority issues. At the same time, it is important to continue engaging internal and external stakeholders on their key concerns, even if they have a low business risk, because perception of risk by stakeholders still can have a material impact on the business. Similarly, the company should address areas that are crucial for business operations but have little importance to stakeholders.

BOX FIGURE 2.3.1. MAPPING MATERIALITY ISSUES
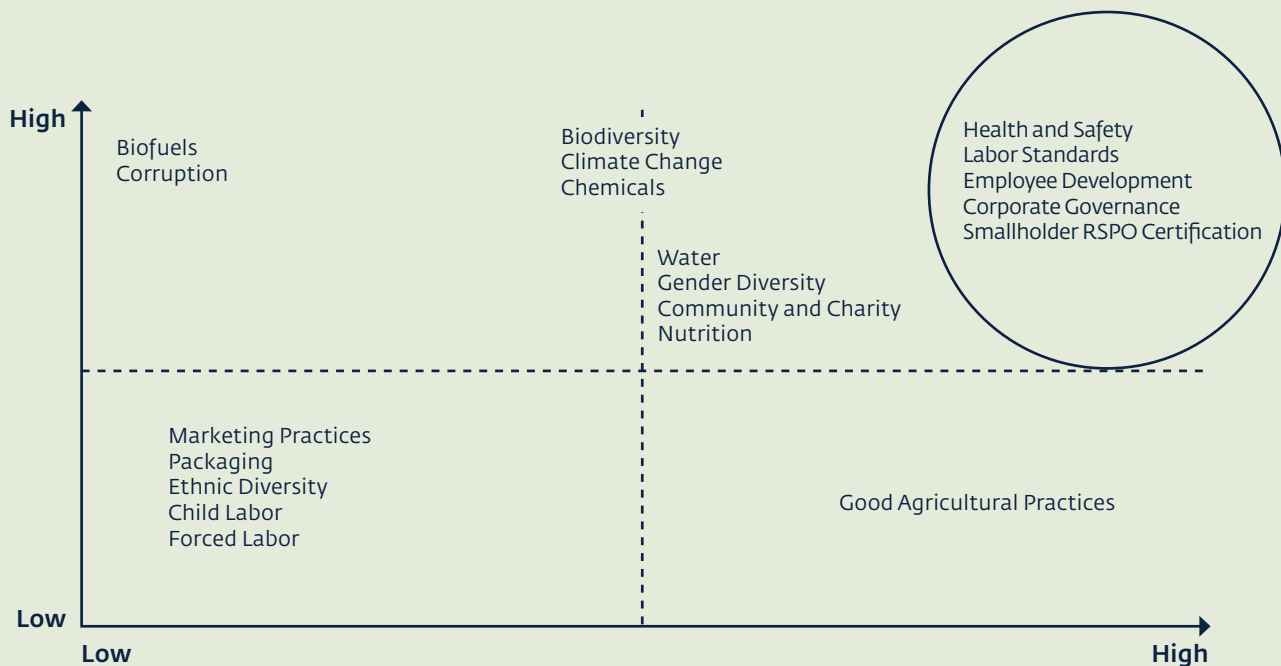
Source: Kulim (Malaysia) Berhad 2009.

A materiality matrix typically is developed in three steps:

1. **Conducting an initial scan of social and environmental risks and opportunities** that may be relevant to an operation. Risks may encompass both strategic risks (those that affect business survival or long-term sustainability of an operation) and operational risks (those that affect operations more directly and over shorter timeframes). Opportunities can encompass those that can help maximize business value, better manage environmental and social impacts, and enhance development outcomes.
2. **Engaging internal and external stakeholders** in workshops and discussions to ascertain their views, rank risks and opportunities, and identify potential ways to manage the risks. Internal engagement should include staff from a variety of functional areas, and encourage communication and cooperation among these staff.
3. **Using discussion outcomes to prepare a materiality matrix and re-engage stakeholders.**

A "risk register" is another approach that a company can use to tabulate and analyze risks. Community investment and engagement programs then can be analyzed as part of the suite of proposed actions to manage identified risks. Risk registers often are undertaken as part of an Environmental and Social Impact Assessment (ESIA), or as part of developing an Environmental and Social Management System (ESMS). In the palm oil sector, the RSPO Principles and Criteria provide important guidance on which social and environmental considerations are relevant for growers and millers.

BOX 2.4 NBPOL: DEVELOPING AN ENVIRONMENTAL AND SOCIAL RISK REGISTER IN PNG AND SOLOMON ISLANDS

New Britain Palm Oil (NBPOL) is a leading producer of RSPO-certified sustainable palm oil, with operations in Papua New Guinea and the Solomon Islands. As part of integrating environmental and social aspects in the company's overall management systems, a pivotal step was to establish a risk register. This register enabled prioritization of key environmental and social issues.

NBPOL viewed establishing a risk register as an opportunity to change its business culture. Therefore, all of the operational managers were involved in the process. Communication and participation were vital throughout all stages. Awareness classes and workshops on environmental issues were held as prerequisites to ensure that all managers were aware of the issues and of the process to which they were committing.

NBPOL's approach was to assign staff to teams that represented each of its various operations. These teams scrutinized all processes and practices (called "Aspects") associated with NBPOL's operations, and their likely environmental impacts ("Impacts"). The teams considered all potential and actual environmental Impacts from the company's operations as well as from those of its suppliers and contractors. The teams gave a numerical score to each Aspect for its inherent risk (Severity Score) and its damage potential (Risk Score). The Severity Score and Risk Score for each Aspect determined the overall degree of concern for environmental harm (graded as general, material, or serious).

After compiling and ranking a list of Aspects and Impacts, NBPOL developed management guidelines and improvement plans for each. These guidelines and plans were prioritized based on the Severity and Risk scores. The plans then were incorporated in a single central document that became part of the company's overall improvement plan. The improvement plan established targets and objectives for improving each Aspect and a monitoring program for assessing performance and gathering new data. In 2012 NBPOL reviewed all previously registered risks to check that they continued to be relevant, and expanded the list to include all elements of the RSPO related to buffer zones and high conservation value areas (HCVAs).

Using a similar approach, NBPOL then compiled a social register, which identified operational processes and experiences and how they are linked to social impacts that the company needs to address.
The risk-based approach to assessment and the compilation of a risk register gave NBPOL staff the opportunity to learn from their experiences. This new approach caused some plantation and mill managers to have to work outside their comfort zones. However, with assistance, they were able to identify Impacts associated with their areas of responsibility and complete the risk assessment. The approach had the added benefit of enabling staff to participate from the earliest stage and to develop ownership of the process and its outcomes.

Source: Lord and Ross 2004.

2.3 QUANTIFYING THE VALUE OF COMMUNITY ENGAGEMENT AND INVESTMENT

After the business case is formulated, a company can attempt to quantify it by identifying how proposed community engagement and investment activities add value to the business and help meet its overall business objectives.

- **Community programs can create direct value**, for example, by helping to reduce costs, increase productivity, or generate benefits. This direct value can be calculated through a direct cost-benefit analysis.
- **Community programs can protect business value**. For example, the programs can help to avoid social conflicts that drive unplanned development delays, legal fees, staff time, and periodic shutdowns. Business value can be calculated through the risk mitigation potential, that is, the estimated financial savings from avoiding costly events. Examples of these events are operational disruptions that can be caused by local discontent and conflict— protests and roadblocks, vandalism, poor work quality, theft of FFB from company-owned plantation estates, internal strikes, and interruptions in the supply of FFB from smallholders (Gillespie 2012).

TABLE 2.1 EXAMPLES OF VALUE CREATION AND VALUE PROTECTION

Value creation example	Value protection example
Training and smallholder engagement that lead to productivity gains of +186% in tons of FFB/ha	Estimated value of a 4-day disruption of a mill that processes up to 60 MT of FFB/hr operating 22 hr/da = $1.06 million

Quantifying the business case can be challenging. While identifying data sources to substantiate costs typically is straightforward, in contrast, finding data to substantiate claims of potential benefits is not. In some cases, it may not be practical to calculate a meaningful monetary value for business benefits expected or accrued. Nevertheless, a company still may be able to challenge itself and capture proxy indicators and/or qualitative information such as community support to formulate a stronger business case.

One of the tools available to practitioners is the Financial Valuation Tool, developed through a partnership between IFC and multiple partner organizations. This tool helps to calculate the net present value (NPV) of sustainability investment on the business bottom line. The tool is publicly accessible and has been applied to various sectors including oil, gas, and mining, as well as forestry (www.fvtool.com).

BOX 2.5 A CASE OF PROTECTING BUSINESS VALUE

A study by the World Wildlife Fund examined a company producing oil palm on 30,000 ha of land for more than a decade. Despite the company's good practices, the estate was plagued by severe land tenure disputes and social unrest. When the company decided to acquire an adjacent 15,000-ha property, the company took a proactive approach to community engagement.

The company established offices in each village in and around the proposed new estate. The company deployed a local team for 6 months at a cost of approximately $30,000. The team's task was to engage with the villagers to understand their aspirations and land issues. This process took place during the firm's due diligence period for the acquisition, before the purchase agreement was signed.

Through this proactive engagement, the company sought to identify and preempt land acquisition issues. Assuming that this engagement could prevent a single day of shutdown during a peak period in the life of the mill, this investment could provide a return of approximately 880 percent:

> **60 MT capacity mill · 22 hours per day · $220 FFB value per MT · 1 day disruption/$30,000 in community engagement costs = 880% ROI**

Source: Levin 2012.

Village visit to a nursery. Photograph courtsey of REA Kaltim.

BOX 2.6 GUIDE FOR PRACTITIONERS: LINKING COMMUNITY INVESTMENT TO BUSINESS OBJECTIVES

A brainstorming session with a small group of staff can be a useful way to analyze how proposed community engagement and investment can help meet business objectives. As part of the brainstorming, the group also should discuss which data are needed to measure the identified costs and potential benefits.

Consider the example of a proposed community health program that provides doctors, medical treatment, and advice to a company's employees and their family members and serves the community in the surrounding areas:

Categories of costs What are the main costs to implement the health program?	Benefits (value creation) How would this health program help a company save money or increase productivity (value-creation drivers)?	Benefits (value protection) What costly risks would the health program help a company avoid (value-protection drivers)?
• Doctors' salaries • Medical supplies and treatment • Construction and maintenance of medical facilities • Medical insurance	• Savings due to reduced sick days (personal or family related) taken by workers • Lower insurance costs • Medical treatment savings to the company due to a healthier workforce and healthier local communities	• Improved community perceptions (as a result of the health program), thus strengthening the company's social license to operate and reducing the likelihood of conflict or work disruptions such as strikes and protests

In this health program example, the potential data sources that groups can explore include data from the government, human resources department, and medical clinics, as well as community perception surveys. The groups need to document all of these sources and assumptions regarding how the data will be used to substantiate costs and benefits. After identifying data sources, companies can include selected indicators related to value creation and value protection in their overall data management system to track and capture business value.

2.4 ENSURING INTERNAL ALIGNMENT

In the palm oil sector, responsibility for community relations usually rests with the community relations manager and/or community relations department. Nevertheless, various business departments almost certainly will have some interaction or interface with the community. Experience has demonstrated that such interactions can significantly influence local attitudes and perceptions about the company—either positively or negatively.

Even a strong business case for community engagement and investment will be of no use if various business units are not clear on the overall importance and objectives of building good community relations, as well as on their own responsibilities to achieve these objectives. The first step is to help company staff understand that they have a key role in ensuring that operations departments continue to maintain good relations with local stakeholders. Consequently, it is important that a company consider all potential interactions with stakeholders by all staff or contractors, and not simply the interactions of staff who have responsibility for communications and sustainability. Table 2.2 illustrates how different departments may interact with the community.

TABLE 2.2 POTENTIAL INTERFACE BETWEEN DEPARTMENTS IN OIL PALM PLANTATION COMPANIES AND COMMUNITIES

Departments	Community Interaction
Estate office	• Day-to-day interaction with communities and local stakeholders • Local employment • Land negotiation and compensation process • Interaction with local government for plantation issues
Mill office	• Contact with small farmers or communities selling FFB • Interaction with local government for mill issues • Local employment
Environmental and Occupational Health and Safety (OHS)	• Contact with communities and other stakeholders on environmental and social impacts as part of the impact assessment • Interaction with government and local authorities on impact-assessment-related requirements • Workforce interaction
Community liaison	• Ongoing engagement with communities
Biodiversity and high conservation value	• Engagement with communities on biodiversity issues, particularly in identifying community-related HCV areas
Land acquisition	• Initial interaction with communities for land acquisition negotiations and compensation • Interaction with local government bodies, and previous owners if relevant
Security	• First point of contact for community members and other external stakeholders before entering the plantation or mill area
Contractors	• Activities outsourced by plantation, such as land clearing, road construction, and transportation of FFB, that can affect communities • Ability to hire individuals from surrounding communities

Note: This is a hypothetical example of an estate/mill unit. Other potentially relevant corporate departments such as communications and procurement (usually beyond the control of the estate/mill) are not included here.

Internal alignment can be further promoted and cemented by a strong set of policies and operational procedures related to community engagement and investment. For example, a company's protocol for new developments and plantings that will be used by a land-clearing team also should detail the process for seeking consent (Free, Prior Informed Consent, or FPIC) for the development, or refer to the stand-alone FPIC procedure.

Clear policies and procedures need to be in place to provide consistency as to how plantation staff and contractors engage with communities. Consistency is particularly critical when a company manages many plantation sites.

Several examples are provided below of how community-related considerations have been integrated in company policies. Note that a policy alone is insufficient to ensure implementation. Operational procedures and staff capacity building also must be implemented.

> "Every manager needs to know what is expected of him or her, not only in their commercial deliverables, but [also] in their role as corporate responsibility and sustainability stewards."
>
> —Sunny Verghese,
> Group Managing Director and CEO,
> Olam International (Olam 2012)

BOX 2.7 GUIDE FOR PRACTITIONERS: IDENTIFYING INTERNAL STAFF

A simple diagnostic exercise can be undertaken internally to determine the types of engagement with external stakeholders.

Staff members and contractors from various departments should be asked the following types of questions. If they answer "yes" to any of these, community engagement plan should explicitly explain how these relevant employees and contractors will be involved in communicating/engaging with local stakeholders:

Q. Do you attend any public meetings on behalf of the company?

Q. Do any of your day-to-day activities at work take you within sight or earshot of local people/communities?

Q. Do the types of activities for which you or your team are responsible affect or involve local communities?

Examples of such activities are land clearance, transport of FFB, local recruitment.

Q. Do you live in a local community?

Q. Are you involved in local government, village council, or other local leadership organizations?

This exercise helps staff and contractors better understand their roles in promoting good community relations. It may be useful to conduct such a discussion in a group or workshop. Companies can add other useful questions to the above list.

BOX 2.8 GOLDEN AGRI-RESOURCES: A SOCIAL AND COMMUNITY ENGAGEMENT POLICY IN INDONESIA

Golden Agri-Resources' (Indonesia) Social and Community Engagement Policy spells out key commitments that guide company operations:

- FPIC of indigenous people and local communities
- Responsible handling of complaints
- Responsible resolution of conflicts
- Open and constructive engagement with local, national, and international stakeholders
- Empowering community development programs
- Respecting human rights
- Recognizing, respecting, and strengthening the rights of workers
- Complying with all relevant laws and internationally accepted certification principles and criteria.

GAR developed this policy through a multistakeholder approach by engaging NGOs, such as The Forest Trust, and other stakeholders to provide inputs. With the aid of an Indonesian NGO, GAR also consulted with the government of Indonesia and local stakeholders.

Source: GAR 2014.

BOX 2.9 OLAM: SETTING A STANDARD FOR ENGAGEMENT WITH FARMERS

Olam International is a global, integrated supply chain manager and processor of agricultural products and food ingredients. In 2010 the company launched the Olam Livelihood Charter—a framework that aims to improve, by 2020, the viability and well-being of 800,000 smallholder farmers living at near-subsistence levels. The charter lays out eight principles:

1. Finance: Short- and long-term finance at 0 percent interest for crop production, purchasing, and asset investments
2. Improved Yield: Investment in training and inputs
3. Market Access: Commitment to a fair price
4. Quality: Encouragement of quality produce by enhancing value to farmers and customers
5. Social Investment: Support of rural health, education, and infrastructure
6. Labor Practices: Education on child labor, gender, and safety issues
7. Environmental Impact: Improvement of overall environmental footprint
8. Traceability: Tracking of products back to source.

Through the charter, Olam is embedding sustainable practices in the communities in which it operates. Where a company program that targets farmers has a direct relationship with farmers, the charter aims to apply as many of the principles as possible. The company does this in several ways, including working with farmers to improve their farming and business skills, providing finance and agricultural inputs, linking farmers to the global market, and supporting community programs.

Only by following all eight principles can a program achieve charter status.

Source: Olam Intl. 2013.

3. BUILDING STRONG STAKEHOLDER ENGAGEMENT PROCESSES

Identifying which stakeholders to target will help a company respond to site-specific risks while taking advantage of opportunities to have a positive impact in its areas of operation.

There are many references to the importance of strong stakeholder engagement within relevant certification standards in the palm oil industry. For example, the RSPO Principles and Criteria (P&C) include requirements for participatory ESIA, FPIC, mechanisms for communications and grievances, smallholder development, and contributions to local development.

Stand-alone Stakeholder Engagement Plans (SEPs) are not necessarily required by the existing regulations and standards in the palm oil industry. However, SEPs are a requirement of the IFC's Performance Standards (PSs) as well the Equator Principles (which are applied to approximately 70 percent of international projects' debt finance in emerging markets) (Equator Principles Association 2012). Preparation and implementation of a SEP is good practice and can be fundamental to more effectively manage engagement processes.

> "For IFC clients, …stakeholder engagement 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, grievance mechanism, monitoring and evaluation, and ongoing consultation and reporting to Affected Communities."
>
> —IFC Performance Standard 1, para. 25

Meeting with independent smallholders in Indonesia. Photograph by T. Fitriyardi.

TABLE 3.1 KEY STAKEHOLDER ENGAGEMENT QUESTIONS TO BE ADDRESSED FOR EACH IFC PS

IFC PS objectives	Key questions to be addressed
PS1. Assessment and Management of E&S Risks and Impacts	• Has an **ESIA** (environmental and social impact assessment) been undertaken by suitably qualified professionals and disclosed? • Has an **Action Plan** containing measures to address impacts been developed and disclosed? • Have affected communities been **consulted** and the ESIA and Action Plan disclosed appropriately (for example, nontechnical summary, local language)? • Has a **PCDP/SEP** (Public Consultation and Disclosure Plan/Stakeholder Engagement Plan) or equivalent been established and disclosed? • Has a Social and Environmental Management System been established and disclosed? • Where avoidance, minimization, and mitigation are not possible, has **appropriate** compensation been discussed, negotiated, and provided to affected communities/households? • Have all affected people been informed and consulted?
PS2. Labor and Working Conditions	• Does the project developer have a **Human Resources Policy?** • Are working conditions and terms of employment documented (contract) and communicated? • Do workers have access to a **grievance mechanism?**
PS3. Resource Efficiency and Pollution Prevention	• Has an emergency preparedness and response plan been prepared and communicated to potentially affected communities (and the link to PS4 established)?
PS4. Community Health, Safety, and Security	• Has the project consulted with potentially affected communities and other stakeholders? • What measures have been put in place to **avoid/mitigate/minimize community exposure** (refer to IFC EHS guidelines)? • Has the project engaged with local government agencies in preparing to respond to emergency conditions and bridged any gaps? • What measures have been put in place by the project to engage with neighboring communities and manage community exposure to **communicable disease?**
PS5. Land Acquisition and Involuntary Resettlement	• Have affected people been informed and consulted? • Has an appropriate **grievance mechanism** been established? • Have all **engagements, consultations, negotiations,** and **transactions** to acquire land rights, compensation measures, and relocation activities been **thoroughly documented?** • **Attention to host country resettlement requirements.** Has the project collaborated with the responsible government agency to assure compatibility between the national requirements versus PS5?
PS6. Biodiversity Conservation and Sustainable Management of Living Natural Resources	• **Legally Protected Area:** Has the project **consulted with protected area key stakeholders** (PCDP/SEP)?
PS7. Indigenous Peoples	• Has **Free, Prior, and Informed Consent** (FPIC) been granted? • Has an **Indigenous Peoples' Plan** or dedicated section of a broader Action Plan been developed to manage impacts? • If the project is to be located on traditional lands/involves resettlement/cultural resources, has the project: • Informed Indigenous Peoples of their **rights** under law? • Entered into and documented successful outcome of **good faith negotiations?**
PS8. Cultural Heritage	• If the project will remove cultural heritage: • Has a **consultation** been undertaken? • Where cultural heritage of communities will be used for **commercial purposes,** has the project informed them of their **legal rights?** • Has the project entered into and documented successful **good faith negotiations?** • If UNESCO cultural heritage sites will be impacted, has UNESCO been involved in consultation?

Source: http://www.ifc.org/performancestandards.

3.1 UNDERSTANDING THE LOCAL CONTEXT

When identifying stakeholders, and developing plans of how to meaningfully engage them, companies may encounter a number of challenges. For foreigners, a challenge can be to understand the history, power relations, and local customs at play, and how these elements can promote or inhibit participation and representation of diverse stakeholder views. For local staff, it may be a challenge to step outside of their culture and personal views to take into account individuals and groups with whom they might not normally engage.

Local community in Papua New Guinea. Photograph by T. Pollett.

Some key dimensions of the local context that need to be clearly understood and incorporated in Stakeholder Engagement Plan (SEP) include:

- **Local power relations.** Incorporating these considerations into whom and how company and staff engage can help establish dialogue and generate community trust and respect. Understanding both obvious and subtle power relations can be particularly important. Engagement often attracts the "elites" and those with entrenched positions that do not necessarily represent the views of the broader community. The participation of local elites can aid decision-making in efficiency and access to accepted decision-making systems. However, experience shows that, without specific measures to ensure inclusion, the most vulnerable groups—such as women, the poor, and landless families—typically are excluded from, or are underrepresented in, the engagement and local development processes.

- **Position of women and other vulnerable groups.** Plantation operations have different impacts on various groups within communities. Some of these groups—women, youth, poor or landless families, immigrant workers— often are excluded from the decision-making and benefit-sharing processes. Understanding women's roles and their concerns is particularly important. In the palm oil sector, women can support the day-to-day management of oil palm plantations by weeding, spraying, and collecting loose fruit. Women also tend to play a crucial role in managing food, nutrition, and health in households. Research shows that empowering women and promoting gender equality produce various benefits (box 3.1). Companies may need to take specific measures to ensure that engagement with these stakeholder groups and analysis of their concerns are undertaken appropriately.

Indigenous people often are among the most marginalized and vulnerable segments of a local population. They are particularly vulnerable if their lands and resources, upon which their livelihoods depend, are transformed, encroached upon, or significantly degraded. In addition to a loss of natural-resource-based livelihoods, this vulnerability may include loss of identity and culture and exposure to impoverishment and disease. Where possible, companies should avoid or otherwise minimize negative impacts and seek opportunities for indigenous peoples to participate in, and benefit from the oil palm project. Indigenous people can play an important role in land use planning decisions to maximize use of local resources and in sustainable development and management of these resources.

- **Stakeholder representatives.** In many cases, the formal community leader (village head, government-elected community liaison officer, traditional head, or other position) assumes the role of representative, particularly in communities in which social hierarchy plays an important role. However, not all formal leaders represent the views and concerns of all of their community members. In such situations, companies must respect traditional structures and systems. However, they also should have an engagement plan that involves conducting additional consultations to address the concerns of members of particular interest groups and the broader community.

- **Local governance and local institutions.** It is important to understand the capacity and outreach of local government institutions. In areas of weak governance or limited government capacity and resources, companies often end up taking on greater developmental roles. Hence, developing partnerships with the government and building the delivery capacity of local institutions can be an important consideration for company operations. Local institutions, such as extension service providers, farmers unions, or educational institutions, play an important role in providing services. Local institutions can influence, either positively or negatively, how engagement processes and community investment programs are planned and implemented.

- **Local customs and cultures.** Local customs and culture, as well as local languages and dialects, are fundamental to build a locally appropriate engagement process. For example, women alone may not be allowed to speak to men, and younger people may be required to always respond affirmatively to those viewed as older or senior. Some communities also have rules about accessibility, such as not allowing contact with outsiders during special events. How communities view time and plan their daily activities also can differ significantly. Without understanding these nuances, a company will find it very challenging to build an engagement process that has credibility and trust.

- **Historical legacy.** Previous relationships of conflict and mistrust can negatively influence a company's operations. Knowing whether local communities have had negative experiences with other companies can help determine how to establish first contact and how to prepare to respond to likely reactions and concerns. In areas of known conflict over land, companies should plan and budget for longer timeframes to reach the level of rapport and trust required to negotiate agreements.

BOX 3.1 WOMEN AS STAKEHOLDERS IN THE PALM OIL SECTOR

Reports by FAO and UN Women state that women constitute approximately 43 percent of the agricultural labor force in developing countries, and up to 50 percent in Africa and Asia. Survey data showed that the labor burden of rural women exceeds that of rural men because rural women's labor includes a higher proportion of unpaid responsibilities related to managing households and family nutrition. A strong case exists for companies to promote gender equality in agriculture, including in oil palm production. *Three key areas of benefits are:*

- **Improved yields and farm productivity.** Increasing agriculture yields can contribute to close the food gap by increasing global food production and household profits. FAO estimates that if women had the same access to productive resources as men, yields could increase 20 percent–30 percent.
- **Improved child development.** Increased economic resources for women generally are associated with improvements in birth outcome, infant and child nutrition and health, child physical growth and maturation, even clothing. A UN Women report revealed a correlation between women's rights and child welfare. Countries in which women lack land ownership rights have 60 percent more malnourished children than countries in which women own land. Countries that restrict women's access to credit have 85 percent more malnourished children than countries in which women can access credit.
- **Higher household savings.** Strong evidence in microfinance programs demonstrates that women are prudent savers and borrowers, and use their income to benefit their households.

Some of the potential negative impacts on women that companies need to understand and consider in designing community engagement and investment programs are:

- **Land ownership.** The issuance of land titles, and thus the proceeds of oil palm development, only to male household heads increases women's degree of dependence on these men and limits women's decision-making opportunities.
- **Livelihoods.** The change from subsistence agriculture can have impacts on the role of women as the custodians of the traditional agrarian economy. For example, in some African countries, palm oil has been processed mainly by artisans, most of whom are women. The arrival of industrial estate models can significantly affect women's livelihoods.
- **Income distribution.** Because men generally hold land titles, leases, or usufruct rights, income benefits generated from palm oil production often are enjoyed by men only. Sometimes, women working in smallholding farms may work for free for their husbands. In some countries, such as Papua New Guinea, income-sharing between genders is not the norm.
- **Working conditions.** Women workers may not be fully informed about gender-related issues in the workplace such as sexual harassment or discrimination, as well as existing regulations or policies. Women also may be employed in field operations in which pesticide application can pose serious health risks for them, particularly during pregnancy. Differential wages for men and women also may exist for the same type and hours of work.
- **Decision-making power.** Land ownership and use rights, and higher income generally give men more decision-making power.

BOX 3.1 WOMEN AS STAKEHOLDERS IN THE PALM OIL SECTOR *continued*

Nigerian workers exhibiting their palm oil fruit collection, Presco, Nigeria. Photograph by B. Gurr.

- **Household management.** Women can be negatively impacted by increases in time and effort required to carry out domestic duties. These negative effects can happen through the loss of access to sources of adequate clean water and fuel wood, and through an increase in medical costs due to the loss of access to medicinal plants previously obtained from gardens and forests.
- **Increase in domestic violence.** Violence against women and children by males may increase because of increased social and economic stresses.

Source: Doss and SOFA Team 2011; UN Women 2012; FAO 2013; Schultz 1999; IFAD 2013.

- Official data (government statistics, censuses, other government records)
- Regional and local archives
- Aerial photographs and geographic information system (GIS) mapping
- Maps and cartographic surveys
- Local records and land registries

- Company employees from the local area
- Selected government representatives from various agencies
- NGOs working in the area
- Academic institutions
- Representatives of international organizations
- Local community opinion leaders

- Environmental and social impact assessments
- Socioeconomic baseline studies, including studies by NGOs and academic institutions
- University studies (such as historical and anthropological research)
- Public consultation and disclosure plans
- Audit reports
- Records from prior/ongoing stakeholder consultations
- Resettlement plans (land use surveys, household income data)
- Conflict risk analyses and other technical studies
- Internet reports and newspaper articles

3.2 IDENTIFYING STAKEHOLDERS AND THEIR REPRESENTATIVES

Experience in the palm oil industry demonstrates that stakeholder identification is best approached as an ongoing process. Identification is the first step. It usually is followed by stakeholder analysis and prioritization to ensure that a company can focus on stakeholders who are most relevant. Companies should identify stakeholders by starting to use those groups and individuals who are likely to:

- Be affected (either directly or indirectly, positively or negatively) by plantation operations
- Have frequent contact or continuing relationships with the company
- Be able to influence project outcomes (either positively or negatively).

BOX 3.2 HOW COMPANIES IDENTIFY THEIR COMMUNITIES

PRESCO PLC (Nigeria) identifies "host communities" as villages within and immediately surrounding the company's estates. The rationale is that communities bordering or near the concessions would have lost their ancestral lands during the creation of the concession, hence must share in the benefits. Two elements guided the establishment of this concept:

1. Realization that the greatest security for the company's investment hinges on the goodwill of communities near the concession
2. Desire to create and sustain a mutually beneficial partnership and peaceful coexistence with the communities.

AGROPALMA (Brazil) relies on the principles of risk reduction, alignment with business drivers, and fairness when investing in communities. Agropalma identifies their communities as:

Outgrowers, including:

1. Smallholders who are part of a formal oil-palm-growing scheme (the Family Agriculture Program)
2. Growers who engage directly with Agropalma to grow oil palm on their own land and have a contractual relationship with Agropalma
   - Communities that supply labor or are home to suppliers of services or inputs
   - Communities with lands adjacent to or near plantations or that are downstream of plantations.

Source: Field visits, industry consultation, and personal communications, 2011-13.

Stakeholder identification can start early during the desktop analysis and initial scoping activities following a process set out below (figure 3.2). A prioritized list of stakeholders helps companies prepare for the environmental and social impact assessment (ESIA). During ESIA studies, stakeholder maps are reworked and refined, as new stakeholders are identified and more information about identified stakeholders is collected. The ultimate goal is to develop appropriate management and monitoring plans that (a) address key stakeholder issues and (b) engage stakeholders appropriately in impact management and monitoring activities.

FIGURE 3.2 THREE STEPS TO IDENTIFY STAKEHOLDERS

| 1. Collect existing information | 2. Brainstorm stakeholder list with multidisciplinary team | 3. Map and prioritize stakeholders according to impact and influence |
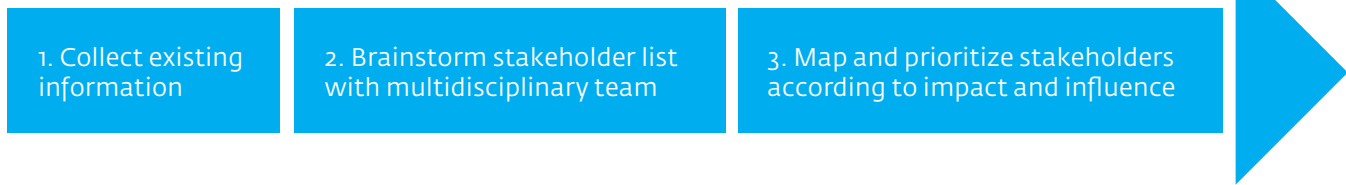
Reviewing and building on existing information about the local context is an important first step. The procedure involves gathering physical maps, stakeholder lists, and profiles to use as a starting point for identifying stakeholder groups. Aerial photographs of site(s) and secondary sources such as historical records and newspaper articles can be used. For companies acquiring existing palm oil operations, such information may include ESIAs, consultation and grievance logs, and company annual reports. For new operations, such information may not always be available. However, companies may find it valuable to explore reports and research done by scientific institutes, development NGOs or agencies, and government agencies.

Using the information collected, and working with staff from various business units and backgrounds, a company can create a list of stakeholders. While creating the list, a company should consider the significant "axes of difference" in the community or group, such as gender, age, wealth, access to natural resources, social groups, ethnic groups, religious groups, and education. Companies also should carefully take into account groups with whom it normally might not interact, such as women; children; the uneducated; or those of low social, ethnic, or religious status.

If the company is updating a past mapping exercise, it should consider whether any new groups of stakeholders have moved into the communities since the last stakeholder identification effort. These stakeholders either could have arrived as a result of the operations; or could be members of recently emerged subgroups who had not been identified previously, particularly vis a vis potential conflicts. The stakeholders then can be mapped by the degree to which they are affected by the operations (either positively or negatively) and the level of influence they could have over company activities. Companies can decide which information is most relevant and how best to present it (for example, in Venn diagrams, tables, or physical maps).

BOX 3.3 GUIDE FOR PRACTITIONERS: PRIORITIZING STAKEHOLDERS

Using a graphic approach with an internal multidisciplinary team can be used to prioritize stakeholders. This approach plots the capacity of each stakeholder to influence company activities positively or negatively (vertical axis), and the degree to which each stakeholder is/will be impacted by the palm oil operations (horizontal axis). The mapped stakeholders then can be analyzed based on their position on the project: supportive, supportive with conditions, neutral, or opposed. The responses should be discussed and challenged, seeking to reach on stakeholder placement.

Useful questions to guide the mapping are:

Degree impacted by the project:
- Will project activities directly impact any group of stakeholders?
- What traditional land owners/users exist?
- What individuals or groups use the land for which operations are proposed?
- What individuals or groups use the surrounding land for which operations are proposed?
- What individuals or groups of stakeholders have approached the company? What are their concerns and interests?

Capacity to influence:
- Does a stakeholder group have the ability to disrupt or stop the project?
- Are there any individuals or groups of stakeholders who should be engaged due to legal requirements, contractual obligations, and corporate policies?
- Do any of the individuals or groups of stakeholders represent important regulatory, cultural, or socially based organizations?
- Who has the most knowledge about the land and community customs?
- Does this stakeholder have links to other stakeholders (locally, nationally, or internationally)?
- Can this stakeholder shape public opinion about the project (positively or negatively)? Could this stakeholder affect brand reputation or shareholder value?
- Who are the individuals or groups with the greatest potential for collaborative, supportive, long-term relationships?

Source: IFC 2010; Dare and others 2011.

FIGURE 3.3.1. EXAMPLE OF A STAKEHOLDER MAP
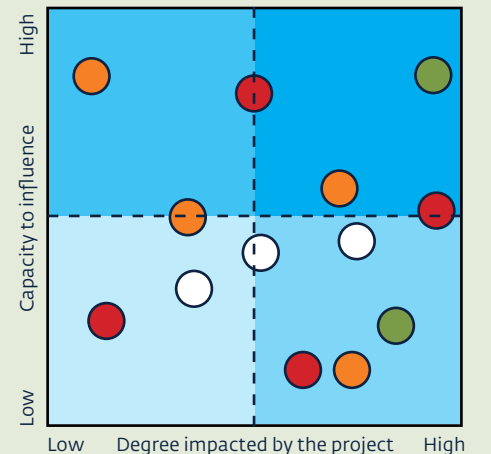
Supportive · Supportive with conditions · Neutral · Opposed

BOX 3.4 PT AMP: ENGAGING WITH COMMUNITIES ON DIFFERENT LEVELS IN WEST SUMATRA

PT Agra Masang Perkasa (AMP) is a subsidiary of Wilmar International located in Agam District, West Sumatra. It covers an area of more than 13,000 ha, of which 9,226 ha constitutes the inti (the nucleus area managed directly by the company) and the remainder the plasma (managed by farmers and smallholders). The plantation is surrounded by 18 villages in 4 subdistricts. Before developing its concession, PT AMP took several steps to engage local stakeholders:

- **Meeting with local government.** PT AMP began the stakeholder consultation process by speaking with the local government. In Indonesia it is respectful and customary for companies to approach the local government department before making any contact with communities. Local governments play a key role in allocating concessions and in assisting with distribution of land to potential smallholder farmers. Notably, in West Sumatra, the local government recognizes the traditional Minangkabau system of village governance (the Nagari system). By approaching the local government first, the company was able to identify which communities it needed to approach.
- **Securing an introduction to the local patron.** The local government then introduced PT AMP to the village patron, the Wali Nagari. Village patron is similar in role to a village head but elected by community members within a village and recognized as the cultural leader. His responsibilities include managing a village's assets, such as land. Not all villages in Indonesia operate this way; this arrangement is specific to West Sumatra.
- **Discussing and consulting with the community.** The local patron played a key role in gathering all the relevant village members, consulting with them, and distributing land to those who agreed to take part in the plasma program. Working alongside the patron, the company took part in discussions with community members and, on the basis of these discussions, produced a hard-copy map of land ownership in the area. This map helped the community and the local patron ensure that community land was distributed appropriately among its members.

Building engagement on the basis of a clear understanding of the community and its customary system helped to ensure that relevant stakeholders and representatives took part in subsequent consultations and the land distribution process. The company considers that its approach to communities helped to strengthen the company-community relationship.

Source: Field visits, industry consultation, and personal communications, 2011-13.

3.3 DEVELOPING A STAKEHOLDER ENGAGEMENT PLAN

The purpose of a Stakeholder Engagement Plan (SEP) is to describe a company's strategy and program for engaging with stakeholders and to gain a social license to operate. The goals are (1) to ensure the timely provision of relevant and understandable information in a culturally appropriate manner and (2) to create a process that provides opportunities for stakeholders to express their views and concerns, and for the company to respond to them. A good SEP should ensure that stakeholders are genuinely engaged in the project's decision-making from the beginning, and incorporate recognized good practice for engagement.

Each stage in the development and operation of an oil palm plantation will dictate the objectives of the engagement with stakeholders (figure 3.3). A sample of contents for a SEP can be found in appendix 1.

FIGURE 3.3 KEY STAKEHOLDER ENGAGEMENT PROCESSES THROUGHOUT OIL PALM PLANTATION DEVELOPMENT

Key stakeholder engagement processes

Site selection	Land acquisition and feasibility	Land preparation	Maintenance and harvesting	Re-planting/ expansion/ abandonment
• Early engagement (e.g., through community consultations) during rapid HCV assessment and • Early engagement during site suitability analysis • Stakeholder mapping • Establishment of grievance mechanism • Establishment of a Stakeholder Engagement Team	• Stakeholder engagement as part of ESIA/HCV assessments and development of management plans • FPIC process as part of land acquisition and determining compensation for resettlement and asset loss • Grievance management • Community feedback on design and performance of the grievance mechanism • Opportunity for stakeholder capacity building • Opportunity to obtain community feedback to identify relevant community projects	• Engagement during site preparation activities and infrastructure construction (e.g., access roads) • Grievance management • Community feedback on performance of the grievance mechanism • Opportunity to demonstrate tangible benefits through employment and training programs, as well as implementation of selected community programs • Opportunity to establish participatory monitoring mechanisms	• Ongoing relationship building • Regular review of and community feedback of performance of community engagement and community investment activities • Grievance management • Community feedback on performance of the grievance mechanism • Regular reviews of the stakeholder capacity building needs	• Engagement prior to and during replanting • Renegotiation of contractual terms • Engagement process in case of expansion • Advance (early) engagement in case of abandonment • Grievance management • Community feedback on performance of the grievance mechanism

TABLE 3.2 GOOD-PRACTICE CONSIDERATIONS THROUGHOUT THE STAGES OF PLANTATION DEVELOPMENT

Site identification	• Use the existing information to analyze the local context. • Disclose project-related information, and consult selectively during the early part of due diligence (for example, during field assessments) to gain an understanding of key issues, surrounding communities, potential overlap with community lands, and representative institutions. • Actively seek to manage high expectations, fears, or speculative behaviors. • Ensure that project risk analysis includes stakeholder issues that may pose risks to operations. • When possible, engage with government to understand decision-making related to the proposed location, and the capacity and commitment of government bodies.
Predevelopment and/or prefeasibility studies, negotiation of agreements through FPIC	• Regularly review data on project stakeholders and their interests. • Involve stakeholders in the design phase of ESIA and HCV studies to inform the scope of impacts for inclusion in the terms of reference, or scope, of such studies. • Seek input from stakeholders on how they wish to be consulted: what type of information they would like to receive in what formats, with what timing, how often, and in what places. Design or modify engagement activities accordingly. • Community inputs are particularly important for the FPIC process, specifically, what consent means, who gives it, and how it can be verified; and how community members wish to be represented, by whom, and what to do if their representatives show signs of self-interested motivations. • Disclose relevant project information in advance, before consultations on ESIA, HCVs, and FPIC. Provide the information in the appropriate languages and formats that are easily understood. • Ensure transparency in disclosing both positive and negative impacts of the project and other developments, including smallholder schemes and information related to location, timeline, implications of joining such schemes, and terms and conditions. • Hold information sessions with communities to familiarize them with concepts such as the RSPO Principles and Criteria; obligations of the member companies; and technical concepts such as ESIA, HCV, and the principles of FPIC; and what to expect during the entire process from identification of land right holders to final compensation (if applicable). • Use consultations to broaden and discuss the range of options available to eliminate, offset, or reduce potential adverse environmental and social impacts. • Facilitate access to community liaison staff to ensure that, at a minimum, stakeholders know whom to approach if they have continuing questions or concerns. • Facilitate access to third-party advice for communities when necessary (for example, grievance management, compensation negotiation, and financial and legal arrangements for compensation). The providers of this external assistance may include NGOs, academic institutions, and state or statutory agencies. Work to ensure that third parties are trusted by stakeholders as sources of advice and expertise. • Regularly report changes in the evolving project design to stakeholders. • Document the process and results of consultation on ESIA and HCV and implementation of the FPIC process. Include any commitments made to stakeholders during consultations, as well as follow-up actions. • Ensure that community representatives and wider communities get copies of, or easy access to, relevant project documents such as ESIAs, land tenure studies, concession maps, standard operational procedures, and conflict resolution mechanisms. • Involve independent monitoring bodies and obtain robust verification by third parties to ascertain the degree to which community decisions are respected and responded to. • Where feasible, accompany consultants and stay involved in the consultation and engagement activities of third parties.

TABLE 3.2 GOOD-PRACTICE CONSIDERATIONS THROUGHOUT THE STAGES OF PLANTATION DEVELOPMENT *continued*

Land acquisition/ development and/ or plantation establishment	• Identify stakeholders most likely to be affected by land acquisition and plantation establishment operations. Prioritize engagement activities accordingly. • Notify local stakeholders of activities and changes to schedules. Public notifications should inform stakeholders of the purpose and nature of activities, start dates and durations, potential impacts, and whom to contact with concerns or complaints. • Be responsive to grievances. At this phase, regular contact between community relations staff and local stakeholders is an important part of managing community relations and concerns. • Choose contractors who can engage effectively with stakeholders. Prequalification criteria/ questionnaires can be developed to assess contractors' capability to meet minimum standards for stakeholder engagement and social performance. • Report to stakeholders on the progress of environmental and social management programs. • Engage stakeholders to ensure that measures are working as intended. Publicly disclosing audit reports is considered good practice.
Ongoing operations and/or maintenance and harvesting	• Periodically review and update stakeholder information. • Consider ways to assess stakeholder perceptions. These can include a formal survey or more informal options such as meeting with stakeholder representatives and employees who live in the community. • Continue to disclose, consult, and report to stakeholders as needed. • Ensure that ongoing stakeholder commitments are integrated in operations management systems. Regularly review progress on commitments and any outstanding commitments related to mitigation and project benefits. • Regularly communicate emergency preparedness and response plans. • Ensure that the grievance mechanism continues to be operational. • For controversial projects, consider establishing a participatory or third-party monitoring program to enable affected parties to participate in scientific sampling, observations, group discussions, and assessments of environmental and socioeconomic changes over time.
Replanting, expansion, and/or abandonment	• Revisit stakeholder analysis in light of plans for replanting, expansion, or abandonment. • To reduce fears and uncertainty, communicate with stakeholders early. Provide regular updates and progress on issues of greatest concern. • Implement advance planning for stakeholder consultation.

Source: IFC 2007; Chao 2012.

3.4 TECHNIQUES FOR ENGAGING WITH STAKEHOLDERS

Maintaining effective engagement with stakeholders in the palm oil sector is a notable challenge. Stakeholder groups can have unrealistically high expectations of engagement processes. Moreover, some may see an invitation to participate as an opportunity to pursue their own particular vested interests and unduly influence decision-making. Although stakeholder engagement should be able to influence final project decisions, it may not be a decision-making process in itself. Conversely, some stakeholder groups may not want an active role in the decision-making and would prefer updates on the company's operations and information on whom to contact if they have concerns. If the diverse stakeholders' expectations are not well managed, the result may be disillusionment, mistrust, unwillingness to participate in future engagement opportunities, and the company's loss of the social license to operate.

There is no one right method to engage stakeholders. The approach must be appropriate to the local context, project stage, and stakeholder issues; and be driven by a genuine desire to engage. Good practice emphasizes that a Stakeholder Engagement Plan (SEP) needs to consider a variety of approaches such as communication, consultation, participation, negotiation, and partnering. The choice of approach should take into account the objective of the exercise (for example, to convey information, to provide instruction, to elicit participation, and to request feedback), and capacity and preferences of the target audience (for example, level of literacy, language, gathering places, and time of the day).

Furthermore, it is critical that the goals and objectives of any engagement activity are clearly articulated to stakeholders. It is also important to make it clear when community relations staff does not control decision-making, identify what is negotiable and what is not, set out all individuals' roles and responsibilities, and indicate who will make final decisions.

In the palm oil sector, improved communication has been flagged as one of the key areas to create better relations between communities and the company. Communication involves providing information to interested parties and receiving feedback. Communication has multiple purposes:

- Deliver key information in a timely fashion to target audiences and convey plans.
- Create transparency about the process and build trust.
- Provide affected communities with opportunities to express their views and provide feedback.
- Build awareness of local issues or potential conflicts of interest, and enable proactive responses.

- Help anticipate, control, and manage crises.
- Disseminate information about successes and achievements to a range of audiences.
- Prevent the spread of misinformation.
- Enhance the reputation benefits from community engagement and investment activities.
- Gain a social license to operate.

A common issue is the company's tendency to rely on a government or on village or community leaders to convey information to the wider community. Diversifying communication channels—that is, away from reliance on the government or village head alone—should therefore be an important consideration. Figure 3.4 shows the diverse channels used by New Britain Palm Oil to reach its stakeholders.

Another consideration is the development of a crisis communications plan to use in the event of emergencies. It should provide the basis for a quick response when a crisis (such as accidents, major complaints, or stakeholder-related disruptions) arises.

BOX 3.5 EXTERNAL COMMUNICATION CHANNELS USED BY PALM OIL COMPANIES

- Routine (unscheduled) personal visits to communities by community relations or liaison teams and/or medical personnel; telephone hotlines, texts on mobile phones, radio messages
- Regular meetings between company management or representatives, and community representatives
- Information from committees set up to reach specific groups (such as a gender committee, a workers committee)
- Public meetings with all relevant stakeholders, such as town hall meetings and annual meetings; can be facilitated by an independent third party
- Physical displays that provide information and/or enable feedback to be collected Examples are notice boards at meeting places and comment boxes situated close to or in community and worker areas. Notices can use text or images
- Partner organizations who can deliver and reinforce key messages
- Government briefings
- Providing information through religious centers
- Third-party validators, such as outside experts
- Open days
- Media outlets (magazines, newspapers, radio, TV, Internet) to provide notices and announcements of updates, events, and notification
- Brochures, leaflets, posters, nontechnical summary documents, and reports
- Surveys, polls, and questionnaires

Source: Field visits, industry consultation, and personal communications, 2011-13; IFC 2010.

Through road shows, the general manager met local landowners to explain the effect of new legislation on lands and give the broader public the opportunity to raise concerns and have questions answered in person.

Milne Bay Estates has championed direct interaction with local communities, a fortnightly broadcast on local radio, and maintaining a presence at national events, such as the annual Alotau Canoe and Kundu Festivals.

In West New Britain, the company supported the formalization of the *Meri Strongim Meri* (women empowering women) movement, which works with plantation management teams across West New Britain to provide information on issues affecting women and where they can turn to for help.

Through the help of Voluntary Services Overseas (VSO), an NGO, the NBPOL Foundation engaged communities in areas bordering NBPOL operations to collect health and education statistics related to the current baseline, service provision, and community views on their needs.

Road shows/ open days

Various committees (gender, worker)

Media outlets

Communication and engagement channels

Physical displays (notice boards, comment boxes)

NGO and partner interactions

Regular (formal or informal) meetings

On-site, monthly meetings enable residents of company houses to raise issues directly with NBPOL company executives.

Source: NBPOL 2012a.

"Participatory methods" is an umbrella term for engagement techniques and tools that stress the importance of taking local people's perspectives and knowledge into account, and give them a greater say in development processes. Such techniques and tools often are termed Participatory Rural Appraisal (PRA). They provide a powerful tool to rapidly obtain local knowledge, attitudes, and community interest groups' perceptions. PRA also can be useful in urban settings. Participatory methods can be especially useful when trying to build integrated solutions to complex project issues or consensus on possible solutions to a controversy. Practice shows that this approach helps companies build trust, be better informed about local issues and concerns, and ensure that local stakeholders have a say and role in addressing their own priorities. Lessons learned from other industries also show the importance of engaging communities in management, monitoring, and evaluation of project environmental and social impacts.

FIGURE 3.5 RANGE FROM ACTIVE TO PASSIVE PARTICIPATION

Active and high- level participation	We can help you achieve what you want within guidelines.	**Self-mobilization** is the highest level of participation. This level is characterized by individuals taking initiatives independently. Full decision-making power rests with the participants. To take independent action indicates a significant level of confidence and empowerment. Resource holders feel enabled to put limits on what they will support.
	We want to carry out joint decisions together.	**Collaboration** is participation that reaches a higher level. It involves individuals or groups who are making decisions and carrying them out. These actions often imply collaborative or partnership arrangements. Participants have authority and responsibility to take action. It is important that each partner has an appropriate stake in the partnership, a fair say in what happens, and an opportunity to achieve what s/he wants.
	We want to develop options and decide on actions together.	**Decision making** occurs when individuals or groups are making decisions. Participants decide on ideas and options, or/and how best to move forward. Decision making can be done through joint analysis and action planning. While some decision-making power often is delegated to the community, participants do not fully share the responsibility for carrying out the decisions.
	Here are our options—what do you think?	**Consultation** implies a two-way flow of information, that is, dialogue. While the overall decision-making power often is retained by the organization, the provision of feedback and evidence of the influence of the consultation process on decision making is important. Feedback ensures that participants understand the process and feel ownership of the final decision.
Passive and low- level participation	Here is what we are going to do.	**Information provision** is the minimal level of participation. It is aimed primarily at keeping people informed, that is, it is a one-way flow of information. Participants are allowed to ask questions, but not to influence decisions.

Source: FAO 2003; Pretty 1995; Sanginga and Chitsika 2005.

Participatory methods also are a specific requirement in RSPO Principles and Criteria, which require that an ESIA, including identification of areas required for maintaining or enhancing one or more HCVs, be carried out in a participatory manner. In addition, RSPO requires that companies consult with communities and, based on the results, make appropriate demonstrable contributions to local development.

Multiple participatory techniques and/or tools often are needed to achieve the objective of an engagement process and to ensure the participation of local stakeholders. For example, a village resource map (showing all the major features including crops, houses, livestock, and infrastructure) can be complemented with transect walks, in which outsiders take a systematic walk or drive through a specific area, gathering data to supplement what is recorded in village sketch maps. Well-being or wealth rankings enable villagers to divide households according to economic or other well-being categories. These rankings can be complemented by focus group discussions with different categories of households to identify and discuss their issues and preferences. The focus groups can lead to discussion, negotiation, and prioritization of potential support.

BOX 3.6 PARTICIPATORY TECHNIQUES COMMONLY USED IN THE PALM OIL SECTOR

Below are examples of commonly used Participatory Rural Appraisal (PRA) techniques.[a]

Community (public) meetings are a common form of general public consultation. They often are organized by companies to inform stakeholders about a project and to listen to their concerns and opinions. Public meetings typically are large so do not enable interactive communication between plantation managers and the concerned public. However, these meetings are suitable for basic information-sharing and can be a starting point for more engaging techniques. Often facilitated by external, independent professionals, they may include a panel of plantation managers to respond to concerns and a person to record the proceedings. Questions that cannot be answered immediately can be recorded and addressed later through a feedback mechanism such as a report of the outcomes of the meeting.

Key informant interviews (one-on-one sessions) often are conducted to get a detailed perspective on a specific topic. Interviews typically are based on a list of potentially useful open-ended questions. Interview findings always should be triangulated (normally, the information is checked with at least three other people). Selecting the right interviewer for each interviewee is important. For example, a woman may not feel comfortable being interviewed by a man, and a person with the ability to converse in the local dialect may get more honest responses.

Facilitated workshops are meetings that promote mutual learning and information sharing. Workshops can be used for a variety of objectives—from consultation to collaboration, including getting feedback, setting strategies (visioning or brainstorming), developing solutions to problems, and discussing priority issues in depth. Workshops require good facilitators (preferably neutral) to ensure that objectives are met and that the events have credibility. It is important to respect local customs (for example, regarding elders or women), when planning workshops.

Focus group discussions typically focus on a specific group within a community (such as women; businesspersons; mothers; elder; youth; and agricultural, forestry, and artisanal mining groups). The focus enables the company to gather views from groups who could have been less vocal in a broader community setting. A combination of focus group discussions and individual interviews often is used to collect data on the social and cultural dimensions of village life.

Preference ranking can be used to identify local preferences, understand the reasons behind the preferences, explore differences among groups/individuals, and prioritize approaches. A simple approach would be for participants to develop a list, and criteria for assessing the list. Each activity or option then can be assessed against the criteria and the better scoring options chosen. For example, this approach can be applied to proposed community investments.

BOX 3.6 PARTICIPATORY TECHNIQUES COMMONLY USED IN THE PALM OIL SECTOR *continued*

Another preference ranking approach, the "nominal group technique," involves identifying problems, generating solutions, and making decisions. Each group member has an opportunity to independently present opinions and answers to a question or problem in writing or orally. Each idea is discussed by the group, and duplicate ideas are eliminated from the combined list. Then the members rank the solutions (for example, by voting).

Wealth definition and ranking involves community members identifying and analyzing the wealth groups in a community. The most common version involves a series of focus groups that rank the entire community. Categories for assessing a household's relative wealth are based on locally relevant criteria (for example, group membership, farm type, female-headed household). Different symbols can be used to identify households' socioeconomic characteristics. If possible, the ranking should be repeated with different focus group members. Facilitators of the exercise can then compare the results and look for any large discrepancies or differences of opinion, as well as differences in wealth criteria; for example, between men and women.

Participatory mapping is an important way to illustrate resources, socioeconomic features, and migration patterns of local groups and communities. Maps can identify the comparative locations and importance of resources in an area. The maps can examine a great breadth of subject matter (village boundaries, including cultural heritage sites and encroachment; village resources; and land use) and enable comparative analysis of different groups within the same area. Participatory land mapping is particularly critical because it helps to ensure that areas of cultural, religious, or economic importance to the community are understood by the company and clearly delineated. Techniques can include field surveys, sketch drawings, focus group discussions, joint mapping by global positioning system (GPS), and additional community validation and agreement (in written form, as part of a village forum, or by other means). Input from the company and mapping experts may be needed to incorporate information obtained from community discussions and exercises onto maps.

Land transects are observatory walks to study natural resources, soil and vegetation, farming practices, a identifying major problems and possibilities perceived by different groups of local analysts in relation to features or areas along the transect. This technique is particularly important when conducting HCV assessments.

Seasonal calendars help to identify changes that occur within specific seasons and circumstances, such as forage and habitat uses, and animal migration patterns. Seasonal calendars can be used to indicate which times of the year farmers are more occupied, need more labor on the farm, receive more or less rainfall, or conduct different farm activities; or when food or money is most abundant. It is important that seasonal calendars are created in a way that provides insights into the gender division of labor, and how access to and control of resources varies by gender.

Source: Field visits and industry survey results, August-December 2011; World Bank 1996; FAO 2003; Sanginga and Chitsike 2005.

Note:
a Additional details on these approaches can be found on the World Bank's Participatory Rural Appraisal website and in the IFC discussion paper, "A Strategic Approach to Early Stakeholder Engagement," chap. 6, sec. 6.4, "Participatory Rural Appraisal Techniques."

3.5 GRIEVANCE AND CONFLICT MANAGEMENT

In the palm oil sector, conflicts commonly arise within communities, between and among communities, and between community groups and third parties such as companies or the government. Potential conflicts are present throughout the life of a plantation and mill operations, and often are linked to land and resource ownership. Examples abound: disputes over land boundaries between individuals or groups, disputes when the benefits of natural resource development are captured by elites, disputes over unfair distribution of work and profits, disputes arising from jealousy related to growing wealth disparities, and land ownership disputes ignited by the speculative activities of commercial companies.

In addition, conflict between community groups and government structures and/or a company may arise due to contradictory natural resource needs and values (such as between wildlife habitat protection and local livelihood security); disputes between community groups and project sponsors over ownership of community investment programs; perceptions of uneven or lack of distribution of benefits (variable compensation, winners and losers in terms of jobs or benefits); resettlement; an influx of newcomers seeking local opportunities; unmet expectations, and other changes in the economic or political balance of power resulting from the project (ERM 2008; Warner 2000).

Grievance and conflict resolution mechanisms therefore are essential throughout all stages of development and operation of oil palm plantations and mills.

- A grievance mechanism is a formal (legal or nonlegal) complaint process that can be used by individuals, workers, communities, and/or civil society organizations who are being negatively affected by certain business activities and operations.
- A conflict resolution mechanism is a proactive approach to identify and manage potential or actual conflicts.

BOX 3.7 AGROPALMA: A GRIEVANCE MECHANISM IN BRAZIL

Agropalma Group (Brazil) is a company exclusively dedicated to the production of palm oil and its derivatives. The company calls its system of receiving and addressing complaints the "Procedure for Receipt, Handling, Response, Negotiation, and Resolution of Complaints and Grievances." The procedure addresses both internal queries and complaints (by employees) and external queries and complaints (by any other stakeholder). The procedure was developed in-house and in discussion with stakeholders, including representatives from neighboring communities, integrated producers, and Agropalma's workers association.

The procedure enables communication to be made by several means:
- Email (dedicated email address to receive various complaints)
- Telephone (dedicated direct toll-free phone line)
- Formal template (a form available in several locations)
- The process for handling and addressing grievances works as follows:
  - Agropalma commits to respond to the initial complaint within three weeks.
  - The complainant then has up to three weeks to communicate whether the response from the company is acceptable.
  - If the company response is not acceptable, a meeting is organized within two weeks of receipt of the response from the complainant to try to resolve the matter.
  - If the initial meeting is unsuccessful in resolving a complaint, another meeting—this time with a mediator accepted by both parties—is arranged.
  - If the mediated discussions fail, legal proceedings may be initiated.
  - After the legal case is resolved, Agropalma seeks written confirmation of the resolution and files it as evidence.

Source: Field visits, industry consultation, and personal communications, 2011-13.

A well-functioning grievance mechanism can deliver benefits by demonstrating a company's willingness to address community concerns, thereby contributing to better relationships with stakeholders. By promoting early identification and resolution of issues, the mechanism can lead to better management of operational impacts and avoidance of potential future conflict. In fact, the implementation of a grievance mechanism is part of the RSPO certification criteria as well as of other international environmental and social standards.

BOX 3.8 KEY LESSONS IN DEVELOPING A GRIEVANCE MECHANISM

Develop a clear procedure. A procedure that is formalized and clearly written helps avoid confusion and enables a higher degree of transparency from the beginning. The procedure should be developed and finalized with the stakeholders. The procedure should be written in a manner that is clearly understood by all, that is, in the appropriate languages or, if literacy is an issue, in pictorial form. The procedures should clearly set out the purpose, goals, scope, resolution approaches, and structure of the grievance mechanism. Some companies also found it useful to provide clear definitions of what is considered a grievance versus a request or an opinion. The mechanism should be publicized so that all relevant stakeholders are informed of its existence.

Involve relevant parties. For the mechanism to have legitimacy, relevant parties should be involved in its design and/or review. Some companies find it helpful to develop an early draft of the proposed mechanism and invite stakeholders to comment on it. Stakeholder feedback is particularly important in the choice of access points and the modes of dispute resolution. In some cases, companies worked to incorporate local traditions and customs in the procedure. Joint resolution panels or committees also can be established with carefully selected community representatives, relevant government officials, and company representatives. Committees are particularly useful for sensitive or more difficult cases. Where initial trust levels are low, the involvement of local stakeholders can influence whether community members will trust the mechanism enough to use it.

Establish timely communication. Resolving issues can take time. Companies should plan for that time, including ensuring that staffing is sufficient and that those awaiting responses are informed of progress. Establishing and adhering to timeframes helps to build trust. When more time is required, the key is to communicate and explain as much as possible to the involved parties. If complaints disappear into a black hole, frustrations and grievances can increase, regardless of how rigorous the investigations behind the scenes may be. Good records should be kept and, periodically, more general reporting to stakeholder groups made about how the company has been responding to the grievances received.

Do not make the grievance mechanism the only way to reach the company. Grievance mechanisms should not substitute for community engagement or vice versa. It is important that companies view these two processes as complementary.
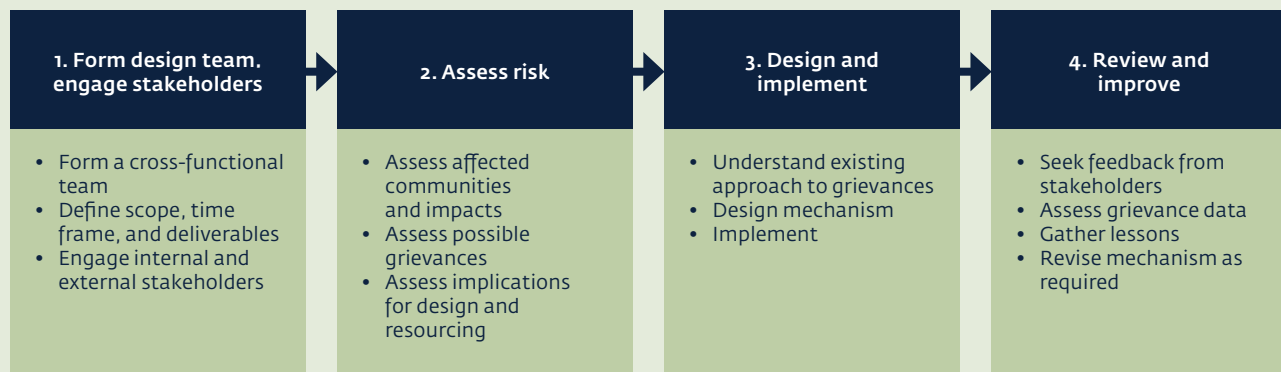
BOX 3.8 KEY LESSONS IN DEVELOPING A GRIEVANCE MECHANISM *continued*

Employ several channels for lodging grievances and providing feedback. It is important to ensure that people can lodge grievances and receive feedback in several ways. The reason is that there are likely to be differences in views— between indigenous and non-indigenous communities, men and women, permanent and migrant workers—on what is considered accessible. In many communities, people may not have access to the internet. In others, people may not be able to read and write. Thus, options for paper-based and verbal feedback may be necessary.

Ensure confidentiality and anonymity. Although it makes sense to ask complainants to identify themselves, the confidentiality of the person providing feedback also should be respected. When confidentiality is assured, a complainant has more confidence in the process and provides open feedback that can help the company get a more realistic understanding of the impacts of its operations. Mechanisms to protect whistleblowers' anonymity also may be important.

Consider joint or independent ownership of the grievance procedure. Where trust levels are low or companies want to improve the effectiveness of their grievance mechanisms, joint ownership of the grievance process may be a good strategy. Joint ownership means that all processes (receiving feedback, resolution, communication of results) are managed with the community, not by the company alone. A joint process can be housed independently (for example, through a local NGO or government department).

BOX FIGURE 3.8.1 BASIC STEPS TO DEVELOP AN EFFECTIVE GRIEVANCE MECHANISM[a]

1. Form design team, engage stakeholders	2. Assess risk	3. Design and implement	4. Review and improve
• Form a cross-functional team • Define scope, time frame, and deliverables • Engage internal and external stakeholders	• Assess affected communities and impacts • Assess possible grievances • Assess implications for design and resourcing	• Understand existing approach to grievances • Design mechanism • Implement	• Seek feedback from stakeholders • Assess grievance data • Gather lessons • Revise mechanism as required

Source: IFC 2007; Rees 2011; IFC 2009a; IFC 2008.
a. IPIECA 2012.

In the palm oil sector, grievance mechanisms often are complemented by conflict resolution processes. Choosing a strategy for conflict management and resolution (figure 3.6) should be a practical decision based on specific key considerations (Warner 2000):

- Whether doing nothing is likely to allow the conflict to resolve itself without repercussions or violence; for example, because some customary process of conflict management is effective or because the parties lose or divert their interest
- Time and resources available to the parties interested in engaging in conflict resolution
- Power of the parties; for example, to force their agenda or be manipulated during mediation
- Willingness and desire of the parties to achieve a resolution
- Importance of building or maintaining good relationship between the parties
- Potential consequences if the conflict continues, such as escalation toward violence
- Effectiveness of customary, institutional, and legal approaches to conflict management
- Components within the customary, institutional, or legal approaches that could be readily strengthened using one or more conflict management strategies
- Fallback position if consensual negotiation is not effective.

FIGURE 3.6 FIVE COMMON CONFLICT MANAGEMENT STRATEGIES

ACCOMMODATION
A party may elect to accommodate the other parties' goals, acceding to all or most of their demands.

CONSENSUS
Consensus building explicitly sets out to avoid trade-offs altogether, seeking instead to achieve a win-win outcome.

COMPROMISE/ TRADE-OFFS
This approach seeks to minimize what are considered to be inevitable trade-offs. The term may sound positive, but it means that at least one of the parties perceives that it has had to forgo something.

FORCE
Conflict can be managed by force when one party has the means and inclination to win regardless of whether the other party losses, and whether the process of winning causes damage to personal relationships.

WITHDRAWAL
This approach is suited to parties whose desire to avoid confrontation outweighs their desire to achieve their goals.

Importance of relationship (High / Low)

Importance for each party of achieving its goals (Low / High)

Source: Warner 2000.

Some companies have learned that the best way to address conflicts with communities is to encourage the resolution and management of conflicts through existing community-level conflict resolution mechanisms; allot sufficient time for negotiations; and if required by the communities, provide financial support for hiring independent third-party facilitators to help negotiate and resolve issues. In some countries, incorporating customary forms of consensus building and conflict resolution may be effective.

BOX 3.9 INCORPORATING CUSTOMARY SYSTEMS IN CONFLICT RESOLUTION IN INDONESIA

In **West Kalimantan, Indonesia**, one company has sought to incorporate customary leaders (*adat*) in its plantation-community interactions, particularly in its conflict resolution process. In the event of disputes between the plantation and community members, corrective actions are carried out by this leader following *tael* traditions. Adat leaders first assess infractions and illegalities against the company, in the conventional sense, in conjunction with estate managers and relevant village leaders. The local police, although often aware of the issue, are not directly involved but may be informed and kept abreast of the issue by a nominated police liaison.

This conflict resolution system is not flawless; there are disgruntled smallholders who are critical of the state of the plantation. However, overall, the plantation enjoys an enviable relationship with the community and with villagers living within the plantation. District officials acknowledge it as one of the area's best example of a well-functioning plantation in terms of community relations.

Source: Gillespie 2012, 247-69.

Although all options for conflict resolution can be viable and should be carefully considered, *consensus building* has emerged as one of the more popular strategies used in natural resource conflict situations. The process typically seeks to build the capacity of parties to enter into a dialogue and then negotiate based on principles of mutual gain (win-win) in which consensus is generated with minimal compromises and trade-offs (figure 3.7). It is also important to consider customary forms of consensus building and ways to incorporate them into the process of conflict resolution.

Assessment of conflict

- Neutral facilitation
- Separate discussions with parties
- Classification of distinct issues/complaints
- Understanding of the traditional elected and appointed leadership structure

Trust building and ground rules

- Discussion with parties to understand conditions for each party to engage in a dialogue
- Seeking to codify ground rules agreed by parties in a formal document (such as an MoU) including:
- Roles and responsibilities of each party
- Rules for communication, disclosure, monitoring, and follow-up; and sharing information with other constituents
- Commitment from each party to the process as the only confirmed avenue of dialogue

- Participatory mapping can be an important input in negotiation, in which the focus of the conflict is land use or land rights.

Negotiation

- Multiple rounds of negotiation
- Neutral facilitation
- Professional mediators engaged
- Joint dialogue
- Presentation of options

Joint monitoring and evaluation

- Representatives from all parties involved
- Trusted third-party evaluator can be used
- Public reporting on progress

Formal agreement

- Signing of formal document(s) (such as agreement related to land use and land rights, compensation, community investment funds)
- Revisions to management approach for social performance including management of conflicts

Source: IFC 2009b.

3.6 BUILDING A STAKEHOLDER ENGAGEMENT TEAM

Feedback from palm oil industry stakeholders repeatedly underscores that resourcing and availability of adequate skills remains a challenge. Engagement processes in multiple locations over time often means considerable resources of time, money, and skills development. Furthermore, as with other key business functions, direct reporting lines to, and commitment by, senior managers are important. Many community engagement programs fail because they lack adequate resources and general company support.

Community engagement is closely linked to community investment, which is the investment by companies in local development. Engagement is an important part of planning community investment programs. These programs generally go beyond mitigation of operational impacts. The programs are examined in detail in *Part 5: INVESTING IN COMMUNITIES AND BUILDING SUSTAINABLE LIVELIHOODS.*

It is important to identify in advance the budget source. Some companies include community engagement and investment budgets in a plantation's operational budget. This practice may have a two disadvantages. First, it may not always be possible to accurately predict how many activities can be accomplished in a specific year. Second, the practice may affect the prioritization or continuation of activities, because keeping within budget can be a key performance indicator for plantation managers. Identifying which budget sources will support ongoing engagement and monitoring activities is also important after a plantation has been established. Furthermore, senior managers should consider the incentive structure for employees (not just those directly tasked with community and stakeholder engagement) and take steps to ensure that the incentive structure is compatible with the goals of community relations, policies, and procedures.

Experience shows that how a community relations team is deployed and managed is driven by a variety of on-the-ground considerations. These include:

- Objective and scope of activity
- Current relationships between company and community
- Local customs and cultures.

Companies often assume that they can either outsource engaging with the community to third-party experts as needed, or work out everything internally. In reality, both approaches are needed. For some activities, in-house staff will not have the appropriate skills, so it may be necessary to engage independent experts. The same applies to cases in which animosity exists between the

company and community, for which neutral parties can be brought in. Before engaging any third parties, it is best to check whether the communities would accept the suggested party and/or ask the communities to provide suggestions of credible partners. Companies also may wish to partner or collaborate with research institutions or NGOs to carry out community engagement and investment activities. Good practice dictates that where possible, companies should nevertheless remain involved to maintain control and ownership of the engagement activities.

Staff members engaging with communities are often part of a "community relations" or "stakeholder engagement" team. This study uses these terms interchangeably to describe activities related to communities and stakeholders. It is recommended that at least one staff member has a formalized role as a Community Relations Manager (or a similar job title), with responsibility for implementing the Stakeholder Engagement Plan and overseeing a team of consultants, contractors, and company employees. Other staff will interact with stakeholders as part of their day-to-day roles, which must be coordinated with the company's overall approach to engagement and community investment.

It is important to ensure that community relations staff have been trained in a broad range of community engagement skills. The assumption that people will learn these skills on the job may limit both the development of such skills and the overall capacity of a plantation to conduct an effective engagement process. Various skill sets may be needed.

A sample terms of reference for a community relations manager is provided in appendix 2.

BOX 3.10 SIX MAIN RESPONSIBILITIES OF STAKEHOLDER ENGAGEMENT/ COMMUNITY RELATIONS TEAM

- Policies and procedures
- Programs management
- Engagement activities
- Team management and internal coordination
- Communications and dialogue
- Community investment programs

It is good practice to hire qualified local community liaison officers to make sure the company has access to in-depth knowledge of the local customs and culture, as well as local languages and dialects. If the company could not find a local candidate who has both the skills and local experience to support the stakeholder engagement team, it may be possible to engage an existing local staff member or knowledgeable local person (such as teacher, health professional, or religious leader), or local consultant to advise on local culture, customs, and languages.

Companies need to consider carefully changes in community relations personnel. If company staff turnover is high or if a company works with multiple consultants, building an ongoing and stable interface between the company and the community may be difficult. Advance planning may include procedures whereby new community representatives or new consultants are always introduced by the plantation manager or those who have established relationships and trust with the communities. Additional considerations are how best to transfer the knowledge and skills of departing staff or consultants to new or remaining company staff. Personnel changes also may cause confusion around agreements with communities that had been signed by a particular person who is no longer at the company.

Stakeholder and community engagement activities can take a great deal of time, particularly for companies carrying out new developments in areas with customary land rights. Therefore, it often is a good idea to plan and allocate budgets for long durations. Less pressure for quick outcomes can help companies conduct community engagement activities more effectively.

BOX 3.11 A CASE OF CULTURAL DIFFERENCES

A Scandinavian company was establishing plantations in West Africa. Several members of the locally based Scandinavian management team openly discussed their atheism (lack of belief in a God) with the local staff and criticized the local religious beliefs. The result was that managers lost the respect of their workers, for whom faith was extremely important, which affected the managers' ability to manage the workforce and to engage effectively with the local stakeholders.

Source: Field visit and personal communications, 2011-13.

4. ADDRESSING LAND USE PLANNING, LAND ACQUISITION, AND COMPENSATION ISSUES

Increased demand for land to establish new, and to expand existing, oil palm plantations has created many situations in which companies and local communities are in conflict. These conflicts continue to affect the reputation of the global palm oil industry.

Large-scale land acquisition often leads to significant changes in local traditional land use patterns and livelihoods. If not addressed adequately, these changes can escalate into conflict and become politicized. Consequently, a holistic and robust land acquisition and planning process emerges as a key approach to ensure a social license to operate (SLO) for the company and to promote lasting positive community relations.

The palm oil industry standards contain no specific requirements for preparation of a Land Acquisition and Compensation Plan (LACP) or Resettlement Action Plan (RAP). However requirements of the IFC Performance Standards (PS5) and Equator Principles include a stand-alone LACP/RAP and/ or Livelihoods Restoration Plan for physical and economic displacement and restoration of sustainable livelihoods. Preparation and implementation of these plans is good practice and can be fundamental to managing land acquisition and compensation processes more effectively. Table 4.1 provides the objectives of IFC PS5 and the key land acquisition questions to be addressed.

Signpost indicating a land claim within a concession. Photograph by K. Bottriell.

TABLE 4.1 IFC PS5: KEY LAND ACQUISITION AND COMPENSATION ISSUES TO ADDRESS

FC Performance Standards 5: Land acquisition and involuntary resettlement	Key questions to be addressed
PS5. Objectives: • Avoid and minimize physical and economic displacement by exploring alternative project designs (constraints mapping). • Avoid forced eviction. • Avoid and minimize adverse social and economic impacts from land acquisition or restrictions on land use. • Improve, or restore, the livelihoods and standards of living of displaced persons. • Improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure.	• Have feasible alternative project designs been considered that could avoid land acquisition? • If unavoidable, has a census been taken to determine affected parties' holdings, livelihoods, and eligibility for compensation; and has a cut-off date for compensation been established? • Have affected people been informed and consulted? • Has land-for-land compensation been offered, with cash compensation offered only as a last resort (and at full restoration value)? • Has an appropriate grievance mechanism been established? • Has a Resettlement Action Plan (RAP) been established to manage resettlement as required by PS5? • Have all engagements, consultations, negotiations, and transactions to acquire land rights, compensation measures and relocation activities been thoroughly documented? • Regarding attention to host country resettlement requirements, has the project collaborated with the responsible government agency to ensure compatibility between the national requirements and PS5?

4.1 SITE SELECTION AND LAND USE PLANNING

Avoiding developing plantations in areas that are heavily used by communities for livelihoods or that have cultural significance is consistent with sustainability standards, and critical for minimizing social conflict and maintaining a SLO.

In greenfield developments, effectively managing community relations begins before the first ha is cleared, even before a concession agreement is signed. Depending on the way in which land is administered in a particular country, companies may have the opportunity to select the boundaries and the size of the concession area. Often, when a concession is allocated, a gross concession area is assigned. The company then must select the area within it that they will develop.

Typically, companies consider agro-ecological conditions and market access. However, increasingly, the presence of communities, indigenous lands, and degraded lands also are being considered because of the financial implications of the operations and the commitment by companies to develop the land sustainably. Land acquisition for palm oil production needs to be undertaken in the context of local and regional land use planning requirements to ensure that other forms of land and natural resource use are considered, protected, and conserved where needed (ecosystem services, wildlife conservation areas, agriculture production, forestry, and water resource management). Various methods exist to assess site suitability, particularly its environmental suitability. However, social considerations are not always well integrated into the site suitability analysis.

FIGURE 4.1 EXAMPLES OF SOCIAL CONSIDERATIONS FOR SITE SELECTION

Land Use
Is development unlikely to negatively impact social "high conservation values"?

Local Interests
Do relevant populations express initial interest in oil palm cultivation and a willingness to participate in future discussions? Are political positions positive?

Legal Rights
Can existing land use claims from both companies and communities be addressed?

Discussing land use in West Africa. Photograph by K. Bottriell.

When existing oil palm plantation operations are acquired by companies, the buyer cannot pre-select the sites of the concession and the planting areas that already are operational. Nonetheless, it is important to consider the status of relations between the local communities and stakeholders and the local management team. It also is important to consider whether any proposed changes to the company's current land use needs to be reviewed, for example, as part of the future replanting program or rehabilitation activities. Thus, a company should undertake due diligence on the concession area, whether it is for a greenfield development or acquisition of an existing plantation.

Undertaking both a desk analysis and field analysis is recommended to gather the information used for site selection and land use planning. Field analysis is particularly useful when a company (a) has provisionally identified an area based on soil and land capability and agro-ecological factors and (b) needs to undertake more detailed land use planning to determine whether development would be financially viable based on existing social needs and interests, and the status of land rights and land claims. Participatory mapping with local communities and stakeholders can add valuable detail to the land use plans.

Field assessments can take a rapid approach by using direct observation, interviews to obtain more qualitative information about the local context (see overleaf), and Participatory Rural Appraisal (PRA) methodologies (*Sec. 3.4: TECHNIQUES OF ENGAGING WITH STAKEHOLDERS*). More active participation may be encouraged by eliciting the help of a locally operating trusted NGO, a local university, or local people to lead the surveys.

The field surveyors should make effort to interview community leaders and to obtain recommendations regarding who else should be interviewed and who is most knowledgeable to lead survey expeditions. Local government officials and other organizations also should be interviewed about legal issues such as land status and concessions.

BOX 4.1 WRI AND SEKALA: PILOTING A NEW SITE SELECTION METHODOLOGY IN INDONESIA

World Resources Institute (WRI) and **Sekala**, an Indonesian consulting company, have piloted a methodology for mapping and assessing suitability at a site level. While the pilot was not tested commercially, this methodology nevertheless is illustrative for companies seeking to integrate social considerations into site selection. The method consists of a desktop analysis and rapid field assessments based on a set of indicators related to selected environmental, economic, social, and legal considerations. The social aspects are highlighted below.

STAGE I: DESKTOP ANALYSIS

Suitability mapping: A map is created that classifies areas according to their potential suitability for sustainable palm oil production. Suitability is based on indicators related to considerations of carbon levels and biodiversity (land cover, peat, conservation areas with buffer zones), soil and water protection (erosion risk, groundwater recharge potential, water resource buffers), and crop productivity (see overleaf, "Suitability Mapper").

Field survey site selection: Priority sites are chosen from the potentially suitable areas identified in Step 1. These areas are classified as "high potential," "potential," or "not suitable." Limitations in the accuracy and availability of provincial data may require field verification. Some considerations, particularly those relating to qualitative and site-specific social issues, also cannot be assessed by a desktop analysis.

STAGE II: FIELD ASSESSMENTS

Field survey indicators relate primarily to considerations of land use and local interests. Site data are collected for three purposes:

1. Verification (land cover, peat, erosion risk, slope, and soil type)

2. Detail (status and type of existing concessions and presence of active plantations)

3. New information (Community members are interviewed to collect preliminary information on social indicators related to local land use interests, including public perception of palm oil, interest in oil palm cultivation, and political interests.) Field surveys also are used to collect data for indicators for which provincial data are unavailable or incomplete, such as the site-specific history of flooding.

As in Stage I, responses to field survey questions are categorized in three suitability classes: "high potential" = 1; "potential" = 2; "not suitable" = 3. If a single response is not suitable, the site is classified as not suitable.

BOX 4.1 WRI AND SEKALA: PILOTING A NEW SITE SELECTION METHODOLOGY IN INDONESIA *continued*

For each site, the scores of the responses for all the questions are totaled, and the average score is calculated. Sites then are ranked according to their average scores (lowest average score = highest potential).

BOX TABLE. FIELD SURVEY CONSIDERATIONS AND INDICATORS, PROMPTS, SCORING, AND METHODS (SOCIAL)

		Indicator	Response prompt	Scoring	Collection method
SOCIAL	Land use	Land use dependence	Open-ended description: Degree of dependence and use of location; can include spiritual/cultural uses	1 = not used 2 = used periodically 3 = intensive use (i.e., agriculture/mining)	Direct observation Discussion with community members and local NGOs
		Built drainage	Built drainage/water channel: yes/no	1 = no 3 = yes	Direct observation Interview community members
		Land history	Open-ended description: History of land cover change and land function	1 = previously burned 2 = shifting cultivation/ rice field 3 = garden/settlement	Discussion with community members and local NGOs
	Local interests	Community perception of palm oil companies?	Open-ended description: Do community members agree with palm oil companies?	1 = agree with palm oil 2 = indifference/do not know 3 = do not agree with palm oil companies	Discussion with community members
		Community interest in planting oil palm	Open-ended description: How interested/willing is the community to plant oil palm?	1 = want oil palm 2 = maybe/do not know 3 = do not want oil palm	Discussion with community members
		Political interests	Is there political opposition to palm oil? Are other organizations active in the area? Names?	1 = no opposition 2 = opposition (also Identified key stakeholders)	Discussion with local NGOs, government, community

Source: Gingold and others 2012.

BOX 4.2 GLOBAL FOREST WATCH COMMODITIES PLATFORM

World Resources Institute (WRI) has launched Global Forest Watch Commodities (GFW Commodities)—a dynamic online forest monitoring and alert system that unites satellite technology and open data to provide timely and reliable information about forests. GFW Commodities draws on timely and reliable information to provide business-relevant analyses through several tools, including the Forest Analyzer, Suitability Mapper, and RSPO assessment tools. The Suitability Mapper enables users to identify potentially suitable sites for sustainable palm oil production. The World Resources Institute (WRI) and Sekala developed this publically available online application. See http://commodities.globalforestwatch.org/#v=home and http://www.wri.org/resources/maps/suitability-mapper.

BOX FIGURE 4.2a WRI SUITABILITY MAPPER

BOX FIGURE 4.2b WRI SUITABILITY MAPPER

Source: http://www.wri.org/applications/maps/suitability-mapper/index.html#v=suitability.
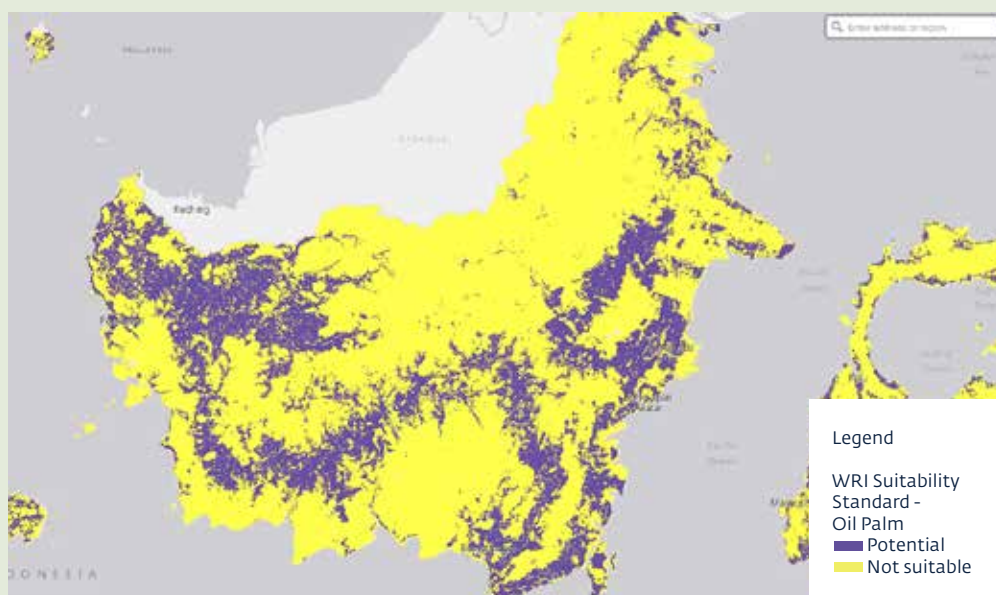
4.2 IDENTIFYING LAND RIGHTS

It is critical to identify and classify the varying levels of land rights in the community, not just for the sedentary project-affected population but also for temporary or seasonal users of land and local natural resources. Identification includes ensuring an in-depth understanding of the legal framework, which may afford different levels of rights to citizens, absentee-landlords, squatters, migrants, women, castes, or other groups; as well as the traditional or customary use rights. Balancing the legal requirements with the need to meaningfully compensate and restore livelihoods can be very challenging for companies.

In post-conflict scenarios, it can be particularly challenging to identify land rights and rightful claimants. Community members or groups may return and reclaim land or sacred sites that were not previously identified by those present during the initial FPIC process. Land abandoned during the conflict may be claimed by others, whose claim may later be contested by the historical owners. In these scenarios, it is important, first, that companies have a deep understanding of the conflict and post-conflict scenarios. Second, it also is important that companies anticipate future scenarios of conflicting claims and have clear guidelines and procedures for identifying rights holders and resolving potential grievances.

Key issues to probe as part of early engagement include land and natural resource use dependence (degree of dependence and use of location, including spiritual/cultural uses) and land history (history of land cover/natural resources change and land function) (Gingold and others 2012).

Community participatory mapping (see below) is one of the key approaches to identify varying land rights. Well-functioning grievance and conflict resolution mechanisms are other common strategies. Contested land ownership and/ or compensation distribution can occur within the community as well as individually between community members, and can lead to difficulties in finalizing land acquisition negotiations and agreements. Such conflicts arise especially in situations in which land is under communal ownership. Additional information on approaches to grievance and conflict management can be found in *Part 3: BUILDING A STRONG STAKEHOLDER ENGAGEMENT PROCESSES.*

Employing participatory methods to engage community. Photograph courtesy of REA Kaltim.

BOX 4.3 GUIDE FOR PRACTITIONERS: PARTICIPATORY MAPPING

Since the late 1980s, participatory mapping using GPS and GIS has been applied widely in areas populated by indigenous peoples. Indonesia and Malaysia have a network of NGOs that are experienced in the use of this technology. Many lessons have been learned as a result of their experiences. Among the most important are to:

- Ensure that maps are made with the full awareness, agreement, and under the control of the communities involved.
- Involve members of the communities at all stages of the mapping from deciding which information is relevant, through gathering the information in the field, to recording and displaying the information on the base maps.
- Wherever possible, record both land uses and boundaries. Put indigenous peoples' own location names, land use categories, and terms for vegetation types on the map.
- Make sure that all generations are involved. Elders often are the most knowledgeable about important historical and cultural sites, and this information needs to be shared with all land users.
- Involve both men and women in mapping. Men and women tend to use lands and natural resources differently. Both ways are valid and need protection.
- Where two or more ethnic groups use the same area, involve both in the mapping. Both have rights. Recognizing the rights of only one group is likely to lead to conflict.
- Involve neighboring communities in mapping boundaries that run along their lands. Additional conflicts may arise if they have not been involved in mapping mutual boundaries.
- Neighboring communities may share an open boundary, whereby certain land use activities of one community are permitted on territory otherwise controlled by the other community, and vice versa. In many cases, detailed boundaries have not been established. Mapping efforts should not force a fixed boundary between community lands where one does not exist.
- Ensure that draft maps are carefully checked by community members and neighboring groups, and revised if necessary before being used inFree, Prior, and Informed Consent (FPIC) negotiations.
- Take measures to protect the use of the information, so that it cannot be misrepresented or distorted by other interests.

Source: FPP 2008.

4.3 ENSURING FPIC

Achieving Free, Prior, and Informed Consent remains a challenge in both implementation and interpretation.

In the RSPO P&C, FPIC is defined as informed, noncoercive negotiations among investors, companies, indigenous peoples, local communities, and other stakeholders. These negotiations occur prior to the proposed activity and result in consent (full text of the criteria related to FPIC is set out in appendix 4).

IFC PSs apply FPIC to the lands that belong to indigenous people only. IFC PS7 para. 12 sets out a definition that requires a client to 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.

Despite a variety of interpretations, the common understanding is that:

- **FPIC must be interpreted through the local context and needs.** FPIC does not prescribe step-by-step processes but the concepts and issues that companies must consider when carrying out engagement activities.
- **FPIC is not a one-time event.** Although it plays an extremely crucial role at the beginning of plantation development, FPIC evolves as relationships with communities change. The timelines will vary from area to area and very much depend on the local, historical, cultural, and community context.
- **FPIC should be inclusive.** All relevant and interested parties must be allowed and encouraged to take part in the dialogue.
- **Any negotiated agreements must be formalized and legally recognized.** Any agreements must be documented and agreed to by all parties involved in the negotiation, including local authorities.
- **Monitoring and evaluation should be continuous.** Companies need to continually monitor and evaluate processes and activities for their effectiveness in achieving the objectives of all parties involved. Companies may consider using independent bodies to carry out the M&E.

Sustainability standards for oil palm production, such as the RSPO, require that companies obtain FPIC from communities—where land claims overlap—before any plantation development activities. It is also important to ensure the continued consent of affected communities at each stage of company operations. In many oil-palm-growing regions, land claims are a frequent source of community grievances, one that companies must address ongoing (figure 4.3).

FIGURE 4.3 SEEKING FPIC THROUGHOUT THE PLANTATION CYCLE

Before operations begin, at the site identification stage; typically incorporated as part of an ESIA/SIA and HCV identification

As and when a land claim is raised or identified, at any stage of operations

As necessary, at replanting and/or releasing

Experience demonstrates that one of the key principles of FPIC process is transparency. During the FPIC negotiations and agreements, companies must be transparent from the outset about the length of their concession agreement. For example, in Indonesia, the government allows oil palm concession permits to be renewed after expiry, which is usually within one rotation of the plantation (25 years). When a concession holder does not wish to renew for any reason, the concession reverts to the local government. This change may affect the continuity of agreements between concession holders and communities.

Transparency should extend to all aspects important for communities and should be addressed in ongoing process of informed consultation and participation, which is essential to achieve FPIC. This consultation and participation process includes disclosing positive and negative impacts, communicating compensation policy and procedures, providing ways to channel community grievances, documenting terms and timeline of implementation of various community benefit agreements (for more information, see *Sec. 5.2: ENGAGEMENT AND MANAGEMENT OF EXPECTATIONS)*, and clarifying rules and restrictions imposed on the community (such as limiting use of forest products).

Companies also can guide expectations by being transparent and clearly outlining all stages in obtaining consent, from initial discussions to impact assessment through negotiating and implementing an agreement. Companies may decide to take a phased approach to reach agreements, starting with initial memoranda of understanding (MoUs) and moving to a more detailed agreement.

FPIC is a topic that many palm oil companies struggle to implement. Therefore, as part of the research that informed this discussion paper, a number of companies and experts in the field were asked to share their experiences. The following feedback on what has worked well is presented in the spirit of collaboration, and capturing and sharing lessons learned with FPIC in the sector to date. IFC clients should be aware that this is not official IFC guidance. In the first instance, IFC clients must refer to the IFC Performance Standards and associated Performance Standards guidance notes.

FIGURE 4.4 LESSONS LEARNED FROM IMPLEMENTING FREE PRIOR AND INFORMED CONSENT

Introduce Company Plans to the Community

- Introduce company plans to local stakeholders including stages in the proposed development that will require community feedback and community consent
- Carry out information sessions to familiarize communities and other stakeholders with the FPIC process and other technical concepts
- Ask communities to nominate their representatives and request their input in the process by which the community will be engaged in negotiations and in decisions to accept or oppose the proposed development
- With the community, develop a timeline for the consent process and identify aspects of outside support needed
- Ascertain community interest in considering the proposed development

Establish Mechanisms for FPIC Participation

- Engage with representative institutions and/or communities and confirm the process for attaining consent and negotiating agreement
- Consult on and establish appropriate engagement structures (such as joint company-community committees) and a communications plan to ensure that information reaches all sections of the community
- Consult on and create a transparent grievance mechanism

Establish Policies and Procedures

- Map engagement and FPIC requirements at the company level
- Identify the necessary expertise and skills, and identify the strategy to secure them
- Establish internal company liaison contact
- Set procedures to ensure formal documentation of the process of consent

Undertake Scoping

- Conduct site visits to become familiar with villagers and collect preliminary data on local land uses and relevant issues
- Ascertain (using community mapping techniques and GPS technology) whether there are areas that are subject to legal and customary rights and areas of overlap between community lands and areas for future plantation development
- Establish communication channels through selective meetings with key informants such as village heads, opinion leaders, and local officials
- Ensure that stakeholder database and analysis are updated

Free, Prior, and Informed Consent process (FPIC) in the villages, Flora and Fauna International project, Development of Carbon-Finance Mechanisms for High Conservation Value Forests and Peatlands in Oil Palm-Dominated Landscapes of Kalimantan. Photograph by C. Nugroho.

Provide Information

- Provide all relevant project information to the community (mapping results, permits, social and environmental impact assessments, HCV assessments) and ensure continued access to this information
- Facilitate access to independent advice and/or third party capacity building to ensure that local communities and other stakeholders fully understand the impacts, both positive and negative, and make informed decisions

Set Compensation and Negotiate

- Develop calculation methodology for compensation based on clear criteria and fair value for land
- Engage with communities and/or representative institutions to come to an agreement on how and for what compensation is provided
- Enter in good-faith negotiations on compensation based on risks and needs identified during the ESIA and participatory mapping process
- Negotiate other compensation requirements such as employment opportunities, development of social infrastructure, and community investment programs
- Provide clear explanations of the agreements and their implications for the community and the company, and ensure that the community fully understands them
- Facilitate access to legal and third-party advice for communities
- Ensure continuous management of any emerging disputes and grievances

Undertake Validation

- Discuss draft agreement(s) widely with the community
- With the community, go through the process of validation (for example, checking with community representatives or elders)
- Finalize agreement(s) based on community feedback

Legalize Agreements

- Formalize agreement(s) with the community. Formalization may entail customary processes or rituals to get full community recognition
- Have agreements endorsed by government and notary

Implement and Monitor Agreements and Project Plans

- Ensure implementation of mitigation measures and all associated benefit-sharing commitments
- Regularly monitor performance and incorporate participatory monitoring activities where appropriate
- Continue management and monitoring of disputes and grievances
- Continue communication with the community on all relevant issues, and use community feedback to make required changes and improvements
- Commission periodic independent reviews of the company's adherence to its FPIC policy, including a review of community engagement and community investment activities

Source: Field visits and personal communications, 2011–13; FPP 2008; Colchester 2010; FPP and Sawit Watch 2012.

BOX 4.4 OLAM INTERNATIONAL: USING ENGAGEMENT TO ACHIEVE FPIC IN GABON

Olam International is a global supply chain manager of over 20 agricultural products and food ingredients. In partnership with the Government of Gabon, Olam is leading the development and management of oil palm plantations in Gabon. To begin development (during 2011 and 2012), Olam took several steps before developing plantations.

Environmental and social impact assessment and participatory mapping. As part of the ESIA, Olam commissioned nationally approved assessors to consult with representatives from the ministries, local administrators, and communities. Concurrent with the ESIA, Olam partnered with an experienced organization called Institut de Recherches sur l'Écologie Tropicale to carry out community participatory mapping. The outputs of the mapping exercise served as the basis for negotiating compensation as well as developing long-term engagement and social priorities. The exercise also helped to identify appropriate management steps to respect and conserve native customary rights and cultural sites.

Formation of steering committee. With the permission of the local prefect (a local provincial head), a steering committee was established to represent the interests of key stakeholders and various stakeholder groups:

- President: Prefect of the department (*le préfet du département*)
- Vice Presidents: Council head (*le résident du conseil*) and mayor of the municipality (*le maire de la commune*)
- Coordinators: Director General of Water and Forest (*le directeur général des Eaux et Forêts*) or a representative, and the director general of Agriculture (*le directeur général de l'Agriculture*) or a representative
- Three Reporters: Representative of the local administration (*local de l'administration*), the Director General of Agriculture (*le directeur général de l'Agriculture*), and Olam
- Technical Advisors: Provincial Director of Survey Services (*le directeur provincial des Travaux Topographiques*), Chief of Agricultural Sector for the department (*le chef de Secteur Agricole*), and the head of Water and Forest Services for the department (*le chef de service départemental des Eaux et Forêts*)
- Members of the Committee: Village chiefs, village and police representatives
- The Steering Committee had responsibility for oversight of community engagement, ensuring equilibrium, transparency, and agreement on methods for representation, consultation, negotiation, compensation, and litigation. In addition, the committee was responsible for any mediation required between Olam and communities affected by the project, and for ensuring that all stakeholders involved were satisfied with the process and outcomes. The Steering Committee will be dissolved after the agreements with communities are finalized, and reconvened as a consultative committee responsible for monitoring the progress of commitments made to the communities by Olam and for overseeing the grievance procedure.

BOX 4.4 OLAM INTERNATIONAL: USING ENGAGEMENT TO ACHIEVE FPIC IN GABON *continued*

Information sharing with communities. The affected communities were informed about the potential negative and positive impacts of the development. A registry was opened for information requests, questions, claims, and complaints from each affected village. The communities were introduced to the concept of FPIC and the planned due diligence process. This step was important for creating a trust relationship between the company and communities.

Calculating crop compensation. A regulated crop valuation system was used to estimate crop values, which was validated by the Ministry of Agriculture. A notice was sent to the village chief to identify all owners, notifying them that they had to be physically present at their farms on the day of crop compensation assessment. Only people who had farms that overlapped or were within the concession boundaries were compensated.

Negotiation and validation. The negotiation process followed the procedure agreed on by the Steering Committee. Olam's social team and the village representatives were responsible for negotiating compensation for the communities, based on impacts and needs identified during the SEIA and participatory mapping. Employment opportunities and development of social infrastructure such as schools, medical facilities, water pumps, electrification of public places, and agriculture and animal husbandry support program also were negotiated.

Legalizing agreements. After compensation was agreed, contracts were signed with village representatives. This step was followed by a company-sponsored local ritual to seal the contract in accordance with local traditions. Although a verbal agreement with the village representatives and chiefs may be reached at an earlier point, the contract signing is formalized with these official events.

Source: Field visits, industry consultation, and personal communications, 2011–13.

BOX 4.5 PT AMP: APPLYING FPIC IN PARTNERSHIP WITH THE LOCAL GOVERNMENT IN SUMATRA

PT AMP, a palm oil plantation subsidiary of Wilmar International in Sumatra, followed an FPIC process as part of its development of its plantations. According to regulation, every oil palm company is required to allocate a plantation for communities, approximately equal to at least 20 percent of the area of the plantation managed by the company (Permentan 26/2007, Article 11). The partnership between communities and the company for oil palm development generally is facilitated by the local government—in this case, the government of Agam District.

PT AMP implemented the following process to develop its smallholder scheme:

| (1) Discussion with the district government's agricultural department about potential development and smallholder development scheme | → | (2) Discussion with the subdistrict government | → | (3) Engagement with communities through awareness raising, survey, and stakeholder analysis | → | (4) Establishment of agreements between traditional leaders and PT AMP on land to be used for plantation, handover to local government, and compensation fees | → | (5) Authorization and transfer of lands from traditional leaders to local government, which leased the land to PT AMP for oil palm development |

Discussion with district and subdistrict government (Steps 1 and 2). The discussion between PT AMP and the district and subdistrict governments was initiated by the central government, which was looking for investors to develop the economy in Agam District. PT AMP was one of the interested investors and ultimately was awarded the license to operate.

BOX 4.5 PT AMP: APPLYING FPIC IN PARTNERSHIP WITH THE LOCAL GOVERNMENT IN SUMATRA *continued*

Community engagement (Step 3). The company engaged with the relevant communities in and around the licensed area concerning its purpose and intentions. The objectives of raising awareness were to help the communities understand the company's intentions and to seek the communities' approval for using a portion of their land for the operations. During this period, Bina Mitra (the Community Relations Department of PT AMP) undertook a social survey to understand the socioeconomic baseline of the relevant communities and the capacity of the villages to participate in plantation development.

Bina Mitra also carried out a mapping exercise. The company began the process by speaking with the local government. The local government then introduced the company to the relevant Ninik Mamak (person or patron who has the rights to manage a family's assets), after which the company began discussions and formulated a map of land ownership with the broader community. This map helped the community and the local patron ensure that community land was distributed appropriately among its members during the establishment of the smallholder scheme.

Negotiations/Agreements (Step 4). Through ongoing discussions, various issues were negotiated and agreed, including the amount of compensation to be received, the types of community investment activities to be done, and the roles and responsibilities in developing the smallholder scheme such as the agreement that the cooperatives must sell their FFB only to the company.

Authorization and transfer of lands (Step 5). Once an agreement was reached, the Ninik Mamak was responsible for obtaining authorization from the Bupati (local government) for the proposed plasma scheme. The Ninik Mamak allocated specific areas of land to the interested plasma members. The names of the plasma farmers along with the allocated lands were submitted for approval to the Bupati, after which the land transfer took place.

Source: Field visits, industry consultation, and personal communications, 2011-13.

4.4 COMPENSATION

Negotiating compensation for individuals and communities impacted by oil palm plantation development is an important part of land acquisition. IFC requires companies to anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use by (a) providing compensation for lost assets at replacement cost and (b) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected. IFC also requires companies to improve, or at least restore, the livelihoods and standards of living of displaced persons.

Involuntary resettlement refers both to the acquisition of land that results in the physical (relocation or loss of shelter) or economic (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) displacement of people. Resettlement is considered involuntary, first, when affected land right holders do not have the right to refuse land acquisition or restrictions on land use. Second, resettlement also is involuntary when the sovereign legal framework may provide for (a) lawful expropriation or temporary or permanent restrictions on land use and for (b) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

To try to avoid expropriation and eliminate the need to use governmental authority to enforce relocation, IFC encourages companies to use negotiated settlements while meeting the requirements of (IFC *Performance Standard 5: Land Acquisition and Involuntary Resettlement*), as well as the requirements detailed in the PS5 accompanying guidance notes. IFC PS5 does not apply to relocation resulting from voluntary land transactions, that is, market-related transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory legal procedures if negotiations fail.

The RSPO Principles and Criteria also include provisions relating to compensation. For example:

"Where there are or have been disputes, additional proof of legal acquisition of title and evidence that fair compensation has been made to previous owners and occupants shall be available, and [proof] that these have been accepted with free, prior and informed consent (FPIC)" (Indicator 2.2.3).

and

"Any negotiations concerning compensation for loss of legal, customary or user rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions" (Criterion 6.4).

Not all communities will be affected equally by a plantation project. A core group always will be affected more than others and should be the focus of compensation distribution. However, other nearby communities or groups often request benefits (such as social services or infrastructure) akin to the ones in the core group area. Regardless of the size or source of these requests, companies need to clearly communicate to all relevant stakeholders the company compensation policy and procedures regarding directly and indirectly affected land right users.

IFC PS5 provides the following insight:

> "Compensation for land and other assets should be calculated at the market value plus the transaction costs related to restoring the assets. In practice, those who suffer negative social and economic impacts as a result of the acquisition of land for a project and/or restrictions on land use, may include those having legally recognized rights or claims to the land; those with customary claims to land; and those with no legally recognized claims, as well as seasonal natural resource users such as herders, fishing families, hunters and gatherers who may have interdependent economic relations with communities located within the project area. The potential variety of land and land use claimants renders the calculation of full replacement cost in the above-mentioned situations difficult and complex."

BOX 4.6 TYPES OF ASSETS TO WHICH ACCESS MIGHT BE LOST

The types of assets to which access might be lost could include, but are not limited to, pasture, fruit trees, medicinal plants, fiber, firewood, and other nontimber forest resources, croplands, fallow lands, woodlots, and fish stocks. These resources are, by definition, not owned by individual households. Nevertheless, access to these resources often is a key component of affected households' livelihoods; and, without access, they likely would face the risk of project-induced impoverishment.

Clear and transparent information can help communities understand the limits of the compensation process and avenues for addressing concerns with the company. Good practice, including the RSPO Principles and Criteria, recommends that companies develop compensation procedures in consultation with all relevant and affected stakeholders. Consulting communities can help ensure that compensation procedures are developed fairly and transparently, and help guide community expectations. In developing compensation procedures, companies should seek to prioritize with the communities appropriate benefit-sharing strategies for the various groups.

4.5 OPPORTUNITIES FOR MULTIPLE LAND USES

A supplement to monetary compensation for loss of land use rights is to seek opportunities to intensify the land use or multiple land uses. While oil palm plantations typically are large-scale monocultures that do not immediately lend themselves to this option, companies should not rule it out. Multiple land use is a key strategy to address restoration of livelihoods in other sectors.

As part of plantation design, companies have an opportunity to work with the local community and customary users to identify resources such as grazing areas, fruit trees, fishing streams, and medicinal plants that could be maintained within the concession area. It would be important to maintain local access to, and the quality of, these resources as well to ensure that the health and safety of the individuals accessing the area are protected from hazards such as plantation machinery and toxic agrochemicals.

Companies also may consider developing community investment programs that integrate multiple land uses such as intercropping (cereals and other food crops) or establishing pastures between rows of oil palm trees for livestock production.

Integrating livestock into oil palm plantations has been implemented in a number of cases in Southeast Asia on both an industrial and smallholder scale (Rofiq and others 2014; Chen and Mannetje 1996). For example, in Malaysia, as part of the government's Economic Transformation Program, the aim is to integrate an additional 300,000 head of cattle into large oil palm plantations by 2020 (Government of Malaysia).

The integration of oil palm and beef cattle can be attractive in situations in which the local demand for meat protein is not being met. Palm oil byproducts (notably meal and palm oil fatty distillate) can be used as cattle feed ingredients. However, cattle may cause soil compaction and root damage and will eat the oil palm leaves if within reach. Therefore, grazing under mature (more than 10 years old) plantings whose leaves cannot be reached by the animal, is preferable. This arrangement can also benefit the cattle because, compared to open pasture, the canopy shade lowers the heat stress on the animals (Payne 1985). Controlling rotational grazing by using portable electric fences both increases the efficiency of forage consumption and decreases the negative effects on the environment, such as soil compaction. In Malaysia, pasture species for cattle grazing such as *Paspalum* and *Digitaria* with *calopo* (*Calopogonium mucunoides*) and "tropical kudzu" (*Pueraria phaseoloides*) have been planted. These plants also can help to control weeds, thus reducing costs and increasing smallholder income (Griffee and others 2004).

BOX 4.7 NBPOL: CATTLE IN THE PLANTATION IN PNG

New Britain Palm Oil Ltd (Papua New Guinea) is both the largest oil palm producer and the largest beef producer in Papua New Guinea (PNG). As of early 2014, NBPOL had 9,282 ha of grazing land within its oil palm plantations, which supported more than 20,000 head of cattle. In 2013 they produced 1,435 Mt of beef.

This beef production system, known as the "Numundo Half Stand System" (NHSS), involves the rotational grazing of cattle in oil palm stands and sole pasture areas, finishing the cattle stock in a feedlot and the processing/retail of beef through an on-site abattoir. NHSS focuses on maximizing profitability while providing a means of diversification, as well as supplying an alternative protein source to the region.

Beef production continues to play only a minor role in the overall investment strategy of NBPOL. Nevertheless, the company notes that beef production is particularly relevant in areas in which cattle and oil palms can be intercropped and in areas in which oil palms are unsuited as the sole commercial crop.

Source: NBPOL 2013a; Mann and others 2002.

Integrated system: Cattle and oil palm plantation. Photograph by J. Buecke.

To date, intercropping cereals and other food crops within industrial oil palm plantations has been largely experimental due to the density of oil palms.[4] Therefore, intercropping before the canopy closes out the light, using a wider spacing of the oil palms (which has economic implications), or using shade-tolerant species is more likely to succeed. With standard planting, the root system of mature oil palm could provide 60 percent–65 percent of land area for intercropping of shade-tolerant species (Ramachandrudu and others n.d.). However, in industrial plantations, intercropping would need to accommodate workers' movements and provide a clear path for FFB evacuation.

Examples of intercropping cocoa with oil palm date from the 1960s. Research shows that, at conventional planting distances, oil palm is too competitive (particularly for light) to produce good cocoa yields. However, by adjusting oil palm spacing, satisfactory yields of both cocoa and oil palm can be achieved (Lee 1980). Experimental planting of oil palm in twin rows in wide avenues[5] intercropped with cocoa demonstrated that machinery and field workers still could move along the wide paths between the rows without undue impediment (Ooi and Chew 1985). Trials in Ghana with mature oil palm plantations showed no impact of cocoa plantings on oil palm yields but noted that cocoa yields were better under the more widely spaced oil palms (Amaoh and others 1995).

In Colombia, a partnership was established in 2012 between the International Maize and Wheat Improvement Center (CIMMYT), the Colombian producer federation for cereals (FENALCE), and the Federation of Oil Palm Growers (FEDEPALMA). A trial program is growing 3–4 maize crops while young palm plants complete their growth cycle. This partnership is particularly attractive for small-scale (fewer than 5 ha) oil palm farmers, who have been forced to replant due to severe attacks of bud rot disease (*Phytophthora palmivora*). The maize offers them another source of income while their new oil palm plantings mature. Initial results also suggest that incorporating maize residues into fields leads to oil palms reaching their yield potential earlier (CIMMYT 2012).

"Researchers recognized the value that intercropping with cereal and other grains could bring smallholders regarding food security: provide a balance of energy and protein to the diets of farm families."

— (Erhabor and Filson 1999)

Cocoa fruit. Photograph by J. Ernst, World Bank Photo Collection.

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4. Industrial plantations typically space palms 9 m x 9 m, and the canopy closes out as the palms reach maturity at approximately 5–7 years.
5. Fifteen meter–22m avenues, resulting in an average density of 80–100 palms per ha, compared to 139 per ha in a monocrop.

The FAO's Smallholder Oil Palm Manual recommends intercropping for the first 2–3 years to help finance the establishment and maintenance of the new plantings. Recommended intercrops are maize, millet, cowpea, kudzu, groundnuts, tomatoes, pepper, cabbage, soybean, rice, tobacco, *Desmodium*, passion fruit, papaya, and pumpkins. However, FAO cautions not to damage the young oil palm's roots and warns against planting tall and shading crops such as sugar cane, banana, and maize too close to the young palms (Griffee and others 2004). In India, there are small-scale examples of intercropping oil palm with cocoa, banana, black pepper, long pepper, elephant foot yam banana, coffee, vanilla, medicinal and aromatic plants, arecanut, annatto, turmeric, arrowroot, and pineapple (Ramachandrudu and others n.d.). Experimental work in Nigeria found no negative impact on soil nutrients when soybean, maize, and coco-yam were intercropped with oil palm.

5. INVESTING IN COMMUNITIES AND BUILDING SUSTAINABLE LIVELIHOODS

In the palm oil sector, there are a variety of ways—from philanthropic donations to longer term productive investments—in which companies support communities in their areas of operations. There is a growing trend on viewing and delivering such contributions through the lens of "shared value"—by ensuring that company-supported community investments are aligned with the development priorities of local stakeholders as well as business objectives and competencies. In addition, there is greater emphasis on ensuring that community investment programs are sustainable and that, ultimately, local stakeholders have the knowledge and skills to assume ownership and responsibility for those programs.

BOX 5.1 EXAMPLES OF HOW COMPANIES' CONTRIBUTE TO LOCAL COMMUNITIES

Smallholder development programs
- Scheme of associated smallholders, in which the development of smallholder plantations is closely linked to a "nucleus" company plantation or mill
- Independent smallholders or outgrowers, not closely linked to a specific company

Infrastructure and services
- Provision of housing, support to housing improvements
- Provision of medical facilities and services
- Construction of roads and bridges
- Construction of electric grids, provision of electricity
- Provision of public services (water, sanitation)
- Education and recreational (such as sport) facilities

Training and education
- Education scholarships and programs
- Training, mentoring, and small business counseling
- Vocational training programs
- Health awareness and counseling

Alternative livelihoods and income generation
- Building the capacity of SMEs to provide services such as transport, construction, catering, waste disposal, and other outsourced aspects of firm operation
- Spinning off businesses
- Microfinancing to help communities establish businesses (such as in local crafts, sewing, or tourism)
- Linking SMEs to financing sources and supporting development of business plans
- Promoting alternative agricultural activities (for example, the cultivation of crops other than oil palm)
- Generating alternative employment opportunities (for example, as part of biodiversity conservation programs)

5.1 BUILDING A STRATEGIC PORTFOLIO

A common challenge in the palm oil sector is to respond to the multitude of individual local requests that come to a plantation. To manage this challenge, some companies found it helpful to set guiding principles (or/and criteria) that would help them decide and communicate to stakeholders which types of activities a company will and will not support. The goal is to have a transparent and documented set of guiding principles and/or criteria at the outset. They could include (a) the rationale for supporting certain areas (and not supporting others); (b) who is eligible to benefit; (c) and how resources will be allocated and the decisions will be made. Guiding principles and/or criteria also can provide the basis for screening all community-investment-related decisions and, thus, can help a company build a portfolio of community investment programs that is consistent with the company's values and strategy.

Experience in the palm oil sector also has demonstrated that the portfolio of community investment programs should be actively managed, including taking into account factors such as time horizon, short- and long-term objectives, costs, and impacts. Many companies in the palm oil sector allocate funding to philanthropic causes (such as response to natural disasters, support for sporting events, cultural celebrations, donations) that can deliver "quick impacts" and demonstrate goodwill. However, these donations may not be the most effective means of achieving social and sustainable development. Therefore, it is important that such short-term contributions are balanced in terms of their overall share in the budget relative to longer term productive investments that build local capacity (such as skills training, enterprise development, and knowledge transfer).

BOX 5.2 AGROPALMA: SETTING GUIDING PRINCIPLES FOR COMMUNITY INVESTMENT

Agropalma Group (Brazil) has established a clear set of parameters and criteria for the types of community investment projects that it will support. The company frequently is approached for financial or in-kind support by the communities and authorities in the three municipalities in which it operates. Consequently, the company developed a clear policy to avoid creating dependency. Requests for support are taken through a careful due diligence process that is based on the following guiding principles:

- Agropalma does not invest in any activity that is not linked to its business. This decision is partly to avoid the creation of dependencies and partly because investments in areas that are not linked to its core business are potentially risky (in a downturn, a business likely would first withdraw support for any activities that do not support its bottom line).
- Agropalma avoids providing direct funding and prefers to contribute material, machinery, or staff power; or pays for third parties to carry out a task.
- Any community investment program is carried out in a partnership. The company will provide only support as a partner, for example, by contributing a percentage of the required input. When approaching communities, Agropalma looks for existing associations and does all work in partnership with them. If there is no association, Agropalma looks for natural leaders. Natural leaders are known by community members, so the company seeks to engage with those who know the history of the village and its people.
- The company enters into any agreement with extreme caution and careful preparation. Agropalma conducts thorough due diligence to ensure that its partners have the budget and means to implement their shares of the responsibility. Where possible, Agropalma prefers to negotiate to be responsible for the final phase—rather than the initial phase—of any project to avoid risks related to the project stalling because of noncompliance by others.
- Agropalma does not invest in infrastructure outside the agro-industrial complex.
- Despite its strict criteria, Agropalma maintains some degree of flexibility in responding to community requests. For example, although the company generally does not invest in infrastructure, it makes exceptions when it sees the rationale. Examples are:
  – Rebuilding and equipping a new police station in the town of Vila dos Palmares (population approximately 5,000) in response to concerns about security in this community. It is very close to the entrance of the Agropalma plantations, in which Agropalma owns houses and many of their workers live.
  – Donating a piece of land in Vila dos Palmares to the municipality to construct a medical center (the result of the doctors at the Agropalma medical facility encountering many nonemployees seeking medical attention).
  – Providing heavy machinery and labor to help repair roads in Vila dos Palmares (conditional on the municipality providing 2 laborers for every 1 laborer provided by Agropalma).

Source: Field visits, industry consultation, and personal communications, 2011--13.

BOX 5.3 GUIDE FOR PRACTITIONERS: CATEGORIZING COMMUNITY INVESTMENTS

Managing a diversified portfolio of community investments is important. A recommended approach is to decide on the types of investment categories and ensure that funds are allocated and managed in accordance with elected categories. Below are two examples of ways that companies can categorize their investments in communities. These hypothetical examples show that, for a portfolio of strategic community investments, one would expect to see the most funding allocated toward important strategic areas (such as local communities and/or long-term productive capacities) and the least funding to philanthropic/ad-hoc projects. Additional factors such as links with government priorities, risk, expected impact, sustainability, and diversification can be considered in setting up investment categories.

BOX FIGURE 5.3a
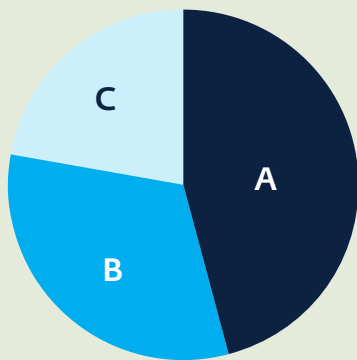
A. Local Community Investment
Targeted to communities within the project's area of influence. Considered "strategic" because it both contributes to local sustainable development priorities and supports the company's business objectives. Can be divided into subcategories (for instance, short-term vs. long-term or productive investments).

B. Regional Development
Most relevant for large projects. Generally involves large-scale projects with significant costs and multiple sources of funding carried out with multiple stakeholders (including regional government).

C. Philanthropy/ Charitable Donations
Donations to projects involving charitable giving. Typically have little relation to business objectives, even though these donations may address a community or societal need.

BOX FIGURE 5.3b
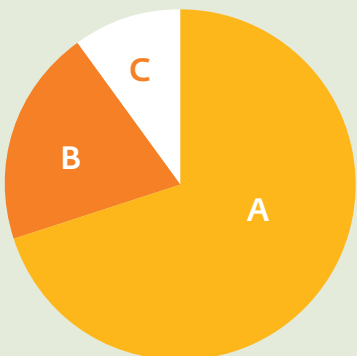
A. Long-Term Investments
Productive investments that build local capacity over time. These support longer term business objectives such as risk management, reputation management, productivity, and sustainability. Example: Skills building and livelihoods support.

B. Quick-Impact Projects
High-visibility projects. These can be done quickly in the early stages to create goodwill, demonstrate tangible benefit, and gain social license to operate. Example: Infrastructure projects.

C. Discretionary Funds
Donations are driven fully by community requests. Often short term and ad hoc, they show that the company is responsive to local needs. Example: Support for local festivals and sports, food donations, contributions to relief funds (local floods, fires).

Source: IFC 2010.

The review of experiences in the sector demonstrated that there is no rule for how much to spend on community investment programs. It is common for companies to co-fund or share financial responsibility for the development of smallholder schemes or programs, or to use other financial mechanisms or contribute in kind to ensure that the resources to cover their community programs are available.

Examples of budget strategies used by palm oil companies include:

- **Daabon (Colombia)** assists Allianzas (small farmer community lands under cooperatives) by helping to obtain 80 percent of the required financing from government-sponsored financial institutions. Daabon provides the remaining 20 percent of the required financing to enable small farmers to develop their own micro projects (DAABON 2009). The company also allocates a percentage of the company's export value to a fund that provides financing for community projects (see example below).
- **NBPOL (Papua New Guinea)** established the NBPOL Foundation to support community projects in West New Britain. The main source of funding is the annual dividend from the 450,000 NBPOL shares held by the foundation (NBPOL 2013b).
- **Ghana Oil Palm Development Corporation (Ghana)** implements community projects in accordance with the company's social responsibility policy and commitment to reserve 0.5 percent of its turnover plus 0.5 percent of its net profit to enhance its corporate and social responsibility programs in the operational area (Ghana Oil Palm Development Corporation 2012).
- **PT Bakrie Sumatera's (Indonesia)** policy is to set aside 1.5 percent of its net profit each year to implement community development programs (PT Bakrie Sumatera 2011).

Despite the lack of benchmarks, one of the key lessons learned concerned ensuring, on the one hand, that community investment programs are designed to become self-sustaining over time. Another lesson was that budget resources should be planned to support delivery of such programs all the way through to the company's exit.

5.2 ENGAGEMENT AND MANAGEMENT OF EXPECTATIONS

A common stakeholder concern in the palm oil sector is the need to strengthen how a company engages and communicates with local communities. From a corporate perspective, improved engagement and communications are critical to manage expectations and building trust. Some stakeholders may have unrealistically high expectations of the benefits from the project. Some stakeholders simply may want to know whom to contact if they have a concern. If these expectations are not managed, the result may be disillusionment, mistrust, and unwillingness to engage with the company.

Some companies found it helpful to prepare a communications plan to ensure that the goals and objectives of the engagement process and specific activities are clearly communicated to as many members of the community and other interested parties as possible. Communications plans should enable company staff to provide consistent messages of (a) what causes the company will or will not support and why, (b) where community relations staff do not control decision-making, and (c) all individuals' roles and responsibilities. Communications plans can be developed and implemented at each stage of a plantation's development, from land acquisition to replanting to, where relevant, abandonment.

Another recurring issue concerns the importance of helping local communities fully understand smallholder and other benefit-sharing arrangements. In the early stages of development, companies may tend to over-promise or over-state the potential benefits that will be derived from the oil palm plantations (for example, employment, entrepreneurial opportunities, smallholder development, and infrastructure). The ability of community members to fully understand the terms and timelines of implementation of these benefits may be overlooked in the haste to clear and plant. It is a common concern that many community members tend to sign up for company-supported programs because they consider them the only way to gain secure land tenure and access other benefits. While many of these benefits may be realized in future, without specific timelines or clear explanation of the terms of implementation and roles and responsibilities, stakeholders may grow increasingly frustrated and feel that they have been misled. To address this challenge, it is essential for the company to improve the quality of consultation and communication with communities and incorporate participatory planning techniques at the earliest possible stage of plantation development.

Many companies contributing to this discussion paper noted the importance of ensuring that community investments are self-sustaining. Key to ensuring buy-in and sustainability of the community programs is engaging stakeholders to develop a strategy on the type of activities a company will support, the way projects are designed and implemented, and a timeline for handover or exit. A "Participatory Issues and Opportunity Assessment" methodology is set out in appendix 4. The assessment is designed to:

• Facilitate community decision-making about community investment programs
• Develop appropriate solutions or interventions to address the local problems and opportunities identified

BOX 5.4 PRESCO: ENGAGING COMMUNITIES IN SELECTING COMMUNITY PROJECTS IN NIGERIA

Presco (Nigeria) specializes in the cultivation of oil palm and in the extraction, refinement, and fractionation of crude palm oil into finished products. Presco is a subsidiary of SIAT S.A., a Belgian agro-industrial company that operates industrial as well as smallholder plantations, mainly for oil palm and rubber. Presco has a system of identifying investment projects that enables communities to provide specific inputs to the company's community investment planning process.

Presco defines "host communities" as villages within and immediately surrounding the company's estates. As part of its host community policy, Presco decides the broad development sectors—education, electricity, water, roads—that it will support and provides a dedicated source (1 percent of the company's annual turnover) to fund various projects. Host communities are not involved in identifying these broad sectors. However, as part of the annual planning process, each community selects its priority projects on the basis of its self-assessed community needs. Almost all of the communities have a representative who liaises with Presco and communicates with the company about the community's priority projects. The community relations manager of Presco works with each community to select specific projects that the company's investment budget for a particular year can fund.

Communities may submit requests at any time during a year, and projects may be funded if the annual budget for community investment can accommodate the request. When requests are approved, the community relations manager informs the community officially in writing or by telephone through its representative. When a specific request exceeds the available budget, the community relations manager negotiates with the community to accept work in phases or to defer the project to the following year.

Source: Field visits, industry consultation, and personal communications, 2011–13.

- Improve stakeholder buy-in of the delivery process and guide beneficiaries' expectations
- Help inform the design of community investment programs so that companies invest in initiatives that are likely to be relevant and sustainable in communities.

Engaging stakeholders around exit or handover questions is an area that often gets underestimated. In many situations, companies simply assume that they can stop a project or hand it over to the local government, NGOs, or communities. This unilateral action can cause the project to fail or result in backlash from stakeholders. Exit strategies may also be needed for existing community programs which are outdated in their approach, for example, that are based on philanthropy rather than development, or that have become financially unsustainable for the company to maintain. In both cases, stakeholder consultation and significant capacity building are needed before a company is able to reduce or withdraw its support. Thus, planning any exit strategy from the beginning and in consultation with stakeholders is important.

BOX 5.5 DAABON'S FAIRTRADE CDM: BUILDING A SELF-SUSTAINING COMMUNITY PROGRAM IN COLOMBIA

Daabon (Colombia) is a family-owned and managed company with its headquarters and farms located in Santa Maria, Colombia. The group employs approximately 2,000 people directly and supports local employment by providing assistance to over 450 palm and cocoa smallholders who are organized in 5 Allianzas (co-operatives).

The company launched a Fairtrade Clean Development Mechanism (CDM) program to better manage carbon emissions associated with its palm oil mill effluent, a waste generated from processing FFB; to empower its smallholders; and to generate social capital in the communities. Daabon aims to achieve its objectives for the CDM program through the transfer of Certified Emission Reductions (CER) equivalent to the FFB processed from smallholders.

CERs are generated and issued by the CDM Executive Board for emission reductions achieved by Daabon's methane capture and control project. This project is expected to capture approximately 21,000 tons of methane (or approximately 55,000 tons of carbon dioxide equivalent) per year.

CERs are typically sold to industrialized countries that have signed the Kyoto Protocol and made commitments to lower their greenhouse gas emissions. In the case of Daabon, after the premiums have been received on the CERs sold in the global market, a portion of the finances (equivalent to the FFB processed from smallholders) is transferred to a smallholder fund, which is used for social, educational, and environmental community programs. The funds then are managed by a panel consisting of a representative of each Allianza and elected representatives of the workers and the company. After the panel identifies projects, it brings official requests to the Daabon board members, who review and make the final decision on which projects to fund.

Daabon worked with the Wharton School of Economics to set up the protocol, and the project has been operational since October 2011. Through this experience, Daabon has found that smallholders are very open to learning, open to implementing new activities, and able to work very hard. Daabon has also found that including smallholders and workers in the allocation of funds from sales of CERs has strengthened the relationship and trust between the community and the company.

Source: Field visits, industry consultation, and personal communications, 2011–13.

BOX 5.6 GUIDE FOR PRACTITIONERS: INVOLVING COMMUNITIES IN PLANNING

Involving communities in the design and management of a community investment project(s) can occur as part of an initial consultation on the approach, company-community joint planning and implementation, or community-driven planning and implementation.

Consultation approaches: Workshops, surveys, weighted-ranking exercises, group discussion
During consultations for FPIC, ESIAs, or HCV assessments, companies should seek input to understand and map local issues, opportunities, and development priorities.

Tips: Begin by offering several alternatives for consultation; use smaller focus groups to incorporate vulnerable groups and minorities; seek as many views as possible; use participatory approaches to prioritization; communicate decisions to communities.

Joint company-community approaches: Joint working groups, jointly facilitated discussions and workshops
Joint company-community decision-making structures encourage more in-depth discussion and investigation of specific issues and potential solutions (for example, involvement of women, community use of natural resources). Joint approaches also enable coordinated planning and implementation of community investment project(s).

Tips: Develop a "guiding principles" document (such as group charter) to define roles and responsibilities; select a lead facilitator to coordinate working group activities; establish formal communication channels with beneficiary communities to report on the activities and results of the joint decision-making structures.

Community-driven approaches: Community-based working groups, participatory assessments, community visioning exercises, participatory action planning
Companies can encourage communities to select, design, and implement suitable local project(s) using participatory processes such as community-driven visioning, assessment of community assets, prioritization of focus areas, and action planning. A skilled facilitator to enable community-driven planning and implementation often is required.

Tips: Involvement of third parties such as local government and civil society can help ensure that all relevant stakeholders are involved. Capacity building often is needed prior to engagement to ensure that communities are prepared to drive the planning process. Facilitators can play a key role in guiding communities through various steps, resolving issues, and helping to verify that identified focus areas are meeting community goals and objectives. It is best if communities also remain involved in monitoring results. Third parties also can be involved in monitoring activities.

5.3 INVESTING IN CAPACITY BUILDING

A widely accepted definition of capacity building is *the process by which individuals, groups, organizations, institutions and societies increase their abilities to perform core functions, solve problems, define and achieve objectives; and understand and deal with their development needs in a broad context and in a sustainable manner (UNESCO 2006).*

In the palm oil sector, capacity building programs often focus on technical skills training such as agronomic practices or financial literacy; as well as supporting education opportunities, for example, through apprenticeships or funding schools, teachers or offering scholarships. While strengthening technical knowledge remains important, ensuring capacity building for improved participation often is overlooked by companies.

Experience shows that strengthening the capacity of local stakeholders and communities to participate meaningfully in engagement processes such as FPIC, grievance management, conflict resolution, and planning community programs can improve trust and empower stakeholders to play a stronger role in their own development. Investing in stakeholders' growth increases the likelihood of the project's success and sustainability after the company's exit. This type of capacity building refers to building skills in communications, decision-making, accessing and analyzing information. For palm oil companies, capacity building can involve information sessions and workshops on the RSPO Principles and Criteria and the community rights and obligations under them (that is, legal training), and training on specific technical concepts (ESIA, HCV, FPIC).

Daabon is supporting skills training (making clothing and shoes) for women in Colombia who are part of the plantation workers' and small producers' families. Photograph courtesy of Daabon.

The need to build capacity for improved participation also extends to the company's staff. An example is training senior management and cross-functional staff on company policies and procedures related to communities, on the RSPO Principles and Criteria, and on community customs and traditions. Two other examples are training targeted at community relations staff, including internal "academies" to provide technical knowledge, and ongoing capacity building of extension staff. For both stakeholders and company staff, timing is an important consideration when building capacity for the purpose of engagement in decision-making processes. Because these processes should happen early on, early planning for and investment in capacity building also is needed.

FIGURE 5.1 EXAMPLES OF STAKEHOLDER GROUPS TARGETED FOR CAPACITY BUILDING IN THE PALM OIL SECTOR

Spotlight: Capacity building to strengthen participation
In Papua New Guinea, NBPOL secures the majority of its land through engagement with the Incorporated Landowner Groups, which represent community land owners. The effectiveness of these groups in negotiating terms for leases, and distributing and managing income to communities varies greatly. NBPOL is working to support the groups in setting up stronger governance systems and ensuring that communities benefit in both the short and the long term.

Technical training: Good agricultural practices, plantation management, post-harvest handling and quality selection, financial and farm management
Strengthening producer or farmer groups: Developing management capacity and negotiating power as well as institutional strengthening
Certification training: Adding capacity-building programs to meet RSPO criteria
Building smallholder capacities in long-term and financial planning (e.g., visioning, money management, analysis of various investment options)

Secondments: Government staff are seconded to a plantation company to learn about oil palm operations
Awareness raising: Government representatives invited to attend training
Direct training (often in partnerships): Training given to government extension officers around RSPO principles and criteria, communications, and monitoring compliance

Employment training: Basic training, paid apprenticeships, internship programs
Skills development: Scholarships or provision of training in areas other than oil palm, such as tailoring, handicrafts, and basic business management
Financial literacy: Longer term financial planning skills

Senior managers and cross-functional staff training: On company policies and procedures related to communities; on the RSPO Principles & Criteria and FPIC (structured and repeated training for staff operating at all levels); on community customs and traditions

NGOs/Civil society organizations

Communities

Smallholders/Farmers groups

Capacity building

Company staff

Government

Community groups (e.g., women)

Source: Field visits, industry consultation, and personal communications, 2011–13; NBPOL 2012b.

BOX 5.7 BUILDING CAPACITY OF LOCAL COMMUNITIES IN VILA DOS PALMARES

Agropalma (Brazil) places a very strong emphasis on risk reduction, compliance with RSPO certification standards, and continuous improvement. In 2007 working in partnership with a Brazilian NGO, Instituto Peabiru, Agropalma carried out a social and economic appraisal of the region in which it works. One of the key findings was a lack of organizational capacity in the local communities. To address this issue, Instituto Peabiru proposed a process called "Agenda 21" to support capacity building in the population nearest to the Agropalma plantations (in Vila dos Palmares). Agenda 21 is a participatory planning process that engages the local population in identifying short-, medium-, and long-term projects and enables communities to promote their development priorities in dialogue with the government and the private sector. The proposed work fit well with Agropalma's strategy, which aims to avoid creating dependencies and to work with stronger partners.

Community Outreach

The Agenda 21 project began in Vila dos Palmares in May 2009. After initial discussions with key area stakeholders, the staff of the Institute Peabiru held a major mobilization to introduce the project to representatives of local government, merchants, neighborhood associations, schools, churches, and other community entities.

Field Research and Situational Diagnosis

Following the community outreach, Instituto Peabiru worked with students from local schools, who carried out a field survey of 342 residents of the village. This work was completed in January 2010. The resulting document analyzed the information collected and summarized the situation in the village, including access to infrastructure, services, and the socioeconomic profile of the general population.

Thematic Meetings

In September 2009, the NGO began a series of thematic meetings with community members. Community members discussed—among themselves or with invited experts—all relevant issues. Several working groups and their chosen coordinators focused on discussing and deepening their knowledge of particular issues (sanitation, health, safety, transportation, education, housing, and the environment). This extensive and intensive work continued throughout 2011 to enable communities to establish a plan for the development of Vila dos Palmares.

BOX 5.7 BUILDING CAPACITY OF LOCAL COMMUNITIES IN VILA DOS PALMARES
continued

Agenda 21 Forum

The next step, which is vital to consolidate the work, is the creation of the Agenda 21 Forum. Through this mechanism, the community—now properly educated and prepared—will discuss its vision and proposals for sustainable development with other local stakeholders, such as government, businesses, and other organizations. Through its elected executive coordinator, the Forum then will be responsible for guiding the drafting, implementation, and monitoring of the local plan for sustainable development of Vila dos Palmares.

A number of achievements already have been made. In the village association, the Agenda 21 process led to greater participation by the community and a shift away from one charismatic leader toward engagement of broader community leadership. The community has a stronger awareness of its rights and responsibilities, as well as a stronger sense of having a common goal. Ultimately, the implementation of the local development plan will further strengthen local organizations, empower community members, and improve their dialogue with the government and private sector.

Source: Field visits, industry consultation, and personal communications, 2011–13; Grupo Agropalma 2011.

Daabon is supporting skills training (making clothing and shoes) for women in Colombia who are part of the plantation workers' and small producers' families.
Photograph courtesy of Daabon.

5.4. INVESTING IN SMALLHOLDERS AS PARTNERS

Smallholder development is one of the key areas of opportunity for a company's community investment portfolio. It provides an opportunity to increase supply and FFB quality for the mills and is directly linked with restoring livelihoods. Implementation of a smallholder development program also may be mandated in some countries.

Oil palm smallholders are defined by the RSPO as "Farmers growing oil palm, sometimes along with subsistence production of other crops, where the family provides the majority of labour and the farm provides the principle source of income, and where the planted area of oil palm is usually below 50 ha in size" (Vermeulen and Cotula 2010). Smallholders may be fully independent from the mills they supply, choosing to whom they sell their FFB or oil and how they manage their lands. Those who are more dependent on palm oil companies, such as through marketing and training, are termed "associated smallholders." Finally, those who are bound to mills through contracts, credit, or other forms of structural bond are termed "scheme smallholders." In some smallholder schemes, community shareholders can have very have little engagement in the actual process of managing their plots, which, in effect, are managed by the palm oil company as extensions of the nucleus plantations.

> "While going through this, we realized that if we were going to achieve certification, we needed to bring our smallholders with us. They're 30% of our industry. We couldn't leave them behind."
>
> —New Britain Palm Oil,
> FSG Social Impact Advisors

BOX 5.8 COMPANY MECHANISMS THAT SUPPORT SMALLHOLDERS

- Training and capacity building in agricultural practices, conservation, management and organization of cooperatives, financial and legal issues
- Plantation management: Provision of good planting materials, management of nurseries, plantation establishment, maintenance, harvesting
- Forest clearing and block planting of the perennial crop, and maintenance to maturity before handing areas over to smallholders to operate as individual holdings or a communally owned (cooperative) estate
- Continuing inspection and technical advice
- Provision for sale, bulk buying, and storage of inputs: Seedlings and fertilizers
- Supply of credit, loan repayment facilities, and financial support
- Purchase, collection, processing, and marketing of produce
- Assistance with land registration, titling, and other legal issues
- Assistance with general management of documents and finances
- Provision of physical and social infrastructure: Roads, housing, market centers, schools, and medical facilities

There is no generic model for what a successful smallholder partnership looks like. Companies should be cautious about importing existing models to new countries without sufficient understanding of the local context, including land tenure, culture, history, and demographic characteristics. Many smallholder programs are defined as partnerships with the companies. In reality, not all of the programs are partnerships, owing to underlying inequalities in decision-making and negotiating powers, smallholders' lack of capacities and skills, and limited opportunities for stakeholder participation. It therefore is important to ensure that a smallholder program is economically viable for both the smallholder participants and the company. Viability is predicated on a stakeholder engagement process that results in an appropriate design of the scheme for local conditions.

Engaging women in Papua New Guinea. Photograph courtesy of NBPOL.

BOX 5.9 NBPOL: ENGAGING AND EMPOWERING WOMEN IN SMALLHOLDER FARMS IN PNG

NBPOL (Papua New Guinea) pays close attention to community dynamics in and around its operations in Papua New Guinea. Through NBPOL's work with smallholders, the company and OPIC (Oil Palm Industry Cooperation, which provides extension services to smallholders) observed that although oil palm management was done jointly by men and women, the income generated from the sales of FFB was often received only by men in the smallholdings, who also held the titles to the land. According to NBPOL, sharing income with the rest of the family, particularly with wives, was not a concept easily accepted by the men. This cultural gender bias became a key concern for the company because women not only provided labor and food for the family but also took care of the children and made the payments for education.

Consultation and Program Development

NBPOL and OPIC organized consultations with the women involved in smallholder schemes to determine whether a program to help empower women would be beneficial. The consultation was led by a land engagement team that included women workers as well as NBPOL experts. One team member was a woman from the local community who was well aware of the existing realities. On the basis of the findings, NBPOL collaborated with the women who were part of the smallholding schemes to develop several programs to help them gain more autonomy, ownership, and decision-making power:

1. **Facilitation of land ownership under women**, where accepted by custom
2. **Income generation allocation:** The one-payment card (which transferred funds from NBPOL to the land owner, usually a man) was changed to two cards, which allocated funds to both the men and women in a given smallholding lot. This system enabled women to receive income benefits from their work (usually collection of loose fruit). It took a couple of years to fully establish the card allocation system, but, once it was introduced, women quickly embraced it.
3. **Soft loans:** NBPOL West New Britain has provided interest-free loans to smallholders to develop their smallholding lands. In addition, the company entitled women to request soft loans for the development of their land on the basis of their own decision-making.

The scheme is seen as successful. On smallholder plots without the "mama" card, women received approximately 16 percent of household income; with the card, they received 29 percent. Anecdotally, other social dynamics results have included a decrease in the rate of smallholder domestic disputes reported to extension workers, an increase in financial independence enabling some women to establish small businesses, and more willingness by shop owners to extend credit to women.

Despite the successes, other important lessons also were learned. Not all men adjusted positively to the women having more responsibility and receiving more benefits. There were cases of men trying to take advantage of the two-card allocation scheme, as well as cases of theft of the mama check by male household members. These reactions indicate the importance of early and continuous engagement and education of men in similar programs.

Source: Koczbersk 2007; Warner and Bauer 2002.

Common lessons learned from working successfully with smallholders include:

- Focus on shared goals and realistic incentives
- Emphasis on information sharing
- Ensuring appropriate grievance and feedback mechanisms
- Evaluating the capacity of existing farmers organizations, and building capacity where necessary
- Including women in the planning and implementation.

With respect to incentives, farmers may not be interested in pursuing certification per se because this goal is likely to be too far removed from their daily concerns. Instead, the focus should be on what the smallholder partnership is realistically able to deliver. Actual results can include improved agricultural knowledge, access to training, fertilizer provision, and others, many of which are part of achieving certification. By focusing on meaningful and tangible incentives, companies and smallholders can build trust and improve yields while readying themselves for potentially greater incentives later on.

Often, smallholders do not clearly understand the terms of the contract that they have signed with companies (for instance, contract duration, location, land status upon expiry of the concession license, mechanisms for voicing concerns) nor do they understand the anticipated benefits or support to be provided. Thus, clear and ongoing communication is crucial to ensure that potential participants fully understand the legal and procedural details of the partnership, roles and responsibilities, costs and benefits, decision-making, and management. Contracts must be clear and equitable on issues related to land transfer and debt terms. This approach will help avoid future disputes with program participants. A succinct guidance note in the local language, with appropriate illustrations and examples, could be prepared and distributed to smallholders and referred to in discussions and workshops.

Frustrations and concerns often are voiced when there are real or perceived differences among communities in their capacity to negotiate with a company about a project. To manage any concerns, contractual arrangements should establish trusted mechanisms to address grievances, including input by independent third parties where appropriate.

Among other parameters, farmer organizations—including their governance and management—emerge as a key determinant of more successful partnership arrangements. The negotiating power of smallholders in farmer organizations significantly influences both the success of the business model and its positive impacts for the community. There are a wide range of farmers' organizations, ranging from traditional groups led by a collector, to legally registered cooperatives. The strength and viability of farmer organizations greatly depends on champions or leaders, as well as on the motivation and cumulative knowledge of the group.

BOX 5.10 OPHIR PROJECT: LESSONS LEARNED FROM WORKING WITH SMALLHOLDERS IN INDONESIA

The **Ophir Project (Indonesia)**, part of the Government of Indonesia's Nucleus Estate Smallholder program, was established in the early 1980s. It was implemented in an 8,000-ha oil palm plantation, comprised of 4,800 ha managed by smallholders and 3,200 ha managed by the nucleus estate. Smallholders have maintained fruit bunch yields of 22 tons–29 tons per ha, continuously outperforming the nucleus estate and many leading private companies. Critical success factors include good agro-ecological conditions (fertile soils, suitable rainfall, and sunshine), and well-designed organizational structures.

Evaluation of the program identified the following components of success:

Principles of participatory development. From the outset, one of the project's goals was to explore the degree to which farmers could become a viable, progressive, and self-reliant community. Farmers were involved in designing the organizational structures, which increased their commitment and sense of ownership of the project.

Co-operative management structure. Three layers of management were set up. Each farmer belonged to a farmer group (*kelompok*) of approximately 25 members and 50 ha of oil palm plots. Each kelompok met once a month to discuss the technical, managerial, and financial status of the group and to take action if members strayed from group policies and procedures. Primary cooperatives were set up to manage higher level tasks such as farmer payments, fertilizer distribution, pest and disease control, fruit quality control, and road maintenance. Secondary cooperatives managed services such as the farmers' bank and road maintenance fleet, and represented smallholders to third parties.

BOX 5.10 OPHIR PROJECT: LESSONS LEARNED FROM WORKING WITH SMALLHOLDERS IN INDONESIA *continued*

Incentives. Proceeds from fruit bunch sales were divided equally among farmers, with a small premium for individual performance based on the number of bunches that each individual farmer harvested. Shared income created peer pressure to ensure that individual farmers did not fall behind on important plantation management tasks. Therefore, it was in the interest of all farmers to assist members who could not harvest or apply fertilizer owing to ill health, absence, or other labor constraints. Each farmer group set its own rules and penalties for noncompliance with group standards. Fines could be imposed for not attending group meetings, poor harvesting, harvesting unripe bunches, and not providing security after harvesting (to avoid theft of FFB by outsiders).

Farmer diversity. The diversity among farmers, who had different ethnic and occupational (economic) backgrounds, meant that the project could draw on a wide range of experience to fill key positions in the farmer organization and that no single ethnic group dominated it. The diversity appears to have strengthened the organization.

Transparent management and financial system. Group leaders were democratically elected from the membership for a three-year period. Key positions—leader (*ketua*), deputy (*wakil*), technical manager (*petugas tehnis*), and treasurer (*bendahara*)—were funded with salaries drawn from deductions from farmers' monthly payments. The ketua was responsible for ensuring that the kelompok plantation was properly maintained and managed. Each farmer had a bank account through which all payments and loan repayments were made. All deductions were shown on a calculation sheet, which enabled farmers to cross-check the calculations against the budget for plantation costs agreed at the annual meeting.

Social strengthening. Many of the smallholders were new settlers in the area, and the development agency wanted to create a successful community with a spirit of togetherness and mutual benefit. To achieve this, the kelompok was tasked with providing social services and credit. Money from a social fund could be distributed to families with special needs and families going through hard times, and to provide credit facilities to members, who could borrow at very low interest rates.

Extensive capacity building. Smallholders received extensive, continuous, and long-term training that covered the social and managerial aspects of the Ophir Project. Three main issues were addressed. group dynamics, including the rights and responsibilities of farmers and procedures for decision-making; technical know how, including harvesting and upkeep of the plantation; and management skills, including bookkeeping, administrative, and other organizational skills needed to manage the smallholder organizations.

Planning for the future. This type of participatory system requires strong leaders who have up to date knowledge on plantation management, and who can develop clear strategies for short- and long-term planning. Maintaining the principles of the approach, such as the need for togetherness and group rationale, can erode as new people join and the workload shifts from farmers to land laborers, or children take over from first-generation settlers. Such changes might require new kinds of training on the project's philosophy, rights and obligations, and group dynamics. Monitoring and training thus should be continuous processes that keep adapting to changing circumstances.

Source: Jelsma and others 2009.

Although companies may not always have control over how farmers organize, they nevertheless can understand the capacity of existing groups and support building stronger organizations through providing relevant information, sustained interaction, and capacity building. Where gaps in capacity exist, companies may opt to build capacity themselves or work with third-party organizations that have expertise in developing farmer organizations. The latter may be the more effective and less costly approach. The capacity building may include developing financial and crop management capacity and negotiating power relationships as well as institutional strengthening. The third is characterized by representativeness, mechanisms to resolve conflicts, and transparency (such as provision of independent auditors, documented processes for selection and approval of members and leadership, and access to information for all members).

Effective approaches to working with smallholders include segmenting farmers by land size or other characteristics to tailor training messages; mapping farmers using geographic information systems (GIS) to facilitate service delivery, crop procurement, and results measurement; determining the capacity of existing farmers' organizations to undertake functions such as information exchange for training and certification, crop procurement, and other company requirements; and aggregating smallholder farmers into groups and working through lead farmers.

Engaging smallholders to increase their productivity has considerable benefits. However, smallholder engagement also entails investment of human and financial resources on the company's part. This investment may not be repaid if the farmers sell their crop to other buyers. This practice, known as "side-selling," is the main challenge with oil palm out-grower programs. There are a number of practices that can reduce side-selling and increase farmer loyalty (box 5.11).

In addition to technical support for increased productivity of smallholder crops, experience shows that smallholders often need help with long-term vision and planning. Without formal education and money management skills, smallholders often struggle with how best to invest additional cash and tend to spend their money on consumption rather than saving to meet important long-term priorities such as health or education. To be beneficial, capacity building programs ideally would incorporate various areas in which smallholders' skills may need to be strengthened.

BOX 5.11 COMPANY PRACTICES TO INCREASE LOYALTY AMONG OUTGROWERS

- Paying above market price (at least slightly) for specified quality
- Paying cash
- Purchasing and making payments as soon as the crop is harvested
- Providing information on market prices
- Price-smoothing to adjust differences between local and world market
- Purchasing even when quantities are small
- Providing transport from farm-gate
- Providing inputs and services on credit, such as plowing and spraying
- Having field staff who speak local languages and contact farmers to interact with them
- Visiting farmers frequently to show interest and assess yields
- Working with groups who have made a group guarantee to prevent side-selling
- Cutting groups that side sell or do not repay loans
- Building relationships with producer organizations, such as joint ventures, that create long-term incentives

Independent smallholder in Indonesia. Photograph by T. Fitriyardi.

BOX 5.12 AGROPALMA: DEVELOPING A FAMILY AGRICULTURE PROGRAM IN BRAZIL

In 2002 **Agropalma (Brazil)** was invited to participate in the development of the Family Agriculture Program, which was driven by the existence of a credit scheme for oil palm planting offered by the government agency PRONAF (National Program for Strengthening Family Agriculture). There are now 185 growers participating in the scheme, producing on average 17 tons–18 tons per ha each year. Some of the most efficient producers have yields that are higher than on Agropalma's own plantations. The producers also have experienced major increases in their incomes. After discounting the debt repayments, a typical producer can make an income of 1,800 Brazilian Reales a month––very good by the region's living standards.

Agropalma committed to providing technical equipment, training, and support, and guaranteed purchase of the families' produce for 25 years. The company also committed to hiring staff to support the families; providing personal protection equipment; and transport for products such as fertilizers, equipment, and tools (provided at a discounted cost, compared to the local market). A key condition that Agropalma set for its participation was that all producers must be able to demonstrate legal title to their land.

The **State Land Institute** committed to legally allocating to each family 10 ha–12 ha for subsistence farming. Planting subsequently took place in logged-over forest areas and on previously opened lands adjacent to Agropalma plantations.

The **Federal Bank** provided credit to families at 4 percent interest a year, to be repaid in 7 years, for the purposes of planting and maintaining oil palm trees, and providing a basic income for the 3 years it takes for the oil palm seedling to grow and begin yielding.

The **municipality** facilitated the selection process of the families; and provided infrastructure such as school, roads, and services, such as demarcation of the land.

Farmers committed to plant oil palm on areas of 10 ha each, applying appropriate agricultural techniques, paying back the loan, and supplying FFB to Agropalma.

BOX 5.12 AGROPALMA: DEVELOPING A FAMILY AGRICULTURE PROGRAM IN BRAZIL *continued*

The **key mechanisms** that made this program a success are:

- *Government participation:* The credit lines from the government agencies and banks are crucial to the success of the scheme.
- *Private sector participation:* The active participation of a large private sector company such as Agropalma in supplying technical support, high-quality material, and a guaranteed market sets this scheme apart from other rural-credit schemes implemented in the region. Many of these schemes failed when producers were unable to find markets for their crops.
- *Solution for land titling:* Some of the growers in these areas are *Riberinhos* (members of riverside communities), who typically have practiced only subsistence cultivation. They had no experience with cultivating a perennial crop such as oil palm. The lack of individual land titles in this community was resolved through the creation of an association of producers. The association legally owns the land. Each member was then assigned a concession of 10 ha. This solution was achieved thanks to a partnership between Agropalma and ITERPA (the state land-titling institute).
- *Initial income during early growing phase:* The bank provided growers with a monthly income of 1 "minimum wage" (approximately 292 Brazilian reales) to support the family during the initial 3-year growing phase and to cover the purchase of some farming equipment. This support was in the form of a loan to be paid back once the palms began to produce fruit. The loan conditions were extremely generous: a 7-year grace period, with interest then charged at 4 percent.
- *Business case/shared value:* This program is aligned with the company's business activities but, at the same time, supports the community's need for income-generating opportunities. The program effectively uses the company's core skills (agronomic, administrative, and legal) and its strong powers of leverage and network of contacts (engagement with other partners). By meeting both business and local needs, the program had a better chance of succeeding and becoming sustainable.

Source: Field visits, industry consultation, and personal communications, 2011–13.

6. ENSURING CONTINUOUS IMPROVEMENT

Continuous improvement is one of the most overlooked aspects of building effective relationships with stakeholders. Ideally, implementation of community engagement and investment programs should become a source of continuous learning by drawing on data and lessons learned. Experience shows that a well-built monitoring system, can, to a great extent, facilitate a company's decision-making and drive improvements, as well as effectively support reporting to internal and external stakeholders.

There are a number of ways to engage stakeholders in a company's monitoring and evaluation (M&E) efforts. In the palm oil sector, such efforts are rare but growing in importance. Some of the ways in which companies have engaged stakeholders are:

- Jointly identifying indicators and measures of success
- Involving stakeholders in collecting baseline data
- Entrusting stakeholders to take responsibility for monitoring the results of community programs
- Using formal and informal community surveys to track changes in community perceptions. Surveying can help to identify issues before they escalate. In this way, community surveying can become a useful tool and an early warning system on key issues that affect the company-community relationship.

"The true test of our effectiveness in moving closer to our goals lies in transparency, collaboration and measurement. We have started to set meaningful targets that will help us to keep track of our progress and communicate to our stakeholders."

—Olam International (2012)

6.1. DEVELOPING MEASURABLE GOALS AND INDICATORS

In the palm oil sector, research indicates that incorporating local stakeholders into the oil palm economy does not automatically translate into improvements in rural livelihoods.[43] Therefore, setting measurable goals and objectives and measuring performance of programs is highly relevant for companies that want to demonstrate genuine community benefits from their operations and ensure that their investments are effective. From a company perspective, measuring business benefits of engagement and community investment activities is critical for continued internal buy-in and resource allocation. Business benefits can be measured by such indicators as improved productivity, access to land, farmer loyalty, enhanced reputation, social license to operate, enhanced recruitment, and retention of workers.

Quantitative and qualitative indicators both are important. Qualitative evidence enables the company to assess what people think and how well company community programs are performing, and get insights into why some programs are more successful than others. This information is critical because, ultimately, maintaining the SLO depends on the community's perceived effectiveness and benefits of the company's community investment programs. Sample SLO indicators (box 6.2) that can help measure quality of company-community relationship are provided below.

Another important consideration is developing a hierarchy of indicators that can show logically how the outputs of a given community program lead to changes in access, usage, behavior and performance (outcomes), and, ultimately, impacts on people's lives (impacts). Figure 6.1 presents a hierarchy of potential indicators for a company involved in a smallholder development project, to measure the project's contributions to local communities in outcomes and impacts achieved, including the business benefits.

"We believe that by setting ourselves tangible, short-term goals for which we can be held accountable, rather than long-term aspirations, we can really make an impact."

—Nestlé (2013)

BOX 6.1 GUIDE FOR PRACTITIONERS: SETTING GOALS AND SMART OBJECTIVES

SMART criteria for setting objectives:

SPECIFIC: Objective is related to intended results and identifies the target group(s)

MEASURABLE: Objective is clearly defined, with agreement on how to measure and collect evidence (from both 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

Examples (Olam 2012; NBPOL 2012b):

Olam International is a leading global supply chain manager of agricultural products and food ingredients, sourcing 20 products with a direct presence in 65 countries. Olam has an extended network of 3.5 million farmers worldwide, predominantly smallholders working plots of 1 ha–3 ha. The Olam Livelihood Charter formalized the company's activities and performance toward these vital suppliers. The charter is a framework that **aims to improve—by 2020—the viability and well-being of 800,000 smallholder farmers living near subsistence levels.**

New Britain Palm Oil estimates that almost 8,000 smallholders and out-growers are associated with NBPOL through the supply of fruit to NBPOL's mills. The company sees them as both part of its corporate responsibility and crucial in the journey towards sustainability. **New Britain Palm Oil Sustainability Policy aimed to ensure that 100 percent of its FFB would be certified against RSPO Principles and criteria by the end of 2010.** The new goal is to maintain RSPO certification for all sites (inclusive of smallholders) by 2015.

BOX 6.2 SAMPLE SLO INDICATORS

SLO indicators can help measure the relationship between the company/stakeholders/community:

- Stakeholders attending meetings and/or inviting company in to meet/present
- Level and quality of participation of women, youths, and other marginalized groups in meetings (such as the 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? do stakeholder say they trust the process?)
- Degree of trust felt by the affected community toward the project (and vice versa)
- Number of protests, demonstrations, complaint letters, and compensation requests
- 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
- Nature of grievances 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
- 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.

Source: IFC 2010; CDA Collaborative Learning Projects 2003.

FIGURE 6.1. EXAMPLE OF HIERARCHY OF INDICATORS FOR SMALLHOLDER DEVELOPMENT PROJECT

Hierarchy	Inputs	Outputs	Outcome	Impacts	Business benefit
Definition	Resources invested (money, staff time, inputs)	Goods and services generated by the use of inputs (short term)	Expected changes in access, usage, behavior, or performance of users (medium term)	Ultimate (long-term) effect of the intervention on a key dimension of development (for example, living standards)	Direct or indirect business value generated through engagement process or community investment activities
Quantitative results	• Dollars invested by the company • Number of extension staff employed • Agricultural inputs provided (quantity) • Training modules developed	• Model nurseries established • Number of training sessions delivered • Number of cooperatives established • Number of farmers registered*	• Number of hectares (ha) planted by farmers • Number of farmers applying good practices* • Number of operational cooperatives • % change in farmers' enrollment in the program*	• Average yield (and % change in average yield)/farmer*/ha • Premium payments ($) earned/farmer* • % change in average incomes/ farmer* • Indirect broader impacts* (including improved family health/ financial well-being/ asset build-up, more diversified livelihoods, more children attending schools, deforestation reduced by community)	• Access (ha) to more productive land • Tons (t) of outside FFB purchased • % change in grievances by communities participating in program • Access to markets
Qualitative results	Stakeholders' satisfaction with their roles/ participation in smallholder program design*	• Perceptions of relevance and usefulness of training content received • Degree of trust felt by farmers toward a co-operative structure/degree of farmers' willingness to enroll	• Farmers reporting application of acquired skills and knowledge* • Company extension staff reporting farmers' decreasing reliance on their support • Quality of maintenance of palm oil sites	• Perceptions with respect to the positive or weak aspects of the project (that is, if it fulfills needs and expectations)* • Perceptions of improved socioeconomic status or opportunity among beneficiaries* • Environmental quality and land such as water catchment, rivers and streams, and forest resource areas • Strength of community-based organizations, and their capacity to engage effectively as partners in government schemes and future managers of agricultural properties after their lease agreements terminate Indicators of economic and social mobility through increased income and accumulation of capital, and access to education, training and employment or business opportunities	• Changes in community perceptions of the company attributable (directly or indirectly) to the project* • Nature of grievances by communities participating in program

Source: IFC 2010; Cooke and others 2011.

Note: *= Data disaggregated by gender.

6.2 ONGOING COLLECTION OF INFORMATION TO SUPPORT THE COMPANY'S FOCUS

Baseline data provides a means to assess the original conditions in the communities before an intervention and establishes a starting point or benchmark against which to measure and monitor progress. Although ESIAs typically provide a company with a good understanding of local conditions, additional data collection may be needed at various stages if original data are outdated and no longer reflect the dynamic conditions in communities; or if a company needs more targeted baseline data. An example of how NBPOL approaches baseline data collection is provided below.

Data can be collected through physical indicators (actions that can be interpreted as expressions of community sentiment) and verbal indicators (information gathered by social specialists). Verbal information collection 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. Verbal information remains qualitative and its reliability is highly dependent on the skill of the researcher.

Involving communities in data collection can be an important part of engagement with communities as well as a source of data. Experience from the field has demonstrated that this approach can result in an improved understanding of the social, environmental, and economic issues among community members involved in data collection. Additional benefits may include increased leadership capacity, improved self-esteem and ability to express and present issues of collective interest to broader communities, as well as skills development and transfer. (See Agropalma example in box 6.4.)

BOX 6.3 NBPOL FOUNDATION: COLLECTING BASELINE DATA TO SUPPORT A COMMUNITY INVESTMENT STRATEGY IN PNG

The **NBPOL Foundation** was established in 1997 to support community projects in West New Britain (Papua New Guinea). It is financed through direct contributions from the NBPOL Group, as well as dividends from its 450,000 NBPOL shares. NBPOL selected Voluntary Services Overseas, a U.K.-based NGO, as the prime partner to assist the foundation in establishing and implementing its long-term strategy, seeking to address the priority areas set out in the 2000 Millennium Development Goals (MDGs) and PNG's Vision 2050.

Scope of assessment. The objective was to establish current conditions of infrastructure, services, and social well-being factors such as education and health. The target demographic was people living within a 10-km radius of NBPOL's operations. Completing the research for the assessment took approximately eight months. It examined 18 geographic clusters that reflected relevant characteristics of communities. They were sampled based on travelling distance to main roads, larger towns, and markets and to services such as health centers, aid posts, and schools. The research team met with 651 people, who represented 40 communities.

Collection methodology. The assessment entailed a combination of interviewing stakeholders, evaluating service providers, and gathering community statistics. It consisted of a participatory, field-based study with local stakeholders and complementary desk research. The assessment began by identifying key stakeholders from the communities to ensure that their expectations were managed before any work started. Diverse stakeholders included village leaders, councilors, chiefs and elected community officials, pastors, community members, and representatives of NGOs and community groups. To ensure that women's opinions were heard, the research team ran women-only group discussions. In addition to issues affecting them, the women also were asked to identify issues affecting younger females in their communities. Of the 651 people, 210 women were included in the women-only discussion groups.

Outputs. The baseline results informed the foundation strategy in three key ways:

1. Providing a quantitative baseline in the targeted areas (for example, for community health)
2. Providing information on the service provision— the actual services available to communities and what short-, medium-, and long-term development programs can address the issues identified
3. Providing community views on how community interventions should be designed.

Source: NBPOL 2011; VSO PNG and NBPOL Foundation 2013.

BOX 6.4 AGROPALMA: ENGAGING STAKEHOLDERS IN DEVELOPING INDICATORS AND TRACKING PROGRESS

In 2002 **Agropalma (Brazil)** developed the Dendezeiro Family Production Program, which was initially available to 150 low-income families and community groups but has since expanded. In partnership with Instituto Peabiru, Agropalma is now implementing a number of innovative projects, including the "Development of Sustainability Indicators for Family Agriculture Program." This project's approach relies on a system of participatory development and monitoring indicators. As the first step, Instituto Peabiru led a process through which key stakeholders created a list of sustainability indicators to measure improvements in quality of life and impacts of the Family Agriculture Program. The monitoring was conducted by 35 young socioenvironmental researchers—children of farmers. The main results of the participatory monitoring process included the following:

- Improved understanding of the social, environmental, and economic issues among youth monitors; how these issues manifest themselves in local realities; and potential strategies to mitigate them
- Increased leadership capacity among young participants and increased responsibility for research and monitoring of sustainability indicators, as well as greater ability to systematize and analyze data
- Self-esteem, with the ability to express and present issues of collective interest to broader communities
- Greater participation and involvement of young people in meetings and community affairs
- Completion by 35 youths of computer certificate programs (for Word, Excel, PowerPoint, and the Internet) to support their efforts to systematize and analyze qualitative and quantitative data.

Source: Fischer and others 2006; field visits, industry consultation, and personal communications, 2011-13.

6.3 USING RESULTS TO DRIVE DECISION-MAKING

Monitoring and evaluation (M&E) efforts will have little value if the company does not act on the information that comes out of data collection and analysis. Monitoring impacts and mitigation also is an important part of implementing an Environmental and Social Management System (ESMS), a requirement of IFC Performance Standard 1. Thorough and regular monitoring and evaluation of the management plans will assist in decision-making and identifying any necessary corrective actions. These actions should be detailed in a "Corrective Action Plan."

Good practice encourages companies to establish explicit mechanisms for organizational learning of what worked and what did not. The mechanisms can include documenting experiences, filtering these experiences through the organization, and dedicating personnel to improve community engagement and investment practices after data and lessons are captured and reviewed.

A company that is seriously focused on succeeding in managing community relations also should hold its employees accountable. Accountability can be implemented through developing evaluation and accountability standards that can carry consequences for compensation and career development. Information from M&E can be used as input in staff performance appraisals, including integrating activities and key performance indicators related to community engagement and investment into staff responsibilities.

BOX 6.5 NBPOL: LINKING RENUMERATION AND SUSTAINABILITY IN PNG

The board of directors of **NBPOL** takes an active role in guiding, reviewing, and formulating the sustainability strategy, which is considered central to the overall success and financial performance of the company. The strategy is supported by a robust management and incentive structure that ensures that sustainability is embedded and supported throughout the Group. All executive directors are compensated in accordance with a set of targets composed of four aspects: contributions to profitability, growth, a productivity target of 30:30, and sustainability (using ISO14001[c] and RSPO). Performance in these four aspects determines salary increases and bonus payments. Nonexecutive directors are not compensated on the basis of company performance and do not receive shares.

Members of senior management, including all general managers, also are compensated in accordance with their performance. A key target for all general managers is obtaining or maintaining RSPO certification. This is a crucial aspect because the failure of one unit to achieve certification could lead to the suspension of certification for the entire Group. Targets pertaining to RSPO therefore cascade throughout the performance evaluation system. Estate managers, specialists, and field supervisors all have specific responsibilities. Failure to meet their responsibilities has a significant effect on salary increases and bonuses.

In 2012 the Group introduced a new discretionary bonus plan for senior managers determined by the Board Remuneration Committee. The bonus is divided in 3 elements: profit (35 percent), productivity (45 percent), and sustainability (20 percent). The sustainability portion is linked to a number of key performance indicators for sustainability and to maintaining both RSPO and ISO14001 certification.

Source: NBPOL 2012a; NBPOL 2011.

Note: a See ISO 14000 Environmental Management, http://www.iso.org/iso/home/standards/management-standards/iso14000.htm.

6.4 REPORTING TO STAKEHOLDERS

Ideally, monitoring community engagement and community investment programs should be integrated with other related company-wide monitoring and reporting processes. Integrating monitoring can help to strengthen internal alignment, bringing together different teams within the company. Internally, the emphasis typically is communicating the business case and strategy to maintain support from senior management and resources. Externally, companies use data to engage various stakeholders, build partnerships, and receive feedback for the continued improvement of their community engagement and investment programs. Additional details on methods of communications with stakeholders can be found in *Part 3: BUILDING STRONG STAKEHOLDER ENGAGEMENT PROCESSES.*

In their public reporting, palm oil companies often adhere to the Global Reporting Initiative (GRI) sustainability reporting standard, one of the world's most prevalent. It sets out requirements for companies to report and provide information to stakeholders about economic, environmental, social, and governance performance. GRI is a particularly important tool for companies that are publicly listed or plan to be listed. Finally, there can be country priority or internationally recognized frameworks such as the UN Millennium Development Goals (MDGs) and the UN Global Compact, which have targets and indicators that companies can use as benchmarks (box 6.6).

BOX 6.6 DAABON: REPORTING PUBLICLY AGAINST THE MILLENNIUM DEVELOPMENT GOALS IN COLOMBIA

As part of its social responsibility strategy, **Daabon (Colombia)** works with smallholders and supports development projects in communities in which it operates. The company linked its contributions to the UN Millennium Development Goals to help to clearly explain to stakeholders the company's role in meeting the MDGs as well as to communicate a narrower set of results linked with these contributions.

Millennium Development Goal	Objective	Outcome
Goal 1: Eradicate extreme poverty and hunger	Create income opportunities for small farmers to reduce poverty and enable the return of displaced communities	447 families (approx. 2,700 people) added to Allianzas (farmer cooperatives), receiving stable incomes, and sharing organic premiums and carbon credits (since 2010)
	Provide stable and well-paying employment	On average, Daabon workers' wages are 70% higher than the Colombian minimum wage of 566,100 Colombian pesos (in 2012)
Goal 2: Achieve universal primary education	Raise basic education standards in an area in which an estimated 35% of school-age children do not attend school	New school facilities and access for new students, benefiting 360 families
Goal 4: Reduce child mortality Goal 5: Improve maternal health Goal 6: Combat HIV/AIDS, malaria, and other diseases	Increase access to drinking water in an area in which over 50% are estimated to lack clean water supply	Over 800 families (2,400 people) with access to a potable water supply
	Increase access to local health care in areas with poor coverage	360 families with access to local health facilities
General development objectives	Support better housing for families in areas prone to flooding and those with low standards	100 houses completed, with an additional 350 to be built by 2012
	Increase access to electricity in areas with no connection to electrical grid	500 family homes connected to the grid

Source: DAABON 2009.

BOX 6.7 EXAMPLES OF INDICATORS USED IN SUSTAINABILITY REPORTING IN THE PALM OIL SECTOR

Related to Community Engagement

- No expansion without free prior and informed consent (FPIC) from local communities (yes/no)
- Signed contracts with affected villages demonstrating FPIC and negotiated agreements
- No expansion into high conservation value (HCV) areas
- Ha of land set aside for HCV areas and buffer zones
- Ha of land set aside for traditional agriculture, hunting, fishing, and collection activities
- Mechanisms established to engage stakeholders
- Standard operating procedures established

Related to Community Investment

- Number of permanent employees and temporary workers (male and female)
- Percentage of employees recruited from nearby communities (male and female)
- Adherence to minimum wage requirements
- Benefits provided to workers (housing, food allowance, water, education, health care, electricity)
- Community investments made (volume in US$)
- Number of community members or families with services, electricity and water supply)
- Percentage increase in population with access to public services (health care, education, electricity, water supply)
- Number of new facilities built or supported (school, medical center, houses)
- Number of housing units constructed or renovated (communities and worker related)
- Number of beneficiaries from a program (community members, farmers, employees)
- Number of smallholder cooperatives established or operational
- Number of farmers registered in cooperatives
- Number of targeted smallholders and smallholder groups trained
- Loans provided to famers (US$)
- Ha of land planted or area under production by farmers
- Increase in yield per ha among smallholders (MT/ha)
- Number of smallholder cooperatives achieving RSPO certification
- Percentage of RSPO premium paid to smallholders
- Total farmer revenues relative to incomes (US$)
- Percentage increase in farmer revenues

Source: Field visits, industry consultation, and personal communications, 2011-13.

Appendix 1. STAKEHOLDER ENGAGEMENT PLAN: SAMPLE CONTENTS

The following guidance is part of IFC's "Stakeholder Engagement Good Practice Handbook for Companies Doing Business in Emerging Markets."

1. **Introduction.** Briefly describe the project (or the company's operations), including design elements and potential social and environmental issues. Where possible, include maps of the project site and surrounding area.

2. **Regulations and Requirements.** Summarize any legal, regulatory, lender, or company requirements pertaining to stakeholder engagement applicable to the project or company operations. This may involve public consultation and disclosure requirements related to the social and environmental assessment.

3. **Summary of Previous Stakeholder Engagement Activities.** If the company has undertaken any activities to date, including information disclosure and consultation, provide the following details:

   • Type of information disclosed, in what forms (such as oral, brochure, reports, posters, radio), and how it was disseminated
   • Locations and dates of any meetings
   • Individuals, groups, and organizations that have been consulted
   • Key issues discussed and key concerns raised
   • Company responses to issues raised, including any commitments or follow-up actions
   • Process undertaken to document these activities and report to stakeholders.

4. **Project Stakeholders.** List the key stakeholder groups who will be informed and consulted about the project (or the company's operations), who are directly or indirectly affected, who have interests in the project or the parent company that make them stakeholders, and/or who have the potential to influence project outcomes or company operations.

5. **Stakeholder Engagement Program.** Summarize the purpose and goals of the program (project specific or corporate). Briefly describe what information will be disclosed and what will be consulted on, in what formats, and by which methods to/with each stakeholder group. Methods used may vary according to target audience. Describe how the views of women and other

relevant subgroups (such as minorities, the elderly, and youth) will be taken into account during the process. Describe any other engagement activities that will be undertaken, including participatory processes; joint decision-making; or partnerships undertaken with local communities, NGOs, or other project stakeholders. Examples include benefit-sharing programs, community development initiatives, resettlement and development programs, and training and microfinance programs.

6. **Timetable.** Provide a schedule outlining the dates and locations of various activities, including consultation, disclosure, and partnerships; and the date by which such activities will be incorporated in the company's management system (at either the project or corporate level).

7. **Resources and Responsibilities.** Indicate which staff and resources will be devoted to manage and implement the stakeholder engagement program: who will be responsible for carrying out activities and what budget has been allocated for them.

8. **Grievance Mechanism.** Describe the process by which people affected by the project (or company's operations) can bring their grievances to the company for consideration and redress. Identify who will receive public grievances, how and by whom they will be resolved, and how the response will be communicated to the complainant. Address how anonymity will be respected, if requested.

9. **Monitoring and Reporting.** Describe any plans to involve stakeholders (including affected communities) or third parties in monitoring project impacts and mitigation programs. Describe how and when the results of stakeholder engagement activities will be reported to affected stakeholders as well as to broader stakeholder groups. Examples of reporting means include social and environmental assessment reports, company newsletters, annual monitoring reports submitted to lenders, company annual reports, and company or corporate sustainability reports.

10. **Management Functions.** Describe how stakeholder engagement activities will be integrated in the company's environmental and social management system and with other core business functions. Identify who will have management oversight. Address plans for hiring, training, and deploying engagement staff and the reporting lines between community liaison staff and senior management. Describe how stakeholder engagement strategy will be communicated within the company and which management tools will be used to document, track, and manage the process (for example, a stakeholder database, a commitments register). For projects or company operations involving contractors, indicate how the interaction between contractors and local stakeholders will be managed to ensure good relations.

Appendix 2. SAMPLE TERMS OF REFERENCE FOR COMMUNITY/STAKEHOLDER RELATIONS MANAGER

The community relations manager is responsible for implementing and driving improvements to the (INSERT COMPANY) social commitments in a proactive manner.

KEY RESPONSIBILITIES (MODIFY AS NEEDED)

Policies and Procedures

- Develop and/or review standard operating procedures (such as for grievance management, land acquisition, and community engagement) or other protocols that guide the engagement of plantation staff with stakeholders. Where applicable, ensure that communities and stakeholders engage proactively in the design and implementation of such procedures.
- Identify and lead the implementation of relevant social principles, criteria, and requirements covered by (LIST RELEVANT) the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria, Indonesian Sustainable Palm Oil, IFC Performance Standards, Equator Principles, International Sustainability and Carbon Certification, Roundtable on Sustainable Biomaterials, or others.
- Develop, implement, and supervise procedures for routine internal monitoring of compliance with relevant social principles, criteria, and requirements; and support external (audit) compliance monitoring.

Programs Management

- Identify and regularly review key local stakeholders and their concerns, issues, and priorities. Adjust the company's community engagement and investment activities based on the results of such reviews.
- Establish a structured form of continuous dialogue with local stakeholders for an estate.
- Ensure that the community relations staff proactively engages local stakeholders in all matters of concern to stakeholders.
- Manage community relations staff recruitment and training, budgets, and relevant community engagement and investment programs targeted at communities affected by the project. These programs can include, but are not necessarily limited to, the following (LIST RELEVANT): environmental

and social impact assessments (ESIAs) and resulting mitigation plans; land acquisition and resettlement action plans; livelihood restoration plans; free, prior, and informed consent (FPIC) process; high conservation value (HCV) assessments and management plans; smallholder development; grievance management and conflict resolution; community health and education; local economic development programs; and infrastructure development.

- Ensure that community engagement and community investment programs are guided by a long-term strategy based on clear and realistic goals, objectives, and indicators of success.
- Ensure regular review of social impacts and risks throughout the project cycle (using a mitigation hierarchy to avoid, minimize, and manage project-related impacts), and the effectiveness of various programs in helping the company manage these risks.
- Ensure regular monitoring of the performance of community engagement and investment programs. Ensure that the company actively uses the results of monitoring and audits to drive improvements in the way it designs and implements community engagement and investment programs.
- Ensure that community relations staff actively seek community input in the design and implementation of community engagement and investment programs.
- Working collaboratively with community relations staff and local stakeholders, identify and manage potential and existing disputes.

Team Management and Internal Coordination

- Supervise (COMPANY'S) community relations team—including consultants, contractors, and company employees—in the daily execution of their work, and build a cohesive team.
- Develop work plans to deliver structured and repeated training on relevant subjects (such as RSPO Principles and Criteria, gender awareness, FPIC, human rights) to plantation staff at all levels. Where applicable, work with other departments (such as Human Resources) to ensure that the training also is delivered to contractors and subcontractors.
- Where responsibility for community engagement or investment rests with a different department, ensure that such activities meet the company's own and other relevant industry standards.

Communications and Dialogue

- Facilitate communication with internal and external stakeholders (such as senior management, government, and nongovernmental organizations [NGOs], lenders), and prepare responses to queries on community programs.
- Identify opportunities for leveraging community development funds with bilateral and multilateral agencies; private donor organizations; and other local, regional, and national agencies.
- Establish and maintain dialogue with appropriate regulatory authorities.
- Represent the company at public conferences and fora as required.

QUALIFICATIONS (MODIFY AS NEEDED):

- An advanced degree (post-graduate degree) in the social/applied sciences or other relevant discipline, such as anthropology, geography, social or environmental sciences, health, economics, rural development, urban and regional planning, and governance
- At least 10 years of relevant professional experience in leading socioeconomic development programs and multistakeholder engagement processes, planning and implementing environmental and social impact assessments, implementing socioeconomic surveys, auditing, and related work
- Experience in developing Environmental and Social Impact Assessment (ESIA), Environmental, Social and Health Impact Assessment (ESHIA), or Social Impact Assessment (SIA); resettlement action plans; community engagement and development plans; and community investment strategies desirable
- In-depth, practical experience in addressing a range of social, environmental, occupational health and safety, and social management issues in the palm oil sector
- Sound understanding of local traditional and informal systems, laws, and regulations governing the oil palm sector, as well as the landscape of local stakeholders and interests involved
- Experience within region and country preferred
- Knowledge of budget preparation and administration
- Ability to travel frequently
- Self-starter with enthusiasm for integrated business solutions
- Experience with leading multidisciplinary and multicultural teams, and building cohesive team function
- Skills in evaluating, training, and motivating employees
- Strong technical writing skills
- Strong writing and public speaking skills
- Bilingual language skills (LIST RELEVANT LANGUAGES)

Appendix 3. FREE, PRIOR, AND INFORMED CONSENT IN RSPO PRINCIPLES AND CRITERIA

TABLE A3.1 FREE, PRIOR, AND INFORMED CONSENT IN RSPO PRINCIPLES AND CRITERIA

Criterion 1.1	Growers and millers provide adequate information to relevant stakeholders on environmental, social, and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision-making.
Criterion 1.2	Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.
Criterion 2.1	There is compliance with all applicable local, national, and ratified international laws and regulations.
Criterion 2.2	The right to use the land can be demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal, customary, or user rights.
Criterion 2.3	Use of the land for oil palm does not diminish the legal, customary or user rights of other users without their free, prior and informed consent.
Criterion 6.3	There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.
Criterion 6.4	Any negotiations concerning compensation for loss of legal, customary or user rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.
Criterion 7.5	No new plantings are established on local peoples' land where it can be demonstrated that there are legal, customary or user rights, without their free, prior and informed consent. This is dealt with through a documented system that enables these and other stakeholders to express their views through their own representative institutions.
Criterion 7.6	Where it can be demonstrated that local peoples have legal, customary or user rights, they are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.

Appendix 4. TEMPLATE FOR CONDUCTING PARTICIPATORY ISSUES AND OPPORTUNITIES ASSESSMENT

The Participatory Issues and Opportunity Assessment (ERM 2008) enables companies to consult beneficiaries during the detailed design of community investment programs. This consultation should aim to include as many stakeholders as possible in the community in which the targeted investment is to take place. The assessment should complement and build on the ESIA and HCV assessments.

The Participatory Issues and Opportunities Assessment is designed to:

- Facilitate community decision-making about issues and opportunities for community investment programs
- Develop appropriate solutions or interventions to address the local problems and opportunities identified
- Improve stakeholder buy-in to the delivery process and manage beneficiaries' expectations
- Help inform the design of community investment programs so that companies invest in initiatives that are likely to be mutually beneficial, relevant, and sustainable in communities.

This assessment is best done before community investment programs are designed and budgets and funding for development interventions are allocated. The research component of the assessment should be carried out separately in each community. The assessment may take two days per community, but this number is not prescriptive. The time needed is likely to vary greatly depending on the size of the plantation, ease of travelling, and number and size of the communities. Therefore, the total time and budget required for the exercise also likely will vary. The assumption is that all relevant data from the ESIA and HCV assessment will be utilized.

FIGURE A4.1 STEPS IN CONDUCTING PARTICIPATORY ISSUES AND OPPORTUNITIES ASSESSMENT

Pre-Research Planning

- Conduct a meeting with the plantation community relations staff and/or the third party (such as a local NGO) hired to conduct the assessment.
- Provide clear information on the intent of the company, such as the goals of the community investment programs, general areas of proposed company support (for example, education, health), and reasonable budgets available.
- Clearly instruct the team that the assessment cannot generate a wish list and that there are limited budgets to address key issues of the communities, in line with larger company objectives.
- Finalize the design of the assessment.

Field Visit(s): Day 1

- Convene a meeting with the community leaders to reconvey the points discussed above, and to explain the resources and the nature of community participation needed to make the assessment successful.
- Conduct the sample survey.
- Conduct focus group discussions.
- Hold team briefing at end of day.

Field Visit(s): Day 2

- Conduct a community or transect walk and map resources.
- Form groups in the community to map resources on paper.
- Conduct problem analysis at the community level.
- Share findings from Day 1 with group.
- Seek input on how the community can best participate in and sustain development projects.
- Rank community priorities and issues.
- Guide community in pairwise ranking of issues.

Data Analysis and Evaluation

- Bring team together to analyze the results of the resource mapping and problem analysis, the survey, and the focus group discussions.
- Compile a short report to categorize the community development issues and priorities.
- Factor the findings into the social investment plan of the company.
- Share the findings with communities.
- Initiate negotiation and consensus before deciding on developmental interventions.

Key Considerations

Pre-research Planning

- Allocate team responsibilities.
- Design open-ended questionnaires to be administered in the communities.
- Select the sample size for the questionnaire.
- Formulate checklists for focus group discussions.
- Prepare other materials required during the visit, such as chart papers, markers, flip charts.
- Try to contact community leaders ahead of to tell them about the key tasks— the surveys, resource mapping, and community consultations.
- Communicate what resources are required from the communities to complete these tasks, such as local informants and students to fill in questionnaires.
- Ensure that the exercise involves all community groups, especially vulnerable groups such as households who live below the poverty level, women, tribes living in a larger community and other ethnic groups, youth, and elderly and retired people.
- On site in the community, explain all tasks carefully because their objectives and nature easily can be misunderstood.

Field Visit(s)

DAY 1

Sample survey. In the sample survey, an open-ended questionnaire is administered. Consider using young students from the community or others who know the community well, such as teachers and nurses, as field investigators to administer the questionnaire. Recruiting these individuals may be done by going door to door or by random selection. One community specialist must train the investigators and supervise the survey over the next two days. Depending on the sample size selected, the survey may be completed in 1 day or may require more days.

Focus group discussions. In a focus group discussion, a group (such as women, households living below the poverty level, or ethnic minorities) is targeted for consultation. Simultaneously, the other community specialists in the team should conduct focus group discussions with the survey. In each discussion, ask about day-to-day problems, obstacles, and challenges that group members face in living in the community and about what they see as solutions to improve the quality of their lives.

DAY 2

Community or transect walks and resource mapping. A transect walk is an interactive exercise that is done in the natural setting of the communities as the first step in a resource mapping exercise. With a group of community members, staff should walk through the community or neighborhood, observing resources, discussing them, and marking them on the map. The map should include the major buildings, roads, and installations (for example, water points, playgrounds, schools, health centers, shrines, and garbage dumps). It should also include observations about installations that are in a state of disrepair, have collapsed, or are not working. Ensure that each of these is discussed as it is marked on the map. Discussion at this point will help to limit opposition and contradictions later in the appraisal; discussion contributes to transparency of the process. Clearly communicate the goals and the nature of all potential community investment activities to community members. Stress that it is not the company's role to take over local government's responsibility for infrastructure development and services, but that the company may be able to assist with some projects, especially those that have mutual benefit for both the local community and the company.

Group resource mapping. Form groups in the community. With each group, use chart paper to map resources such as water sources, banks, schools, health facilities, and markets; and to map access issues. From these inputs, formulate a diagrammatic resource map for the community.

Community-level problem analysis, using matrices and rankings. After preparing the resource map, sit with the community and hold a session to identify problems, development priorities, and possible solutions and opportunities. Share the findings of Day 1 to help list and rank priorities in the community. Match the community's priorities with the company's priorities for community investment. Seek inputs on potential solutions and how the community can best participate in and sustain development projects, together with local government and the company.

Data Analysis and Evaluation

This step consists of internal team analysis as well as sharing the findings with communities. Typically, after the PNOA findings have been shared with the communities, a process of negotiation and consensus is initiated before decisions are reached about the company's developmental interventions.

BOX A4.1 NECESSITY FOR SKILLED FACILITATION

Remember that each exercise with the community requires skills in guiding community expectations and prompting people about opportunities and priorities for development. A skillful facilitator will guide the community's perception of issues and challenges. For example, community members may see building a hospital as an immediate requirement. However, the actual problem may be that no doctors or health care facilities are in that area. The company should make clear to the community at the outset that the company cannot replace the proper functions of the government and that the company will invest only in developmental projects that the company can manage or can implement jointly with the local government and community. Facilitators should remain focused and be careful about emphasizing community needs.

The downside of focusing on community needs is that such a discussion often will result in a long impractical "wish list" from the community, and an expectation from the community that the company will provide the wish items.

Rather, the facilitator should work with the community to identify "issues" and then guide the community through a problem-solving discussion that also looks at opportunities to address these community-identified issues and priorities. These priorities should be matched with the company's goals and priorities for community investment and mutual benefits (*Sec. 2.1: LINKING COMMUNITY INVESTMENTS TO BUSINESS OBJECTIVES*).

Source: ERM 2008.

Appendix 5. USEFUL RESOURCES

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