TOWARDS AN ENABLING ENVIRONMENT FOR MEANINGFUL STAKEHOLDER ENGAGEMENT

Levers for Government and Public Policy

Table of Contents

Executive Summary

T he policy paper results from an intensive peer learning partnership (PLP) process, funded by the European Union and sponsored by the OECD, involving many practitioners across sectors and countries. The PLP explored how to further stakeholder engagement in decision-making process and actions including in measuring and managing social impacts. Meaningful stakeholder engagement is *inclusive, responsive, agreed, accountable, appropriate, timely and actionable.*

Public policies help foster and ensure such engagement while moving it beyond the frequent yet counterproductive "check-the-box" bureaucratic stakeholder consultation practices. The paper offers insights into policy levers and corresponding governmental roles and actions to ensure stakeholder engagement is meaningful to all participants.

Public policies enable three interactive, complementary conditional elements that are key for meaningful stakeholder engagement: i) the <u>awareness</u> about the need for and benefits of stakeholder engagement; ii) the <u>capacity</u> to generate successful participation; and iii) a <u>conducive ecosystem</u> through removing barriers, providing incentives and establishing conditions of success.

The prerequisite first element, awareness raising, provides the groundwork for the other elements by establishing a shared understanding of why engagement is important. It does so, for example, through acknowledging and celebrating successes, funding awareness raising initiatives, and embedding stakeholder engagement concepts in policies, education. It creates a collective acknowledgement that gathering insights and inputs of stakeholders are necessary and feasible; all which can lead to innovative solutions that transcend polarization around conflicting interests, and better decisions.

The second element aims addresses the lack of engagement skills. Public policies can encourage and incentivize; i) targeted training of all involved; ii) access to (international) good practices; and iii) further development of tools tailored to the needs of different types of actors and local stakeholders. The policy paper provides examples of funding good practices, tool development and application, and embedding capacity in education.

Public policies are required to establish the favorable conditions for a systemic development and implementation of meaningful stakeholder engagement, providing the necessary tools at the right moment. Policies shall consider transparency and governance as core elements. Thus, there is a need for policies that focus on removing barriers and creating incentives for stakeholder engagement in impact measurement. The policy paper envisages policies that contribute towards changing the rules of the game for organizations and sectors; ultimately ensuring that any organization is held accountable for its impact. The SDG Impact Standards are offered as one template that could be applied broadly within and across sectors through public policy.

The Social and Solidarity Economy (SSE) has the opportunity and responsibility to articulate, implement and advance public policies

that support meaningful stakeholder engagement, overall and linked to impact measurement and management. Such policies can help the SSE better fulfill their mission, secure future funding and as importantly, be a model for the conventional market economy as it seeks not only to comply with the do-no-harm principle but also to ensure the generation of positive social and environmental impacts.

Thus, successful pathways, towards meaningful stakeholder engagement, move from awareness raising, over capacity building to transforming the ecosystem. This implies moving faster in sectors / contexts where the conditions to do so are met and leveraging the successes in one sector to further the mainstreaming in other sectors. The policy paper does recommend setting requirement, together with removing barriers and providing incentives. But making things mandatory too fast could just hinder progress or lead to window dressing and ineffective checking the box practices.

Introduction

This paper offers insights into policy levers and government actions to further meaningful stakeholder engagement in decisions and actions of both public and private actors that impact or have potential to impact the environment or society. Key stakeholders include government agencies, for-profit and non-profit businesses, social service providers, customers, investors and communities.

Developed through an intensive learning exchange among sectors and countries, the audience for the paper is those who can affect the quality and effectiveness of stakeholder engagement.

Background

In a world facing widening social and economic inequalities, the degradation of natural resources and ecosystems, and changing climates, the chances for achieving the global Sustainable Development Goals (SDGs)[1] are dim unless the underrepresented stakeholders, who have the most at stake, are also given entree to a seat at the decision-making table. Those who experience these global problems most intensely accumulate invaluable insights and are best positioned to inform what gets measured and provide insights that inform management decisions about how to improve programmes, services and products.

The actors addressing the most pressing global issues for societies and the environment have been expanding in the SDG era to include enterprises from the social and solidarity economy (SSE) and the wider private sector, in addition to the traditional government, non-profit and civil society actors. That said, the way that all sectors address these issues will be hindered if key stakeholders affected by these global issues are not sufficiently involved.

From May through October 2021, a cross-sector, 13-nation, 26-member consortium – funded by the European Union and sponsored by the OECD under its Global Action to Promote SSE Ecosystems, the Stakeholder Engagement in Impact Management and Measurement Peer Learning Partnership (PLP)[2] – sought to address this concern. It leveraged its deep collective expertise and experience in the practice, methods and policies of stakeholder engagement in impact measurement and management to:

- understand the perspectives of stakeholder engagement for impact investors and enterprises

- identify the range of current stakeholder engagement practices and the purposes they serve – with a focus on under-represented stakeholders and end-use beneficiaries

- identify barriers and opportunities for amplifying stakeholder engagement to improve impact measurement and management (IMM) as well as accountability to stakeholders

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[1]   United Nations Development Programme, https://www.undp.org/sustainable-development-goals

[2]   Social Value US, https://socialvalueus.net/sse-plp

- develop capacity-building and policy solutions to address the identified barriers and opportunities.

The consortium participants followed a phased process to promote peer learning and identify barriers to, and opportunities for, stakeholder engagement in the SSE. Each of the steps – including surveys, peer-to-peer learning sessions and sharing experiences – ranged from the development, presentation and discussion of ten exemplary use cases to the review of a dozen on-the-ground examples from several countries and sectors. All were intensely engaging, probing and full of respectful inquiry. Figure 1 illustrates our learning journey.

A product of this dynamic process and continuous efforts of the Policy Working Group of the PLP, this paper offers insights into public policy as a key lever for advancing meaningful stakeholder engagement in impact measurement and management. It focuses on the role of public policies in creating the conditions that welcome those stakeholders who are most affected, to have a seat at the table. In doing so, stakeholders can contribute to the design, implementation and evaluation of solutions to the problems faced in their local communities as well as globally.

> **"Lacking a culture of authentic engagement, stakeholder engagement becomes an exercise in box-checking, a source of irritation for decision makers and the feedstock for external stakeholder cynicism."**
> **– SOCIAL VALUE US**

Our learning journey

First Steps - The Launch
- Survey of PLP Members
- Peer Learning Work Stream Sessions
- We Meet!
- Use Cases
- Website & Social Media Campaign Launch

Data Party
- More Peer Learning Work Stream Sessions
- Prepare White Papers
- More Social Media

All PLP Member Meeting
- OECD Global Action Meeting
- Dissemination & Outreach Planned
- Video Released
- White Papers – PLP Member Reviews
- Outcome Report Prepared
- White Papers - Finalized

OECD All PLP Meeting

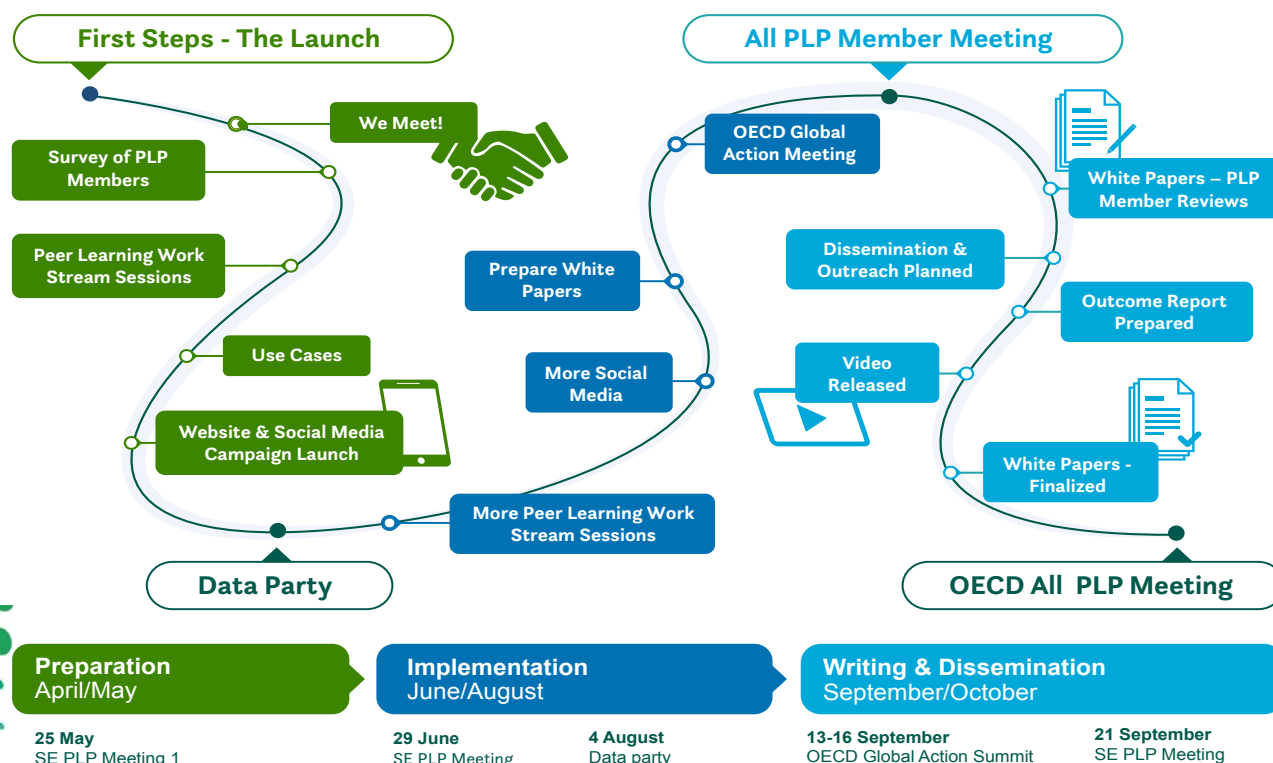| Preparation April/May	Implementation June/August	Writing & Dissemination September/October
25 May SE PLP Meeting 1	**29 June** SE PLP Meeting **4 August** Data party	**13-16 September** OECD Global Action Summit **21 September** SE PLP Meeting

FIGURE 1. Our learning journey

The paper does not claim to be the answer or to be a rigorous, research-journal-level article. However, it does build on the combined insights of many practitioners and suggests ways in which public policy can improve the effectiveness of organisations from all sectors engaging stakeholders. This includes enterprises of the SSE, be they social or impact entrepreneurs, civil society organisations or non-profits, as well as the wider private sector, civil society and government. Most importantly, we foresee that the communities in which impacts are experienced shall be engaged in a meaningful manner. Further, we envision the learnings in this paper being used by impact practitioners, civil society leaders, impact investors, social enterprises, government officials and all others interested in positive social impact and committed to meaningful stakeholder engagement.

KEY TERMS

Meaningful stakeholder engagement requires a common understanding. Thus, we begin by defining the paper's key foundational terms, the rationale for their use and the expectations they convey.

What is the social and solidarity economy (SSE)?

Given the consortium's sponsorship by the OECD's Global Action to Promote SSE Ecosystems, the peer discussions were grounded in the language of the social and solidarity economy (SSE). Although also known by other names, such as social enterprises or social finance, in this paper SSE refers to those for-profit and non-profit organisations that undertake economic activities with a social (including environmental) mission, which they prioritize over the pursuing of profits. Different from

conventional economy actors, SSE characteristics may include: i) explicit economic, social and environmental objectives and related transparency and accountability to stakeholders; ii) varying degrees and forms of cooperative, associative and solidarity relations among workers, producers and consumers; and iii) practice of workplace democracy and self-management.

The EU, OECD, UN and many individual countries embrace the SSE as it enhances social and environmental sustainability, and contributes to meeting the 2030 SDGs. Recognizing that the term "SSE" is less familiar in some countries, the PLP included any actors that might fall under the SSE but may not be explicitly named so, such as social or impact enterprises and impact investors.

What is impact measurement and management (IMM)?

Every endeavour, whether in the SSE, impact or conventional economy, has both small and large social and environmental impacts – some that are trivial and others important. To manage potential impact, you must first understand it. And that requires a meaningful way of measuring it.

> **"Inclusivity and humility are central to the ethos of impact investing. Investors don't know what beneficiaries most value unless we ask!"**
> **TONIIC (NETWORK OF IMPACT INVESTORS)**

Determining which outcomes and impacts to measure, and then measuring them appropriately is critical. Moving beyond the more classic measurement model of experimental design, there is a trend among measurement practitioners that has been expanding over the past few decades towards more focused, flexible, lighter-touch and participatory

EXPERIMENTAL DESIGN: The classic measurement model. Often held up as the gold standard, formal scientific experimental design is based on social science research methods and is widely deployed in international development aid and public policy work. Findings from such an approach are costly, time consuming and rigid, and likely to arrive long after resource and strategy decisions have been made.

approaches. This trend utilizes continuous impact assessment tools and methods that generate close-to-real-time data to inform a more agile and responsive management practice.

These newer methods represent an emerging impact management practice. Their focus on utilization and active management of impact enables practitioners to identify and promote positive impacts, mitigate negative ones and explore areas of possible improvement, while optimizing social value for all affected people and ecosystems.

In both approaches, it is important to identify, include and engage with all actors who affect, or are affected by, an activity. Which brings us to ...stakeholders.

What is stakeholder engagement? Who are stakeholders?

Stakeholder engagement is about organisations, such as SSE or conventional economy actors, engaging their stakeholders to some extent in developing solutions, defining and measuring success, adapting service or product offerings, and managing continuous impact. Such stakeholders – including investors, employees, members, customers or impacted communities – are engaged, for example, through meetings, surveys or customer satisfaction polls.

That said, stakeholder engagement should not be limited to the internal stakeholders or customers. External, community-based stakeholders have equal importance, especially when it comes to social and environmental impacts. After all, these external stakeholders are living with the daily consequences and impacts of the actors' activities.

This is not a new idea. Broadly speaking, democratic governments and institutions derive their credibility through the engagement of their citizens. More specifically, various branches of the project design and evaluation profession ground their work in the participatory and community-engaged approaches that start at the problem-definition stage. Across the spheres of finance and impact – including the SSE or conventional market economies, the United Nations Development Program's Sustainable Development Goals Impact Standards, the Impact Management Project or the World Economic Forum – all speak to the importance of engaging stakeholders including local communities for risk management purposes. Social Value International and its affiliated national networks prioritize stakeholder engagement in its principles and practices as does the International Association for Public Participation Federation (IAP2) which identifies stakeholder engagement in its core values.[3,4]

"Without stakeholder engagement, investment risks are harder to identify and material negative effects will more likely occur. With stakeholder engagement, organisations can work hand-in-hand with those most affected to jointly identify problems and solutions, and engage in decision making; thus, unlocking greater stakeholder value."
GENESIS ANALYTICS (IMM AND EVALUATION FOR-PROFIT CONSULTANCY)

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[3] Social Value International, https://www.socialvalueint.org/principles

[4] International Association for Public Participation Federation (IAP2), https://iap2usa.org/cvs

Why and when to engage stakeholders?

Proactively engaging all stakeholders throughout the cycles of a project or investment, or as part of an organisation's annual rhythms aids in identifying, measuring and appropriately managing any social and environmental impacts and their associated risks. If done well, engaging stakeholders in the planning, implementation and assessment-realignment-recalibration phases creates a shared understanding of the problems and impacts faced by stakeholders, and fosters greater support for better decisions, as illustrated in Figure 2. Effective engagement processes change the rules of the game by giving a voice to all stakeholders. Doing so ensures that important impacts are made explicit and, thus, they are well understood and addressed. Moreover, engaged stakeholders help ensure that positive impact claims are genuine.

By applying a sustainability perspective, an organization's accountability extends from shareholders and members to all types of stakeholders, and from financial results and achievement of the organization's own targets to all types of social and environmental impact.

What makes stakeholder engagement meaningful?

We define meaningful stakeholder engagement as processes that are:

- **INCLUSIVE** – engaging representatives of all groups that matter

- **RESPONSIVE** – addressing the important issues fully

- **AGREED UPON** – determining frequency, roles, responsibilities and decision-making power transparently and as part of the initial engagement

- **ACCOUNTABLE** – identifying and communicating who is accountable for decisions and their consequences, such as environmental or social impacts, and reaffirming the decision throughout the process

- **APPROPRIATE** – correlating community cultural elements with the issues

- **TIMELY AND ACTIONABLE** – generating data and insights that inform decision-making.

> **"Meaningful stakeholder engagement amplifies the voices of those whose lives are most "impacted". It challenges power dynamics, creates solidarity and is a pre-requisite for achieving a more sustainable and fairer world."**
>
> SOCIAL VALUE INTERNATIONAL (NON-PROFIT IMM TRAINER AND CONSULTANCY)

Planning Due diligence Design

Share Co-learn Recalibrate

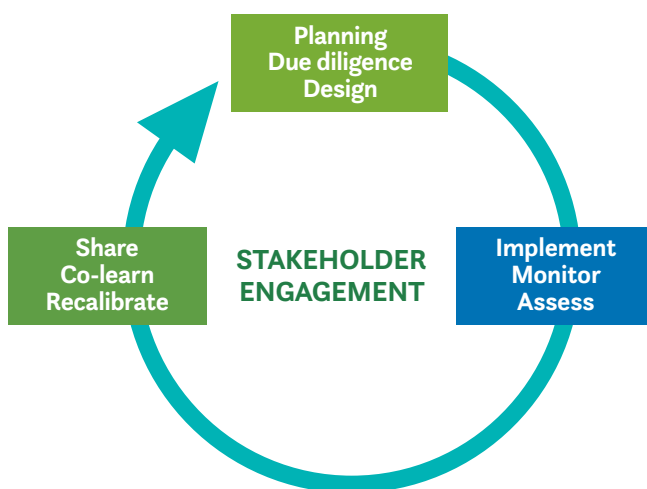**STAKEHOLDER ENGAGEMENT**

Implement Monitor Assess

FIGURE 2. Full cycle stakeholder engagement

The Role of Public Policy

What are public policy ideas that can support increased meaningful engagement of stakeholders in measuring and managing impacts of enterprises and other actors in the SSE and also in the broader conventional economy?

Guided by SSE's ideals, tools and approaches, we sought answers to this question. We also sought broad policy ideas for the SSE that could be applied to, complement and improve conventional market economy practices.

The paper recognizes that improving public policies requires acting on what already exists as well as what is needed.

- **EXISTING PUBLIC POLICIES.** While existing public policies could already include stakeholder engagement requirements, some stakeholder groups may perceive these as not being implemented meaningfully. Thus, in addition to the mandatory requirements, there may also be a need for increased awareness and capacity. This means increasing know-how and, potentially, additional administrative policies and directives to better ensure that government agencies and non-governmental stakeholders can meaningfully engage with each other.

- **NEW PUBLIC POLICIES.** New public policies may be essential to establish incentives and, later on, set the legislative and regulatory requirements for meaningful stakeholder engagement. The scope of such policies may encompass all activities, including those that have a social or environmental impact, but also those that may be narrowly focused on specific types of activities, such as those affecting the environment, land use or civic planning.

In either case, existing and new policies are or should be directed at, and have implications for, governmental and non-governmental actors and other stakeholders.

OVERVIEW

Our peer-learning exchanges confirmed what is well known in concept and practice – public policies and subsequent government actions play important roles in fostering and promoting meaningful engagement of stakeholders. This includes policies and actions at local, state, provincial, regional or national levels, and also applies to all sectors, including government, commercial, financial, social and impact enterprises, non-profits and communities. While the potential levers may vary, any application must be right-sized to be well-suited to the context.

The session exchanges also highlighted and reinforced the idea that the overriding role of public policies is to enable the conditions for meaningful stakeholder engagement. We identified three supporting interactive and
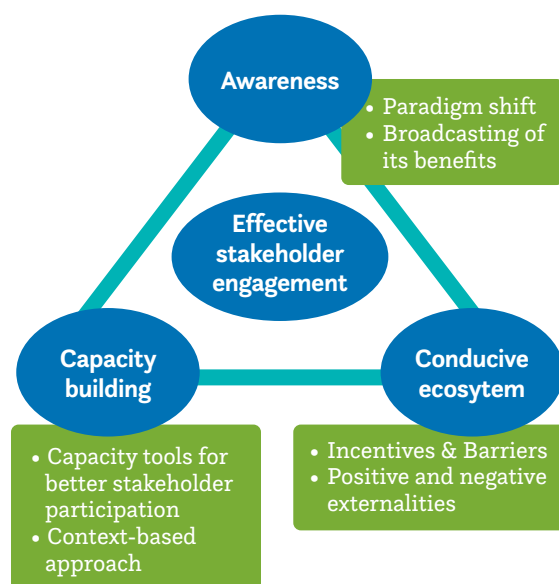

FIGURE 3. Stakeholder engagement

complementary conditional elements. As illustrated in Figure 3, the elements call for: i) increasing awareness of the need and benefits of stakeholder engagement; ii) building the capacity of organisations across all sectors to successfully engage all types of stakeholders and enable them to engage effectively; and iii) creating an ecosystem of private and public policies, and government actions conducive to stakeholder engagement, one that aligns incentives and disincentives in order to lower engagement barriers.

The findings and examples from across the globe reveal what you may intuit: the enabling elements occur neither automatically nor at the same rhythm across organisations or sectors. Moreover, while they require hard expertise, they also require soft skills, including communications, empathy, listening, education, capacity building, training, and public policy development and execution.

This means that authentic engagement must be embedded and continually regenerated in ongoing practice. Leaders from all sectors set engagement expectations; they must walk the talk of engagement, both internally and externally. This indicates the need to embody an organisational culture that reaches out to all stakeholders, listens empathetically, accommodates creatively, and seeks solutions with optimal social and environmental impacts. Without such a culture, stakeholder engagement becomes an exercise in box-checking, a source of irritation for decision makers and, in turn, provides the feedstock for external stakeholder cynicism.

The following observations and recommendations track the three reinforcing elements – raising awareness, building capacity and creating conducive ecosystems – and address their related policy needs. Their corresponding policy levers are summarized in Figure 4.

Juan Manuel Martínez Louvier, Director of Mexico's National Institute of Social Economy, observes that all sectors need to be aware of the financial, social and environmental benefits of SSE and the role of IMM in demonstrating such benefits. Part of that awareness includes acknowledging the benefits of engaging stakeholders in IMM. Our PLP colleagues agreed, noting that lack of knowledge on the benefits of the SSE (and its underlying principles) as one of the major gaps hampering meaningful stakeholder engagement in IMM.

AWARENESS	CAPACITY BUILDING	CONDUCIVE ECOSYSTEM
Fund promotion and awareness raising initiatives	Fund capacity building	Demand more transparency
Embed in public communication, public policies, education, etc	Support to standard setters and development of tools	Work with and improve existing mechanisms and address barriers
Celebrate success stories and promote role models	Set requirements through taxes, subsidies, legal requirements, etc.	Coordinate across, do not duplicate
		Set requirements and adapt incentives / disincentives

FIGURE 4. Policy levers for each stakeholder engagement element

RAISING AWARENESS

Across all sectors, those involved need to be aware of the need for and utility of engaging stakeholders. Whether driven voluntarily or by mandate, from the top down or from the bottom up, seeking meaningful engagement will be futile without an understanding of, and even excitement about, engaging stakeholders. Yet its need and utility may not be understood or valued equally across, for example, different stakeholders, sectors or contexts. While government staff, investors or companies may actually acknowledge the need for stakeholder engagement, they may lack a fundamental awareness of its benefits and feasibility. As a result, they may then overlook its significance, engage in a perfunctory check-the-box exercise or not include a broad spectrum of stakeholders.

Community stakeholders are often the most aware of the need for stakeholder engagement because they have actually experienced the social and environmental impacts resulting from the actions of governments, investors and the private sector. However, such communities are frequently not engaged or consulted effectively or substantively about the investments and actions that affect them. This could be for a variety of reasons: they may not have the full complement of skills and tools needed to engage effectively; they may not wish to engage because they do not trust those seeking to engage them; they may not be aware of the ingenuity and feasibility of the good practices associated with stakeholder engagement; or they may have participated in extractive or check-box exercises and felt their contribution was not valued.

Lack of awareness of the benefits, opportunities and feasibility of successfully engaging relevant stakeholders remains a barrier to meaningful stakeholder engagement. In some circumstances, stakeholder engagement may already be required, but there is still a lack of awareness of such requirements, their feasibility or the appropriate roles of various stakeholders. That said, there are also encouraging examples of meaningful engagements.

- **JAPAN'S COLLABORATIVE PARTNERSHIP PROJECT.** The government-sponsored Collaborative Partnership Project (CCP) in Japan sought to improve meaningful implementation of the environmental conservation law, where "the importance of collaboration among government, business, and private organisations" had been officially recognized and where collaborative projects were encouraged.[5] Among other achievements, the CCP raised "awareness of the importance of collaboration and cooperation" among various partners and increased "understanding of participatory consultation methods." The PLP member from Japan noted that government officials had learned that meaningful stakeholder engagement required them to be participants in the process rather than behaving as sole decision-making actors. This increased awareness and subsequent paradigm shifts among government representatives on how they should engage with other stakeholders contributed to the success of multi-sector cooperation and collaboration.

- **FREE, PRIOR AND INFORMED CONSENT: INDIGENOUS PEOPLES.** Indigenous Peoples' right to meaningful participation in the decisions, policies and initiatives that affect them is embodied in the international principle of Free, Prior and Informed Consent (FPIC). FPIC provides a legal norm that imposes duties and obligations on the nation states and on

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5   Sato, Masahisa 2021, The Significance of Policy Collaboration in Stakeholder Engagement Implications for the Role of Local Government, Impact Terms, https://www.impactterms.org/wp-content/uploads/Japan_The-Significance-of-Policy-Collaboration-in-stakeholder-engagement.pdf

the multilateral finance institutions prior to investments, and continues after investments are made and during the resulting active operations on Indigenous Peoples' lands.[6,7,8]

A PLP member, active as a participant and funder of development efforts worldwide, noted that, "while FPIC is enshrined in principles of the World Bank and multilateral institutions, many private investors have never heard of it and its stakeholder requirements. This lack of awareness hinders the timely engagement and interests of Indigenous Peoples, hampers the roles of the SSEs serving them and, ultimately, also implies risks for the investors." It also indicates that even if a policy is in place, the policy is useless without the awareness to engage. In addition, the opportunity to mitigate environmental and social risks and perhaps financial risks is missed. In this case, the targeted efforts of: i) raising awareness; and ii) providing know-how tailored to the roles and needs of each actor proved to make a key difference.

Establishing meaningful stakeholder engagement through applying paradigms and practices of co-creation can lead to innovative

solutions that transcend polarisation around conflicting interests. Further, enhancing shared understanding of what matters for different types of stakeholders and of how they are being impacted – or might be impacted – and then leveraging stakeholders' insights helps in finding common grounds, acknowledging common interests and conceiving innovative solutions that meet those different needs and requirements. Resulting success stories can be found in many countries. Acknowledging and celebrating such successes is essential for raising broad awareness of the importance, potential and feasibility of meaningful stakeholder engagement.

Policy approaches to promote awareness

Policies that support raising awareness of the benefits of stakeholder engagement may focus on: i) internal awareness among government agencies; and ii) awareness among non-governmental actors.

INTERNAL POLICIES. Internally directed policies or directives should inform and educate agencies on the needs for and benefits of stakeholder engagement. They should also: i) identify where and how such engagement can or should take place within agencies' legal authority; ii) provide examples; and, iii) celebrate successful engagement practices.

> **"Government agencies need to demonstrate to stakeholders that their input is relevant; and, they want and will listen to stakeholder's actual input.**
> SV MEXICO

Awareness-raising initiatives should first focus on informed paradigm shifts among both policy makers and key government staff,

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6   United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation, *Legal Companion to the UN-REDD Programme Guidelines on FPIC*, https://www.unredd.net/documents/un-redd-partner-countries-181/templates-forms-and-guidance-89/un-redd-fpic-guidelines-2648/legal-companion-to-fpic-guidelines-2655/8792-legal-companion-to-the-un-redd-programme-guidelines-on-fpic-8792.html

7   Accountability Framework, Operational Guidance on Free, Prior and Informed Consent, 2020, https://accountability-framework.org/wp-content/uploads/2020/03/OG_FPIC-Mar2020.pdf

8   Impact Terms, "Indigenous Approaches to Stakeholder Engagement", https://www.impactterms.org/indigenous-approaches-to-stakeholder-engagement/) and "Environmental Focus: Government-Mandated, Community-Created", https://www.impactterms.org/environmental-focus-government-mandated-community-created/

thus triggering increased ambition to embed meaningful stakeholder engagement across government policies. The next step – building, refining and sustaining agency capacity to engage – is discussed in the capacity-building segment below.

EXTERNAL POLICIES. Externally directed policies should aim to raise awareness of the importance and feasibility of meaningful stakeholder engagement among non-governmental stakeholders. Such policies can come in many forms. For example, public funding may be needed to inform potentially impacted stakeholders of their opportunities to engage in IMM processes of activities, projects or organisations that may affect them. This goes beyond simply announcing opportunities, activities or public meetings in which stakeholders could engage. It requires awareness campaigns focused on signalling the importance of engaging stakeholders. Such campaigns could include government funding of third parties (including SSEs) to develop campaigns and ensure stakeholders are aware of opportunities.

CAPACITY BUILDING

Awareness, while necessary, is insufficient. All sectors and all actors need the skills and capacity to initiate, facilitate or participate in meaningful stakeholder engagement. Lack of engagement skills, even more than will or awareness of the need to engage stakeholders, is a barrier. Participants at the September 2021 OECD Global Action conference recognized this and identified capacity building as the top priority for policy and government action.[9] A separate paper produced by the PLP titled "Building Capacity for Engaging Stakeholders to Better Understand and Manage Social Impact," explores meaningful

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9   See polling results from Social Impact session at OECD Global Action conference, 16 September 2021.

capacity building. In this paper, we focus on public policies that can support and advance skill building.

PLP participants acknowledged almost universally that the lack of skills needed to engage effectively is a barrier and, thus, public policies are needed to ensure all stakeholders can gain meaningful engagement skills. Such policy initiatives should focus on government actors, SSEs and even actors in the market economies, while at the same time, focusing across the sectors of the people and communities (potentially) affected.

Government actor capacity

Example after example shared by PLP members highlighted the need for government actors to develop greater engagement skills. It is not so much a lack of public policies requiring engagement, but a lack of the range of skills and approaches to effectively engage when the requirement or the ambition to engage stakeholders exists. The following examples illustrate how the situations vary from country to country.

SLOVENIA. In Slovenia, national, regional and local government agencies are required to engage various stakeholders, especially civil society organisations, in rulemaking, planning and decision-making efforts. The usual method for such engagement is the common 30-day comment period which allows stakeholders to submit comments on a governmental website to which the government must respond. However, in developing a social impact measurement tool for Slovenia's social entrepreneurship law that would go beyond the conventional top-down mind-set, social entrepreneurs and other stakeholders demanded a more meaningful

engagement process. They, as well as government agencies, felt the current process was a check-the-box exercise that did not elicit the depth of engagement needed to develop higher quality and useful social impact measurement and management. The Social Economy Unit of the Ministry of Economic Development and Technology (SEU) recognized that it needed different skills for such engagement. Through its membership in the PLP, the Slovenian SEU learned of a more interactive, community-based engagement approach used by Social Value-Mexico, also a PLP member. Slovenia is now working with Social Value-Mexico to build different stakeholder engagement skills, ones that it hopes will produce a better and more useful social impact measurement tool.

ITALY. Italy's 2000 national reform of the welfare sector[10] (Law 328/2000) recognized civil society organisations as institutional counterparts in the design of social service policies. The reform requires national, regional and local authorities to formally engage civil society organisations in the planning phase of social services. This policy innovation was crucial for improving the dialogue between public authorities and organisations, and reaching a better understanding of social needs and more meaningful approaches to tackle social issues.

In 2015, a new legal framework for civil society organisations and social enterprises was enacted that complements the 2000 law. It included an accountability system for organizations in which measuring or evaluating the

"impact" of social services was emphasised. Specific guidelines on impact assessment were offered. As stakeholder engagement was a key principle of the guidelines, every evaluation was expected to include planning and implementation of clear stakeholder engagement activities. This, in turn, required that both the government and the social services have the capability to engage effectively as well as to assess impact. Another relevant innovation introduced by the reform and related to public procurement processes now allows co-programming and co-creation among public authorities and civil society organisations.

UNITED STATES. Several US federal environmental laws require stakeholder engagement at different stages of a project and for specific activities of an ongoing project that may have an environmental impact.[11] After 20 years of implementation, the federal US Environmental Protection Agency (EPA) recognized that it and its sister agencies did not have the necessary skills to ensure stakeholders were engaged meaningfully. They were checking the requisite engagement boxes, but were confronted with stakeholders displeased with the process, and EPA's lack of cultural, ethnic and racial awareness. Thus, the engagement requirements often only led to increased adversarial, non-productive engagement. To rectify this growing problem, the agencies overseeing implementation of these laws through internal administrative policies prepared training materials and sessions for agency personnel. Often

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10   www.parlamento.it/parlam/leggi/00328l.htm

11   Impact Terms, "Environmental Focus: Government-Mandated, Community-Created", www.impactterms.org/environmental-focus-government-mandated-community-created/

conducted by third party vendors, the training sessions and materials particularly focus on engaging effectively with communities of colour and indigenous communities, both of which have suffered disproportionate environmental impacts from both government-funded and corporate activities and projects.

JAPAN. The Japanese Collaborative Partnership Project, cited in this paper's raising awareness section, also recognizes the importance of strengthening the engagement capacities of the federal and local-level government actors. This includes the capacity to: i) analyse skill and power gaps among stakeholders; ii) identify and support the groups and individuals that span different sectors and actors; iii) develop networking skills; and iv) strengthen cooperation with the local authorities and the national government. This meant that before approving permits or granting funding, government officials had to develop the skills to participate and interact openly and constructively with stakeholders and to review whether stakeholder engagement was adequate. In these cases, the facilitator roles are generally outsourced to remove government agencies as both stakeholders and facilitators which, in turn, helps build other stakeholders' trust in the engagement process.

SSE/Non-governmental actor capacity

Whether working with the SSEs themselves, intermediaries that facilitate engagement of stakeholders, community-based stakeholders or other non-governmental actors, they all need stakeholder engagement skills, tools and good practices that fit their particular settings

and contexts. Training and skill building, as well as easy access to examples, tools, good practices and standards, are therefore key. Our PLP identified examples from across the globe.

INDIA. Sambodhi Research and Communication, an India-based consultancy, uses the stakeholder engagement process known as Participatory Rural Appraisal (PRA). The process emphasises empowering local people to assume an active role in analysing their own living conditions, problems and potential, in order to seek a change in their situation. With unequal social hierarchies, such as caste and gender issues, engagement requires highly trained facilitators, coordinators and institutional champions, all of whom need to be flexible, culturally aware and reflexive. Sambodhi provides training to develop such skills and may also facilitate discussions and other activities.

SOUTH AFRICA. In 2019, South Africa adopted its District Development Model (DDM), a regionally focused effort meant to enable its National Development Plan Vision 2030.[12] Piloted in the Waterberg District – a UNESCO Biosphere Reserve in the northern part of the country – the DDM process emphasizes engagement of multiple stakeholders in developing a shared vision and common development agenda for the district and in meeting the district's development objectives. It places leadership for the process among the district's stakeholders themselves. The necessary development of engagement capacity focuses on the capacities of local stakeholders as well as on the lead facilitator roles and the non-local

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[12] Impact Terms, "Joint Solutions and District Development," www.impactterms.org/joint-solutions-and-district-development/

actors who need to build their own engagement skills to work effectively in the district.

SOUTH KOREA. South Korea has already enacted public policies on social enterprises, cooperatives and the social economy while also working to build a conducive ecosystem (discussed in systems alignment section below). Hence, the country's challenges lie in meaningful implementation. One challenge has been ensuring that its social enterprises have the capacity to report and manage their social and environmental impacts. The Social Value-Korea group, led by Impact Square, is working with the South Korean government to build such capacities using the stakeholder-centric Impact Management Project framework.[13, 14] In this case, the focus of the skill building is on the actual SSE actors and not on the government or intermediaries.

MEXICO. In Mexico, the intent to engage stakeholders has some precedent in existing policy, plus governments and the communities understand its importance. This means the country has both policy and social constructs supporting the need for stakeholder engagement and ensuring that communities have the capacity to engage effectively. Social Value-Mexico (SVM), acting as an intermediary and facilitator, helps communities mobilize and focus their

engagement. Using qualitative and quantitative evidence-based interviews, surveys, mapping and scorecards, SVM supports an iterative process in which key stakeholders co-design the engagement process and its outcomes. This process helps communities engage by focusing and transforming their collective creative energies, and then leveraging this collective energy into meaningful engagement processes and outcomes. SVM's experience and the application of this iterative process elsewhere have shown that it enables an efficient use of people's time and creative energy – one that leverages communities' collaborative insights into innovative and actionable agreements.

Policy approaches to build capacity

Policy ideas aimed at building stakeholders' engagement capacities concentrate on funding skills development, fostering development of and access to tools and guidance, and requisite training and skills certification for particular roles.

- **FUNDING CAPACITY BUILDING.** Public funding can be made available to support development of stakeholder engagement skills and techniques among governmental and non-governmental actors. The examples of building stakeholder capacity in India, Slovenia, South Africa, South Korea, India and the U.S. suggest that these efforts are often in concert with, or complement, already established stakeholder engagement policies. Thus, new legislative requirements may not be required, but agencies will still need complementary policies or administrative frameworks to support and fund development of meaningful stakeholder engagement

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[13] Impact Terms, "IMM Practice in Seoul Forest Cluster: Voluntary Cooperation Across the Private Sector to Create a Common Language, www.impactterms.org/impact-management-verification-assurance-use-cases/seoul-forest-cluster/

[14] Impact Management Project, "Engaging All Affected Stakeholders Guidance for investors, funders, and organizations", 29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Guidance-on-engaging-all-affected-stakeholders.pdf

skills. These policies and frameworks will serve as prerequisites for ensuring meaningful implementation of legislated stakeholder engagement policies.

- **TOOL DEVELOPMENT AND APPLICATION.** Tools, such as the Participatory Rural Appraisal protocols, the materials developed by Social Value-Korea with government funding, and the environmental stakeholder engagement manuals and training supported by the US government, exemplify policies and funding that focus on the development and use of stakeholder engagement tools. While the PLP documented a set of valuable tools, including use cases, international good practices and guidance, it remains important to ensure that stakeholders have easy access to this information, and that engagement tools are tailored to meet needs of stakeholders. For example, this would call for translating tools into the language of stakeholders. Public funding may be required in support of such efforts.

- **EMBED CAPACITY BUILDING INTO AREAS SUCH AS EDUCATION AND PROFESSIONAL CERTIFICATION** Meaningful stakeholder engagement skills, and impact measurement and management skills are necessities for anyone who wants to be part of successful collaboration among individuals and groups. This includes those who seek synergies and those who want to contribute to a sustainable world. Developing such skills could thus be consciously embedded in the curricula of education programmes in, for example, schools or other educational contexts. Professional certification of stakeholder engagement facilitators may be envisaged; fostering co-creation by organisations and their stakeholders may be recognized as a valuable discipline.

SYSTEMS ALIGNMENT: CREATING A CONDUCIVE ECOSYSTEM

Effective stakeholder engagement also requires a third enabling condition – an underlying ecosystem of complementary private and public policies that support and reinforce favourable stakeholder engagement practices. With these policies, barriers and disincentives to stakeholder engagement are lowered if not eliminated, while incentives for engaging stakeholders and disincentives for not engaging them are established and strengthened.

Barriers or disincentives to stakeholder engagement may be due to internal organisational policies or culture, or they may be external, created by public policies or lack thereof. Further, they may be specific to a sector, a region or a country. Such impediments may be embedded in existing regulations, policies, existing practices, bureaucratic settings or organizational cultures. Thus, it is essential to identify, acknowledge and remove them.

These incentives also may be created for companies, investors, organisations, networks or partnerships that engage in meaningful stakeholder engagement. They also could have different forms such as recognition, administrative simplification, permits, preferred supplier status, subsidies or tax breaks.

Many of the examples presented in the sections on raising awareness and building capacity are backstopped by public policies. Some are specific to one arena of issues such as environment, while others encompass broader issues such as development, and still others apply to whole sectors such in the social enterprise sector in South Korea. Regardless, all offer some form of mandate with accompanying incentives or disincentives for compliance. Collectively, they point

to the need for policies that focus on removing barriers and creating incentives for stakeholder engagement in impact measurement.

For example, in the U.S., public policy-mandated stakeholder engagement ensures in principle that community voices will be included in the planning, operations and monitoring of the environmental impacts of an investment, project or business activity. South Africa's District Development Model requires engagement of multiple stakeholders in local development, while Italy's requisite stakeholder engagement focuses specifically on SSE and social services including impact measurement and management. The South Korea case highlights the policy-created incentives for social enterprises to undertake impact measurement and management. Such incentives contribute to creating an ecosystem that fosters and is conducive to enhancing meaningful stakeholder engagement.

Building the stakeholder engagement ecosystem

The PLP recognized that the policies discussed above contribute important elements to a functional ecosystem for stakeholder engagement. However, it also acknowledged that they may be insufficient. They do not fundamentally address or alter the systems, such as the organizational and bureaucratic structures, processes and subsequent practices that drive decisions about stakeholder engagement. Simply put, these policies would not sufficiently change the rules of the game for organisations and sectors regarding stakeholder engagement or the stakeholders' roles in ensuring organisations are held accountable for impact.

An important PLP use case on the SDG Impact Standards suggested a pragmatic path to build such an ecosystem, one that focuses on organizational structures and processes[15]

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15   Impact Terms, "UNDP SDG Impact Standards", www.impactterms.org/undp-sdg-impact-standards/

TABLE 1. The SDG Impact Standards' contributions to a conducive ecosystem for stakeholder engagement

DOMAIN	STAKEHOLDER PRACTICE
Strategy	Establishing "A formal engagement plan to effectively involve Stakeholders on an ongoing basis to understand outcomes that matter to them."
Management approach	Integrating "a formal approach to involve stakeholders on issues that impact them. Measuring "what matters most to the stakeholders experiencing the outcomes."
Transparency	Implementing "reporting mechanisms to meet the needs of stakeholders affected by its activities and the civil society organizations that act on their behalf". These mechanisms disclose impact information that is "more relevant and accessible to a broader range of stakeholders."
Governance	Ensuring that the governance practices of an organization include: i) mechanisms for stakeholders to file grievance and reparation requests without fear of reprisal; ii) processes identifying stakeholders and involving them in decision making; iii) ways to address "the compatibility of the enterprise's impact goals, financial return targets, and its stakeholders' impact risk appetite and tolerance"; and iv) ensuring sufficient budget and resources for effective stakeholder engagement.

of four interdependent domains: i) strategy; ii) management approach; iii) transparency; and iv) governance. The SDG Impact Standards provide specific, concrete practice standards that are relevant to each domain. A "best practice" guide for organisations to embed impact considerations into their decision making and practices, they offer an ecosystem of practices which includes stakeholder engagement as an explicit practice standard. Adoption and use of these standards reflect an organizational culture, i.e. the guiding force of an organization's operational ecosystem, aligned with meaningful stakeholder engagement. Each of the four domains identifies one or more specific stakeholder engagement practices summarized in Table 1.

Collectively these practices – when designed appropriately, integrated into the cultural fabric of an organization and intentionally implemented – define the stakeholder engagement ecosystem for that organization. When practiced across all organizations, including private companies, SSEs and government agencies, a globally encompassing stakeholder engagement ecosystem emerges in which all participants operate from the same set of stakeholder engagement principles and practices.

Public policy approaches to fostering a conducive ecosystem

Currently, these SDG Impact Standard themes and practices focus on individual organizations in the private sector and, moreover, adoption of them is voluntary. The PLP recognised that such voluntary, individual-actor, private-sector-only efforts alone will not be enough to create a conducive ecosystem for meaningful stakeholder engagement.

Further, the PLP recognized that public policies can help create the necessary

conditions for such an ecosystem. They can encourage adoption and use of these practices across sectors through various means. For example, policies could require use of the SDG impact standards using a variety of policy options, such as: i) offering financial incentives through the tax code, access to lower capital and higher credit ratings, and through government procurement and contracting; ii) providing reduced licensing and permitting processes; and iii) identifying and removing barriers, especially in governance, and reporting rules embedded in financial regulations and statutes.

The PLP understood that each country's social-political system will dictate the specific optimal policy approaches. Thus, it did not attempt specific or detailed policy language beyond that offered by the SDG Impact Standards.

Conclusion

The social and solidarity economy (SSE) comprises for-profit and non-profit organisations that pursue a social mission, which they prioritize over the maximization of profits. SSE actors include social enterprises, impact investors, incubators and accelerators, and public-private partnerships, as well as knowledge intermediaries, such as think-tanks, consultancy firms and media organisations.

With implicit and explicit focus on social and environmental impact, the SSE has the opportunity and responsibility for articulating, implementing and advancing public policies that support meaningful stakeholder engagement overall, especially when they are linked to impact measurement and management. Such policies can help the SSE better fulfil its mission and, as importantly, become the model for the conventional market economy as it seeks not only to comply with

the do-no-harm principle but also to ensure the generation of positive social and environmental impacts.

Public policies can help establish the conditions for more meaningful stakeholder engagement of relevant stakeholders. These are policies which allow for the systemic development and implementation of meaningful stakeholder engagement practices, while ensuring use of the right tools at the right moment.

Awareness of stakeholder engagement benefits is fundamental. It becomes a success factor by triggering the required paradigm shifts and preparing for successful capacity building. It also must be noted that, if the organisation or sector is not fully aware of the benefits and feasibility of meaningful stakeholder engagement, it is not yet the right moment to insist on capacity building. However, those that already recognize the benefits of stakeholder engagement should be supported with tailored capacity building, and by public policies and the government agencies implementing them.

This paper recommends setting requirements and incentive mechanisms as part of a conducive ecosystem for meaningful stakeholder engagement. But some sectors may not be ready, so caution is advised to avoid mainstreaming it too early. Making things mandatory too fast could hinder progress or lead to window dressing and ineffective checking-the-box practices.

Successful pathways for meaningful stakeholder engagement move from awareness raising to capacity building and, finally, to transforming the ecosystem. This implies: i) moving faster in sectors or contexts where the conditions to do so are met; and ii) leveraging the successes in one sector to further the mainstreaming in others.

Our cross-sector, global PLP recognized these elements as integral for successful public policies. We offer this paper in hopes of informing policy makers and those committed to stakeholder engagement across sectors, economies and cultures.

Acknowledgments

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ORGANISATION	TYPE OF ACTOR	COUNTRY	POLICY WORK STREAM MEMBER
60 Decibels	Solution Provider	USA	
Genesis Analytics	Evaluation Consultant	South Africa	x
Grupo Ecológico Sierra Gorda	Civil Society/NGO	Mexico	
Independent Researcher (at Oxford University…)	Academic/Independent Expert	Canada	
JOINC	Civil Society/NGO	Belgium	
Keystone Accountability	Solution Provider	USA	
Link2007	Civil Society/NGO	Italy	
Monitor-Deloitte	Business	USA	
Rockefeller Foundation	Philanthropy	USA	
Rockefeller Philanthropy Advisors	Philanthropy Advising	USA	x
Salesforce	Business	USA	
Sambodhi	Evaluation Consultant	India	
Slovenian Ministry of Economic Development and Technology	National Government	Slovenia	x
Social Impact Management Initiative of Japan	Civil Society/NGO	Japan	x
SV Belgium	IMM/Social Value Network	Belgium	x
SV Canada	IMM/Social Value Network	Canada	
SV France	IMM/Social Value Network	France	
SV Italy	IMM/Social Value Network	Italy	x
SV Korea	IMM/Social Value Network	Korea	x
SV Mexico	IMM/Social Value Network	Mexico	x
SV Spain	IMM/Social Value Network	Spain	
SV UK	IMM/Social Value Network	United Kingdom	x
SV US	IMM/Social Value Network	USA	x
SVI	IMM/Social Value Network	International	x
Toniic	Impact Investment Network	USA	
UNDP SDG Impact	Multilateral Governance	International	x