

**DOCUMENT OF THE INDEPENDENT CONSULTATION AND  
INVESTIGATION MECHANISM**

**CONSULTATION PHASE REPORT ON THE CASE “MULTIPHASE PROGRAM FOR THE  
DEVELOPMENT OF PRODUCTION SUPPORT INFRASTRUCTURE IN ENTRE RÍOS”  
(AR MICI001/2010)**

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# Consultation Phase Report on the Case “Multiphase Program for the Development of Production Support Infrastructure in Entre Ríos” (AR-MICI001/2010)



6 February 2013

**PROJECT OMBUDSPERSON**

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## CONSULTATION PHASE REPORT

### I. Background: The project, request and initial stages of the ICIM process

1. This report documents the Consultation Phase process conducted in case AR-MICI001/2011.<sup>1</sup> This case originated with the Request submitted on 28 June 2010 by Pablo and Matías Folonier and Sara Ramona Quiroga (“original Requesters”). The Request cited potential environmental and social impacts deriving from the “Multiphase Program for the Development of Production Support Infrastructure in Entre Ríos” (“the Project”), financed by the IDB in Argentina.<sup>2</sup>

2. The project is in the implementation stage, with the Province of Entre Ríos (“Entre Ríos”) as borrower. Subprogram 1 “Development of economic infrastructure to support production” has a Component 1.2 “Electricity infrastructure,” which includes the construction of a 500/132kV transformer station and associated 132kV transmission lines in the city of Paraná. Through this component, the project will provide a comprehensive solution to the problem of power supply in Entre Ríos, particularly in the capital and western part of the province.<sup>3</sup> The program execution coordination unit (PCU) has been set up within the Ministry of the Economy, Treasury, and Finance of Entre Ríos (MEHF). The company Energía Entre Ríos S.A. (ENERSA) will act as the subexecuting agency for the project’s Component 1.2 “Electricity Infrastructure.”

3. The original Requesters are owners of land expropriated by the provincial government to build the transformer station. In the Request before the ICIM, the Requesters raised procedural and substantive issues related to the project environmental impact assessment.<sup>4</sup> Once the Mechanism was triggered, the Request was transferred to the Project Ombudsperson on 16 September 2010.

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<sup>1</sup> The terms Mechanism, Management, Project Ombudsperson, Mechanism Policies, Eligibility, Consultation Phase, Assessment, and any other relevant term in this report shall have the meaning assigned to them in the Policy Establishing the Independent Consultation and Investigation Mechanism (ICIM) approved on 17 February 2010 and available at [www.iadb.org/mici](http://www.iadb.org/mici).

<sup>2</sup> The project was registered under number AR-L1036, and the respective operation, approved by the Board of Executive Directors on 14 November 2007, was registered under the code 1914/OC-AR. For more information, see: <http://www.iadb.org/es/proyectos/project-information-page.1303.html?id=AR%2DL1036>.

<sup>3</sup> Cf. IDB, “Multiphase Program for the Development of Production Support Infrastructure in Entre Ríos – Phase 1” (loan AR-L1036), loan proposal, 10 December 2007, pages 11 and 12.

<sup>4</sup> In terms of procedural issues, the Requesters alleged: (a) no access to timely information; (b) irregularities in the consultation process and notice of public hearing; (c) issues related especially to one of the annexes of the environmental impact assessment (EIA), and (d) violations of the country’s environmental laws and regulations, which coincide with the Bank’s policies. In terms of environmental issues, the Requesters’ allegations related to: (a) improper classification of the project; (b) the issue of the site for plant construction; (c) ecological risk, considering that the zone adjoins areas subject to protection and classification; (d) the potential health risk given the technology to be used at the transmission plant; and (e) flaws in the environmental impact assessment (EIA) as it relates to the environment and social management plan (ESMP).

4. Under ICIM policy, this case followed the normal Consultation Phase procedure, which includes the following stages: Eligibility, Assessment, and Dialogue. This last stage consists of the Consultation Phase exercise per se, which involves the parties’ preparation for the dialogue, exchanging information between the parties, the dialogue to explore options and mutually agreed upon solutions, and the joint drafting and execution of an agreement. The initial stages of the process are summarized below:

### *1.1 Eligibility and assessment stages*

5. On 8 October 2010 the Project Ombudsperson determined that the Request was eligible for the Consultation Phase, pursuant to Articles 37 and 40 of the ICIM Policy.<sup>5</sup> This did not involve an in-depth analysis of the Request, but was sufficient to proceed to the assessment.

6. As a result of the Determination of Eligibility, between December 2010 and February 2011, the Project Ombudsperson and local facilitators (“Facilitation Team” or “Consultation Phase Team”) conducted the Assessment of the case in order to gather more information about the Request, better understand the concerns raised, identify the primary and secondary stakeholders involved in the case, and explore the feasibility of starting a dialogue to help find a solution to the problem.

7. During the Assessment, a group of residents from the El Brete neighborhood, also alleging that they are affected by the environmental and social impacts caused by the project, indicated their desire to join the Request and participate in the dialogue process sponsored by the ICIM. They joined the Request at the first meeting with the original complainants, thereby forming the current group of Requesters, which was communicated to the other parties in the case by the Project Ombudsperson.<sup>6</sup> This was explained to the participants present at the first information exchange meeting (see paragraph 12).

8. In addition, during the Assessment stage, the Requesters and ENERSA (“the Parties”) worked hard to agree on a set of “Dialogue Rules,” based on which they were able to proceed to the next stages of the agreed process.<sup>7</sup> The document was approved by consensus on **28 February 2011**, and the Parties committed that these rules would be accepted by the secondary stakeholders in the case, who would participate in future stages of the process.

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<sup>5</sup> A copy of the Eligibility Memorandum is available at: <http://www.iadb.org/es/mici/detalle-de-reclamo,1804.html?id=AR%20MICI001/2010>.

<sup>6</sup> Throughout this report, the term “Requesters” should be understood as both the original Requesters and the residents who joined the complaint.

<sup>7</sup> ICIM, Case “Multiphase Program for the Development of Production Support Infrastructure in Entre Ríos (AR-MICI001/2010), *Rules of procedure for a constructive dialogue*, 28 February 2012.

9. In **March 2011**, the Project Ombudsperson issued the Assessment Report, a draft of which had been previously given to the Parties for their comments.<sup>8</sup> In that report, the Project Ombudsperson deemed that there were sufficient conditions to begin the dialogue process, and that this process should begin with an information exchange. This stage would be preceded by the preparation of the primary stakeholders<sup>9</sup> so that they could participate constructively in the process, as well as by acceptance of the Dialogue Rules and preparation of the agenda of issues to be discussed. It should be pointed out that the PCU did not sign the rules instrument or participate in all of the dialogue sessions. It did actively participate in the final stage of the process (see paragraph 33).

## II. DIALOGUE PROCESS

### 2.1 *Information exchange*

10. As a result of the Assessment and commitments made by the Parties, on **3 March 2013** the Facilitation Team called a joint meeting in order to begin an “Information Exchange.” This exchange would allow the Requesters to express their concerns identified during the Assessment stage, and would give ENERSA the opportunity to respond to these concerns using a participatory and informational approach. The objective of this process was to help clarify the existing technical information, promote greater understanding of the Parties’ perspectives, and reach a basic consensus on an agenda of issues that could serve as the basis for a more in-depth dialogue aimed at potentially reaching final agreements.

11. The information exchange session was preceded by bilateral preparation meetings where the Consultation Phase Team assisted the Requesters and ENERSA so that they could clearly express their concerns and responses around the main thematic areas they considered most relevant. The main areas mentioned by the Requesters for the information exchange were: (a) health and electromagnetic fields; (b) impacts on urban development; (c) impacts on the environment; (d) location of the plant; and (e) citizen participation. ENERSA was informed of the list of thematic areas prior to the meetings, so that it could efficiently prepare all available information, with experts in each area to support its opinions and respond to the concerns expressed.

12. The information exchange sessions took place on **8, 9, and 10 March 2011** at a neutral location provided by the ICIM. The meeting was attended by: (a) the Requesters, represented by the individuals selected according to the approved rules, and ENERSA, as

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<sup>8</sup> A copy of the aforementioned Assessment Report is available at: <http://www.iadb.org/es/mici/detalle-de-reclamo,1804.html?id=AR%20MICI001/2010>.

<sup>9</sup> The primary stakeholders in the case that were identified as such by the ICIM are: the Requesters (including the residents who joined the Request during the Assessment stage), the PCU, and ENERSA. Cf. ICIM, Office of the Project Ombudsperson, *Assessment Report – Entre Ríos Case AR-MICI001/2010*, March 2010, pp. 31 and 32.

primary stakeholders in the case;<sup>10</sup> (b) an official from the province’s Sustainable Environment Department (SAS), as a secondary stakeholder; (c) professionals brought in by ENERSA, as technical experts to clarify information related to health and electromagnetic fields, as well as issues related to environmental, tourism, and visual impacts; and (d) the representative of the IDB’s Project Team, in its role as permanent observer.

13. As part of the information exchange, opportunities were identified to coordinate and ensure the active participation of residents and nongovernmental organizations and/or institutions in matters related to the case, such as: (i) monitoring of electromagnetic fields; (ii) coordination with the SAS; (iii) agreements on the construction and use of streets or roads, especially during the construction phase, due to equipment traffic and the construction site; and (iv) measures to mitigate visual impacts. In addition, the Parties identified the relevant areas on which they were willing to proceed to a dialogue agenda, with the objective of finding a solution to the stated problems.

14. The SAS expressed willingness to work on the assessment of forest conservation and/or protection options, to be agreed upon by the parties participating in the dialogue. To that end, if necessary, the SAS would contact the production area in charge of natural resource management.

15. Based on the extensive information submitted on the location selected for the transformer station as well as on the costs and impacts of evaluating new alternatives, it was determined that the relocation of the plant was not possible due to time, costs, potential outages, and other issues, as well as legal considerations (administrative processes and resolutions, certificates issued, etc.).

16. Following a series of intense meetings and communications, the Requesters agreed to continue the dialogue without opposing the location of the project, and proposed that the discussion focus on: **“a more in-depth assessment of a technological option that would represent a significant change in the construction of the plant, which could be seen in terms of fewer visual and environmental impacts.”** Along these lines, certain mitigation measures were suggested, such as lowering the height of the towers, exploring underground power lines, revising the path of overhead lines, among others. **Based on this proposal**, and taking into account other concerns presented by the Requesters, ENERSA agreed to step up its efforts to address these issues, based on the following proposals:

- a. Redesign the perimeter forest shelterbelt on a participatory basis, redefining the species to be employed, in a participatory manner with the residents, given

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<sup>10</sup> The provincial government was invited to participate in the dialogue process: (a) as a primary stakeholder, through the PCU, and (b) as a secondary stakeholder, through other agencies such as the Department of Energy, the Sustainable Environment Department, and the Provincial Energy Regulatory Authority. However, the Province of Entre Ríos stated its support for the information exchange and expressed the need to be consulted again should the process move to a dialogue agenda. Specifically, the Facilitation Team invited the PCU to participate in the information exchange via notices sent on 2 February and 3 March 2011, but the PCU decided not to participate in these activities.

that these species still adequately serve as a visual barrier, and redefine the arrangement of the species forming the shelterbelt as well as its outline;

- b. In connection with the project, avoid opening public streets with a normal width of 25 meters, keeping them to the minimum path necessary to lay the high voltage lines. The subsequent access permit to perform maintenance work would also be granted;
- c. Review the output arrangement and routing of the 132kV high voltage lines in the output sections south of the transformer station, seeking to not increase environmental impacts and to remain within the current regulatory framework;
- d. Paint the structures of the 132kV lines a color that minimizes their visual impact;
- e. Approach the Compañía de Transporte de Energía Eléctrica en Alta Tensión S.A. (TRANSENER) about the possibility of reducing the height of the transformer station gantries. If a favorable response is obtained, these structures will be revised in the project;
- f. Promote and continue a natural revegetation process in the available areas within the 16 hectare property where the transformer station will be located;
- g. Promote and continue a natural revegetation process in the areas of land in between the project's 16 hectares and the low-lying areas with existing wild vegetation; and
- h. Promote and continue a citizen participation process during the execution and operation of the project through the SAS.

17. In addition, the Parties expressed the need to have: (i) the residents' confirmation of their intention to enter into a dialogue process and the proposed items on the agenda; (ii) confirmation from the pertinent provincial authorities to proceed to the dialogue process and proposed preliminary agenda, and (iii) consultation and steps taken with TRANSENER and the Provincial Energy Regulatory Authority (EPRE) regarding matters subject to its approval. In addition, the IDB's project team recognized that any adjustments in the project stemming from the exploration recommended by the Requesters to make environmental and visual improvements could be made during project execution, even if the competitive bidding process has begun.

## ***2.2 Dialogue agenda***

18. Once the information exchange meetings ended, the Parties were able to establish the agenda for dialogue. They also approved the objective of continuing to seek agreements that would resolve existing disputes and establish a constructive relationship for the future.

To this end, a work plan was approved to address each concern in depth, through meetings with the appointed spokespersons and the assistance of the Facilitation Team.

19. Based on the dialogue agenda, the Parties focused on:
- a. Exploring plant technological and/or design options that would entail a significant or appreciable change in terms of visual and/or environmental impacts, and
  - b. Agreeing on measures to mitigate visual impacts, additional to those provided for in the project; taking specific steps with the relevant public institutions, and implementing conservation actions.
20. The first point was proposed by the Requesters as a condition for proceeding with the dialogue process. In other words, they told the Consultation Phase Team that once the possibility of making significant changes in the design or construction of the transformer station and high voltage lines was clarified, they would be able to work on the issues described in item “b” that were mostly proposed by ENERSA. This priority was communicated to ENERSA, which decided to move forward based on that request.

### ***2.3 Proposals regarding the design and construction of the transformer station***

21. In **March and April 2011**, the Consultation Phase Team called and supported meetings and conversations between the Requesters and ENERSA, in order to identify and delve into the technological and design aspects of the plant, the impact of high voltage lines, potential visual impacts and proposed mitigation measures, as well as any other issues that could be considered “significant.” The objective of all of these efforts was to encourage the formulation of concrete feasible proposals on the issues identified as the main areas for consideration in this phase.
22. During this phase, the dialogue between spokespersons was very frank and constructive. The technical consultant appointed by ENERSA traveled to nearby locations (Santo Tomé and Colonia Elía) to take photographs of other plants, which could be useful when preparing comparative presentations that would help the Requesters better assess the visual impacts of the transformer station and high voltage lines such as those proposed by the company, illustrating its commitment and desire for there to be an effective understanding of the Project’s implications. Using audiovisual aids, ENERSA gave an informative presentation on the components of a transformer station (equipment, structures, levels, and operation) and facilitated a general comparison of the proposed transformer station in Paraná with other stations existing in the area. The presentations also visually showed the preliminary changes that ENERSA would propose.
23. Along these lines, ENERSA made a number of proposals for making preliminary modifications to the project, subject to authorization by the relevant authorities, which along with the changes made during the information phase comprised a package of measures that would enhance the mitigation of visual impacts. This package included measures to redesign the perimeter shelterbelt on a participatory basis, revise the output arrangement and routing

of the 132kV high voltage lines in the output sections south of the transformer station; paint the structures of the 132kV lines in order to minimize their visual impact; and actions to promote and continue a citizen participation process, among other measures proposed during the information exchange stage (see paragraph 16).

24. This package was not fully accepted by the Requesters, since they felt that despite ENERSA’s efforts and the innovative impact these measures would have on the province’s electricity sector, they were still insufficient in terms of representing a significant or appreciable change in the visual and permanent impact on the local rural landscape. They felt that not all avenues had been exhausted for identifying measures to mitigate the technical proposals that could properly address the concerns raised in the complaint.

#### ***2.4 Independent review and technical consultation***

25. To enable the Requesters to better understand the technical design and operational aspects of the 500 kV transformer station and determine if it was possible to proceed with even more innovative proposals, the Project Ombudsperson decided to engage an impartial expert with sufficient experience to act as a consultant and technical spokesperson.<sup>11</sup>

26. Between **May and June 2011**, after gathering information and holding virtual meetings with the Facilitation Team and the Parties, this expert formulated a preliminary technical proposal. This proposal addressed the issues considered “significant and appreciable” by the Requesters, and involved an innovation in the design of the 500 kV transformer station, which in the expert’s opinion would be of medium complexity. It is noteworthy that, pursuant to Law 24065, TRANSENER is responsible for the 500 kV transformer station and supervises ENERSA during this stage in terms of the construction obligation. For this reason, any changes in the station’s design must be approved by TRANSENER. During the months of **June and July 2011**, the IDB Project Team held multilateral meetings between the technical expert who formulated the proposal, technical personnel and officials from TRANSENER, representatives of ENERSA, the Requesters, and legal advisors, who were coordinated by the ICIM. During these meetings, the terms of the proposal were explained, and questions about it were answered in order to facilitate analysis of its viability.

27. TRANSENER and ENERSA assessed the technical innovation proposed by the impartial expert engaged by the ICIM, so that they could respond to the concerns raised by the Requesters. However, they considered it unviable for a number of reasons, such as: (i) the innovation did not meet the conditions specified in the Design Guidelines for the transformer station (ENRE Resolution 59/2003); (ii) disagreement as to the safety and maintenance of the proposed system; and (iii) there would be difficulties for its future expansion.

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<sup>11</sup> Until that time, the technical experts had been brought in by only one of the parties, ENERSA.

## *2.5 Options sought regarding mitigation and compensation measures*

28. Having exhausted all avenues for evaluating technical mitigation alternatives, the discussion turned to determining whether it was possible to proceed with compensation activities that, in the Requesters’ opinion, could offset the permanent impact that would be caused by the presence of the transformer station. This initiative channeled a preliminary proposal made by TRANSENER and ENERSA.

29. The Requesters were asked to identify community needs that were within ENERSA’s means. The Requesters indicated the need to build an education center outside the transformer station’s direct area of influence, which would serve an area with a high level of social vulnerability.<sup>12</sup> In late **August 2011**, the Requesters submitted this project to ENERSA, and through it to the relevant government authorities, for consideration. The proposal was then reviewed, and in **November 2011** was deemed unviable by ENERSA and the provincial authorities.

30. Despite this, there was partial agreement to proceed with the drafting of a preliminary agreement that would include a time frame for jointly defining a measure, within the confines of reasonableness, which would have social relevance and public utility, as well as a collective benefit, and could replace the rejected proposal. Other points considered important by the Requesters were also included at that time, which had been specified in the initial agenda and shelved based on the priorities set in order to address the issues related to the visual impact and design of the transformer station. These issues dealt primarily with the need to develop a participatory community monitoring plan, within a period of time running from the signature date of the agreement.

31. This draft agreement was submitted to the Parties for consideration on **29 November 2011**. In **December 2011**, ENERSA forwarded this draft for review to the PCU and the Government Attorney’s Office of the Province of Entre Ríos, which would necessarily be involved and would authorize the signing of the aforementioned agreement.<sup>13</sup> In **March 2012**, the draft agreement was returned by ENERSA, which, after reviewing it with the provincial authorities, proposed substantial changes to the text having to do with mitigation, compensation, and participation.<sup>14</sup> For this reason, the ICIM began conversations with the Requesters to evaluate the continuation of the dialogue process.

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<sup>12</sup> There was a perception among the residents that, if a project or construction work was selected near the transformer station, it could be viewed as acceptance of the impacts and could lead to mistrust among other residents. For this reason, they prepared an alternative preliminary project and partnered with the local bishop’s office to provide resources for this purpose.

<sup>13</sup> This step was necessary because the Province of Entre Ríos and the PCU are the project’s borrower and executing agency, respectively. As mentioned earlier, ENERSA is the subexecuting agency for the project, for the specific purposes of Component 1.2 “Electricity infrastructure.”

<sup>14</sup> ENERSA and the provincial government both agreed that these proposals were unviable and not in line with provincial laws and regulations.

## *2.6 Redefinition of commitments in pursuit of a new dialogue agenda*

32. Given the development of the process, the Requesters agreed to return to the dialogue table, provided that it was possible to proceed with the following agenda: (i) identify new mitigation measures for both the transformer station and high voltage lines (particularly to discuss burying the 132 kV high voltage lines), and (ii) design a citizen participation plan for the construction phase and subsequent operation of the transformer station.

33. This agenda was submitted to ENERSA and the PCU for consideration, and they agreed to proceed with dialogue on those issues. As a result, in **April and May 2012** the Parties returned to the dialogue table convened by the ICIM, this time with the direct participation of the provincial government and the good offices of the PCU. After intense joint and bilateral meetings, the following results were achieved:

- a. Consensus-based formulation of the general contents for the citizen participation plan;
- b. Agreement on the terms of reference for engaging a landscape expert, to advise on certain measures for mitigating the permanent visual impact on the environment and rural landscape;
- c. Greater understanding of the advantages and disadvantages of a project to bury certain 132 kV lines; and
- d. Identification of neighborhood improvement measures that could be considered satisfactory by the residents. Given that the evaluation of the feasibility and execution of these measures is generally the responsibility of the government authorities (municipal and provincial), the measures had to be reviewed and approved by these authorities under the terms specified in the final agreement.

## *2.7 Drafting of the agreement*

34. In **June 2012**, having reached a basic consensus on a package of measures, the primary stakeholders proceeded to draft a final memorandum of agreement, which embodied the agreements reached during the dialogue process. Each party described in this document provided input and made adjustments to the draft that was circulated, without introducing any substantive changes, and took the internal steps necessary to facilitate its signature, as well as made the relevant institutional arrangements to facilitate some of the commitments undertaken.

35. In **August and September 2012**, the Parties and the PCU approved the final text of the *Memorandum of Understanding and Commitment*,<sup>15</sup> whereby they agreed to take actions and/or implement the following measures regarding the following issues:

- a. Increase measures to mitigate the visual impact of the transformer station and high voltage lines (e.g., reducing the height of the gantries and length of the end loops of the cables, painting the structures, using a vegetation shelterbelt, etc.);
- b. Improve infrastructure conditions in the El Brete neighborhood related to the supply of three-phase power, improvement of public lighting, the road system, and provision of drinking water service, as well as road safety measures and the installation of a healthcare center;
- c. Create a private natural protected area in the vicinity of the transformer station;
- d. Citizen participation plan;
- e. Discontinuance on the part of the Requesters of (prior) lawsuits related to the project; and
- f. Commit to first exhaust all dialogue avenues as a dispute settlement mechanism.

36. On **27 September 2012**, the agreement was sent for review and validation by the Province of Entre Ríos, which issued Decree 4247/MEHF of 4 December 2012 validating the final text of the memorandum, as well as the agreement entered into with the Municipality of Paraná and the Citizen Participation Plan, which were part of the measures covered in the aforementioned agreement.<sup>16</sup> On **18 December 2012**, the Parties and the PCU executed the Memorandum of Understanding and Commitment on the terms previously agreed upon by them by consensus and approved by the Province of Entre Ríos.

37. The complainants agreed not to issue a press release about the case or the terms of the Memorandum of Understanding and Commitment until ENERSA considered the time to be right, at which point it would be done jointly. However, the Parties agreed that the Municipality of Paraná or the Superior Government of Entre Ríos could publish the terms of

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<sup>15</sup> The first version of the memorandum was shared with the parties on 21 August 2012. The PCU raised a few objections related to the background description and roles, which were accepted since they did not change the content of the agreement. Between 22 August and 12 September 2012, a new round of discussions took place, and the respective changes were made to the text of the document. The final agreement was approved by the Requesters on 29 August and reconfirmed at a meeting held on 20 September 2012. ENERSA’s Board of Directors approved the aforementioned final agreement on 26 September 2012.

<sup>16</sup> Province of Entre Ríos, Executive Branch, Decree 4247/12 MEHF of 4 December 2012 (record no. 11376989/12).

the Cooperation Agreement signed by those authorities and ENERSA, related to the neighborhood improvement projects in El Brete.<sup>17</sup>

### III. OUTCOMES OF THE DIALOGUE PROCESS

38. This section describes the substantive consensuses reached during the dialogue process, as well as the outcomes and lessons learned from the process of finding solutions in this case.

39. ***Rebuilding channels of communication and trust between the parties and acceptance of the project by residents.*** The confrontation between the Parties—in the media, in the streets, and in provincial and federal legal forums—occurred over the course of about three years before the case was submitted to the ICIM. During the information exchange stage, the Parties were able to identify and acknowledge their differences and interests, and they agreed that dialogue was the best way to proceed. As proof of this, on several occasions during the dialogue phase, the Parties expressed mutual gratitude for feeling heard and understood. It was clear to the Facilitation Team that this was due to the great effort and willingness of the Parties to change the interaction dynamics and try to address the conflict from a new perspective. The joint work and efforts made during this dialogue served not only to acceptance of the location of the transformer station, but to achieve a greater understanding of the impacts that this dispute had on each of the parties, and the possibilities for including the interests of both in the solutions that were found. In the last few months of the process, the Parties even met without the Consultation Phase Team, not only to discuss specific matters involving the agreement, but also to discuss how it would be implemented.

40. ***Clarification and prioritization of case issues; resolving controversial issues and managing expectations.*** The meetings that preceded the information exchange were essential for creating a better understanding of the characteristics of the resolution and constructive transformation of disputes, as well as for developing basic communication tools for their effective management. By exchanging information, the Parties understood the scope of the project, as well as the process, mandate, and limitations of the Consultation Phase.<sup>18</sup> In addition, the participation of an external technical expert made it possible to expand the available information base, imagine new scenarios, strengthen the Requesters by promoting a balance in their ability to understand the technical capabilities and limitations of the proposed designs, and on that basis assess the alternatives in a more informed manner.

41. As the issues were clarified, the Parties focused and adapted the dialogue agenda to prioritize the issues on which they were willing to move forward in negotiation. For example, during the information exchange, the Requesters had the opportunity to clarify

<sup>17</sup> The text of the Memorandum of Understanding and Commitment appears as an annex to Decree 4247/12 MEHF, a copy of which is available on the Entre Ríos government website: <http://www.entrerios.gov.ar/wsdecreto/decreto.php?codigo=199855>. Last accessed on 2 January 2012.

<sup>18</sup> Because of this, the parties were able to prioritize their concerns and manage expectations about what was and was not possible.

concerns regarding the impact that electromagnetic fields could have on the population, considering the rural environment where the transformer station is located. Meanwhile, ENERSA had the opportunity to illustrate in greater detail its compliance with the standards and policies established by the World Health Organization (WHO), and how it is taking all technical precautions required by national and international laws to prevent greater impacts. As a result, the Requesters discontinued the discussion on this subject, resuming the dialogue on these impacts during the participatory monitoring process. The Requesters likewise agreed that it was not possible to change the location of the project, and decided to focus the discussion on other measures to mitigate the visual and environmental impacts of the transformer station.

42. ***Effective community participation.*** During the dialogue process, the Requesters received relevant information on the project and were able to express their concerns to the executing agency. The Requesters—residents who will have to live with the project for a long time—created a forum for community participation, thereby effectively contributing to improvement of the project. This participation will increase through the Citizen Participation Plan, which will function during the construction and operation of the transformer station.

43. ***Project progress with technical improvements and greater sustainability.*** In addition to allowing the resumption of those project activities delayed because of lawsuits and public protests, the dialogue process resulted in significant improvements for the operation as a whole. As mentioned earlier, the agreement signed by the Parties includes: (a) measures to mitigate the visual impact of the transformer station; (b) actions to improve infrastructure conditions in the neighborhood of El Brete, as a way to offset impacts that could not be mitigated; (c) creation of a private natural protected area in the vicinity of the transformer station; (d) a Citizen Participation Plan; and; (e) commitment to first exhaust all dialogue avenues as a dispute settlement mechanism. As a result of the aforementioned agreement, the Parties feel that they were able to *settle issues that had previously been contentious*.

44. ***Prevention of worsening risks and harm to the Bank’s and executing agency’s reputation.*** As stated earlier, the dialogue process led to an understanding between the Parties that prevented new public protests, lawsuits, and bad press. The support provided by the Bank’s Project Team to the dialogue process and the proactive role played by ENERSA, the PCU, and other stakeholders in settling the case went a long way toward ensuring greater social and environmental sustainability in an operation of this size.

#### IV. LESSONS LEARNED

45. The dynamics, structure, and outcomes of this dialogue process resulted in several lessons learned, which are summarized below:

46. ***Flexibility when defining a dialogue agenda.*** At different times during the process, the Parties identified and/or redirected the important issues on which they were willing to move forward in a dialogue agenda. This flexibility is of utmost importance for managing expectations and moving forward in dialogue processes involving multiple stakeholders on

whom the decision, or even consensus, depends, in order to find solutions to different issues and concerns raised. However, the cost of this flexibility can translate into longer time frames.

47. ***Mapping and inclusion of key stakeholders in the dialogue process.*** The early identification of the primary and secondary stakeholders in a case is an essential component of the dialogue process. In this case, the initial absence of the PCU and its active participation during the last stage of the process were determining factors in the deadlock, and in the subsequent progress and successful conclusion of the process. The participation of the Provincial Road Directorate was also very helpful, since through the PCU it considered and supported some of the neighborhood improvement measures. Lastly, the municipal government was essential to ensuring that the dialogue moved forward. It understood the dialogue process that was taking place, given the importance of the work, and drew up the necessary institutional agreements, which to a certain extent address the needs of the Requesters and translate into actions that result in longer-term community benefits.

48. ***Early prevention of disputes.*** The creation and/or increase of information-sharing and dialogue forums starting in the early stages of the project are key. These forums tend to facilitate addressing the concerns raised in the community as a result of the construction of works of this nature. It also helps prevent the escalation of disputes that worsen unnecessarily, if not addressed very early in a constructive way. Along these lines, it is advisable for any investment projects, such as the case at hand, to make community participation and information exchange an essential part of their design and execution. In this process, there was a greater understanding of the value of dialogue as a method of interaction that is necessary in order to rebuild relationships, establish new ones, and ensure smooth communication among stakeholders, with the aim of ensuring the involvement and participation of the people who must live with the project in the long run.

49. ***The role of impartial or multipartial third parties.*** It has once again been shown that the role played by third parties outside the dispute, in terms of guiding the inquiry and constructive discussion, encouraging reflection, and as keepers of the “memory” of the process, is key and an extremely useful tool. *Multipartiality* stems from the trust the third party must simultaneously build with each and every one of the parties, legitimizing relations and acting with transparency, in order to facilitate a process that will help construct sustainable solutions. Along these lines, the ICIM’s presence helped build bridges between the Parties when their relationship was one of open confrontation, and also helped create the necessary balance between what was being sought and what could be resolved; between what constituted expectations and what constituted legitimate demands; between problems and solutions; and lastly between costs and benefits, all within a framework of reasonableness and a participatory process that ensures achievements that can be sustained over time.

50. ***The value of a dialogue process as a joint effort.*** The participants increased their understanding of the role of dialogue as a joint effort based on the necessary respect and cooperation. Moreover, it has been shown that a successful dialogue requires the involvement of the parties, who even though not ready to negotiate, do not want to continue

a destructive relationship. It has been demonstrated how, as part of a dialogue process, exchanging information at key times can contribute to more complete information and clarifying of assumptions, preconceptions, and information the parties have, providing new tools to assess the best way to address the problem in the future and create opportunities for establishing concrete agreements based on good faith. The dialogue meetings specifically led to innovation as a master key to identifying points on which the Parties could agree. They provided an opportunity to present and analyze creative new options aimed at minimizing the project’s impacts and devising ways of working together on certain issues, or involving new stakeholders with specific responsibilities when dealing with certain issues, and promoting practices with greater openness and coordination between civil society, business, and government.

51. ***The individual complaint and collective complaint.*** Although a complaint filed by an individual is admissible, it is important to recognize the platform of legitimacy a complaint has when it represents a collective and/or public concern shared with other residents and/or organizations, even more so when dealing with a project having the size and importance of the one at stake, not to mention its interest and public purpose. In addition, the inclusion of Requesters contributes to the transparency and formulation of options for moving forward with the development intent (project). This broad participation fosters citizen commitment, both in the monitoring and implementation of agreements and in the internal organization required to channel this new relationship with the company and/or agencies that must implement the agreements and the project.

52. ***The Bank’s role.*** The IDB plays a key role in terms of the influence it may have on the parties to promote an open and responsible dialogue while seeking to improve the operation. In these types of projects, the cases have potential public policy implications and tend to positively influence the future actions of the stakeholders involved in future infrastructure projects. The development of these projects is also an opportunity to promote processes that can replicate successful experiences and are conducive to an institutional framework, through access to information and the participation and promotion of forums aimed at strengthening democratic governance from a deliberative, human, social, and environmentally responsible perspective.