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Preface

This publication is a collaboration between members of the Social Development Family in the World Bank and academicians outside the Bank. It part of a project by Social Development staff to develop and refine methods of social analysis to help address the new challenges faced by the Bank. The key components of this program are the Social Analysis Operational Policy, the development of participatory methods for social analysis (including stakeholder, organizational, and institutional analysis), the Quality Assurance Group process, and the collection of case studies.

The first step in this process has been to take stock of existing useful material both within and outside the Bank. The two chapters in this volume are an outcome of this stocktaking. They combine thought inside the Bank and in academia on stakeholder analysis.

The next step has been to convene a team of Bank staff to collate and refine techniques as they are applied to particular Bank instruments, thereby developing a unified yet flexible protocol for social analysis. The team will continue to seek feedback via its website from Social Development staff who apply these and similar methods in the field. The Social Development Family will return to stakeholder analysis once it has taken full stock of organizational and institutional analysis.

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1. Introduction to the Issues

Any development intervention that seeks to change the rules of the game will produce winners and losers. Existing stakeholders with entrenched interests in the previous system will have major interests in determining how attempts at institutional change will affect their power and interests. Thus, the task manager's ability to understand and engage or neutralize stakeholder interests during project design and implementation is essential for the success of interventions posited on changing conditions on the ground.

Traditionally, World Bank staff have used stakeholder analysis at the level of the individuals affected by interventions. However, it is the analysis of groups and organizations—both inside and outside government—as stakeholders to processes and outcomes that is critical to the success of any policy reform. It is through stakeholders within government that any reform will be mediated. Groups of stakeholders, both within and outside government, mediate access to resources and power and produce forms of stratification and obstacles to empowerment.

The shift from a state that owned enterprises toward a regulatory state, and from a state-based toward a private-sector-based model of development, has radically altered the socio-political map. Stakeholders who previously had acted as checks and balances to one another's power have been thrown into a different set of relationships with one another and with the state. Organizations within government, and interest groups developed in close collaboration with government are likely to be threatened by change.

In the first chapter of this volume, Robert Bianchi explains the process by which interest groups gain a stranglehold over a weak state. He argues that professional groups are first captured by bureaucracy and then themselves recapture bureaucracy. The state aims to provide stability among contentious groups by incorporating them in its own structure. The groups are given organizational forms, rights, and resources to perform certain corporate tasks. Many of these corporatist groups were formed in the period during which the state was seen as the natural agent of development. Because they were incorporated in the state, they developed a strong interest in perpetuating the state-led development model. These groups can become points of pressure on the state that organized them, using their official status to exert influence in pursuit of their political, social, and economic goals.

The proliferation of interest groups with tentacles in the old state prevents strategic prioritization by the government and stalls reform. The politics of lobbying may help to explain why projects are not finished within time and cost estimates, or not finished at all. Thus, it cannot be assumed that all civil society organizations are potential partners for the Bank. Often they are closely aligned with the governments that created them, with entrenched interests in preserving existing institutions and resisting policy change. Their interests may not be aligned with the goal of poverty reduction.

Bianchi's analysis has implications for the design and implementation of operations.

During design, the task team needs to evaluate carefully why a particular project is needed to ensure that it does not merely flow from an entrenched interest. Task team members must examine the rationale for the project in theory and on the ground to ensure that the goals of the project reflect the interests of the poor. The task team also should make sure that implementation and design arrangements *prevent* capture of project benefits by local elites or international stakeholders, such as consultants and international firms. During implementation, the task team should constantly keep in view the medium- and long-term goals to prevent short-term accommodations to interest groups from hampering the accomplishment of pro-poor goals.

In the chapter, Sherrie Kossoudji formulates a range of critical questions that the task team needs to ask when planning and implementing an intervention. Which individuals or groups are essential to success and need to be won over? Which individuals or groups are likely to resist and need to be isolated? Who is likely to be adversely affected and must be compensated? Which groups, especially poor and unorganized groups, are likely to benefit from an intervention but do not realize it? Which groups could benefit but will not be able to defend the benefits in case of resistance by more powerful groups? What, then, are the best strategies for persuading or isolating groups?

These two chapters are part of an ongoing effort by the Social Development Family to develop further its methodologies in stakeholder, organizational, and institutional analyses. Stakeholder analysis has been recognized as a key vehicle for tailoring World Bank operations to a country context.[1] It is also a useful tool to analyze the dynamics of ownership within government organizations, and to identify groups in order to provide a basis for systems of monitoring.

Note

1. "Reinventing Adjustment Lending: Retrospective and Strategy," OPS November 10, 2000.

2. Organized Interests as Social Development Partners: Concepts and Techniques

Robert R. Bianchi

World Bank task managers will face many hard choices as they try to enlist interest groups as social allies. Most interest groups are notoriously biased spokespersons for the broad constituencies they claim to represent. Even in the mature democracies of the United States and Western Europe, group leaders often speak only for themselves and a small fraction of their most privileged and assertive followers. Nominal members, interested nonmembers, and the public at large may have little or no influence over powerful groups whose actions directly affect the daily lives and futures of millions of people.

For generations, Americans were regarded as masters of the "art of association" because of their penchant for joining countless types of voluntary groups. However, during the last three decades, North American participation in group life has atrophied as disillusioned citizens realize that group life is dominated not by grassroots movements and public interest organizations, but by entrenched lobbies that have acquired a stranglehold over critical areas of public policy and economic activity (Putnam 2000). In the world of interest group politics, effective power flows not from public opinion and the will of the majority, but from the organizational skills and financial resources of small yet determined minorities. Hence, public advocacy groups such as the Sierra Club and Common Cause commonly are overshadowed by the special interests of fewer people represented by the National Rifle Association, the American Medical Association, and the International Brotherhood of Teamsters.

The problem is worse in partial democracies and authoritarian regimes in which the state often represses and manipulates most types of associations. In many developing countries, the largest organizations, such as chambers of commerce, bar associations, guilds, and labor unions, have had long histories of serving the government and the ruling party instead of their members (Bianchi 1989, Schmitter 1971). Frequently, the oldest and most important economic and professional groups originated as monopolies that were created and funded by the state. By law, membership was compulsory, and no competing organization was permitted. Usually, the government controlled the selection of group leaders and kept them in power. Because of their questionable origins, many people still view such groups as the creatures of a discredited authoritarian past rather than as natural outgrowths of a free society.

If, in both old and new democracies, so many interest groups tend to distort the representation of public opinion and to corrupt the policymaking process, why should task managers pay them any heed? Should not the World Bank ignore them instead of trying to work through them? If some groups seem too powerful to ignore, would it not be better to work with their competitors or to oppose them head on instead of co-opting them or giving in to their demands? Since even the most powerful interest groups frequently enjoy little legitimacy or public respect, should not task managers be free to encourage the creation of new associations for prospective beneficiaries and allies who do not yet possess their own organizations?

Concepts

Pluralist and Corporatist Systems of Interest Representation

One of the most popular paradigms for studying interest groups is the distinction between pluralist and corporatist systems of representation. As ideal types, pluralism and corporatism are useful starting points for classifying and comparing interest group systems, but they are no more than intellectual abstractions. In the real world, there are no "pure types" of either pluralist or corporatist political systems. Instead, all systems are hybrids that mix both pluralist and corporatist structures in different proportions. Furthermore, even in the same country, the relative balance between these two types of group organization often changes dramatically from time to time and from sector to sector.

The crux of the model is the fundamental dichotomy between *groups that serve their members* and *groups that serve the state*. Social scientists usually distinguish the two halves of the dichotomy by listing several ways in which pluralist and corporatist groups stand apart from each other—sometimes as polar opposites and sometimes as different ends of a continuum.

In theory, pluralist systems are composed of groups that have the following characteristics. Pluralist groups are spontaneous creations of their leaders and members—they come into being without the need for prior approval from the government. They freely define their own fields of activity according to their subjective preferences. There is no limit to the number of groups that can operate in any field. Multiple groups can compete for the same members, and individuals can belong to multiple groups at the same time. Membership is voluntary, and members retain the right to resign. Members are free to select and remove their leaders at regular intervals. Examples of pluralist groups are charitable foundations, sporting clubs, community improvement associations, voluntary labor unions and professional syndicates, veterans' committees, women's groups, and ethnic societies.

In theory, corporatist systems are composed of groups that possess opposing characteristics on all of these dimensions. Corporatist groups are public bodies that are created by statute, supervised by a parent ministry, and financed with state funds. Their fields of activity are stipulated in law and may not exceed those boundaries. They operate as official monopolies in their designated sectors—no rival groups are permitted. Membership is compulsory for everyone who belongs to a legally designated social or economic category. The government retains the right to screen, appoint, and dismiss organizational officers. Examples of corporatist groups are associations that are licensed and funded by the state, unions with "closed-shop" contracts, and any group that legally requires people to become members as a condition to working in a particular job or enterprise.

The hallmark of corporatism is a lop-sided bargain between interest group leaders and the state. The state agrees to grant favored groups a degree of power, money, and status. In return, group leaders agree to help implement government policy, to soften their demands and criticisms, and to control their members. The exchange gives interest group leaders numerous privileges that they would not enjoy if they headed private, voluntary associations, including guaranteed access to top decisionmakers and virtual immunity from potential rivals and dissatisfied members. For its part, the state acquires a small stable of pliable partners who are strong enough to deliver on their agreements but too weak to drive hard bargains or impose their own preferences.

Corporatism is popular with many governments that wish to mask their discriminatory treatment of social and economic groups. Because corporatist organizations exercise tenuous privileges instead of inherent rights, governments enjoy enormous discretion in manipulating the system to promote favored interests and to demote potential troublemakers. Groups that appear to share common legal and structural characteristics will still have radically different power relations with the state and with one another. Even in the most repressive dictatorships in which all of society seems to be at the mercy of the rifle butt, certain groups will fare much better or much worse than the rest. Some may barely bow, some may have to kneel, and others may be forced to choose between crawling and standing up to fight.

Although corporatist arrangements usually place the state firmly in the driver's seat, they also allow wide freedom of maneuver to group leaders who understand the rules of the game and who learn to bend them to their advantage. The fate of group leaders can quickly diverge from the fate of their supposed constituents. It is very common for members to experience shrinking benefits and tightening regulations at the same time that group leaders are expanding their bureaucratic fiefdoms, patronage networks, and personal fortunes.

Many people assume that pluralist groups typify democratic systems whereas corporatist groups typify authoritarian systems. In fact, pluralist groups are slightly more common in democratic systems, and corporatist groups are slightly more common in authoritarian systems. However, there is no simple, absolute correspondence between interest group structures and political systems.

Most authoritarian regimes find it extremely useful to preserve prominent enclaves of pluralism, particularly in sectors in which they want to promote fragmentation and weakness instead of coherence and unity. By encouraging the proliferation of small and competing groups, pluralism can serve as an excellent means to "divide and rule." At low doses, the right of association can have perverse and disorganizing effects. Pluralism can provide just enough freedom for squabbling groups to nullify one another's efforts at building a popular and effective political force.

Consequently, ruling elites can have the best of both worlds—they can weaken social and economic groups while claiming that the groups' problems are self-inflicted. Government spokespersons can insist that vast sectors of society are weak not because they are bullied from above but because they are divided from within. Developing country rulers frequently try to pass off what might be called "debilitating" pluralism as an inevitable aspect of nascent democracy. They hope that foreign donors and human rights advocates will view the persistent disorganization of civil society as the lingering effect of collective action problems instead of the result of deliberate government policies. This allows them to take credit for adopting the window dressing of democracy without having to share power with autonomous groups and equal partners.

On the other hand, many democracies encourage the development of corporatist interest groups to compensate for the perceived inadequacies of pluralism and multiparty competition. In most of Western Europe, a small circle of interest group cartels holds regular summit meetings with government planners to negotiate economic agreements for the entire country. Both right-wing and left-wing governments regularly resort to this sort of elite bargaining in the belief that rational economic policies are more likely to emerge from a roomful of secluded technocrats than a parliament of grandstanding politicians.

The steady shift of power from elected legislatures to collusive committees of interest groups and bureaucrats has sparked popular protests in nearly all industrialized democracies. Corporatist bargaining processes have produced "social pacts" and "incomes policies" that tried to tone down social tensions while boosting productivity and exports. However, the cost and pain of these agreements have fallen mostly on millions of citizens who were not represented at the bargaining table and who were never invited to participate. Thus, in many developed countries, taxpayers, environmentalists, small producers, and shopkeepers may well mount revolts. Their hope is not only to dramatize the unequal benefits of corporatist bargaining but also to push policymaking back into the public arena of electoral competition so that they and ordinary voters can rejoin the debate.

How Representative Are Interest Groups?

The systematic distortion of public opinion and member preferences is a common weakness of interest groups, whether they are pluralist, corporatist, or the more common admixture of those ideal types. The most important distinctions among organized groups are not their categorizations in law or social science theory, but the kinds of biases that they create in political life and the prospects for overcoming those biases. The study of interest group politics amounts to an ongoing conversation that is dominated by two questions: "Why do mature groups tend to become fixed and frozen even if they originally appeared to be free and fluid?" and "What forces can correct or reverse this ossification?" Social scientists give conflicting answers to these questions, running the gamut from extreme optimism to extreme pessimism.

Optimistic writers argue that corrective measures are likely to come from within the interest group system itself. Extreme optimists contend that democracy alone is sufficient to ensure that most groups remain open, competitive, and responsive even if some of the stronger actors occasionally manage to corner parts of the market (Truman 1953, Dahl 1961). As long as a society preserves the freedom of association, group life will be virtually self-equilibrating. Inequities will be mild and temporary not systematic and self-sustaining.

However, moderate optimists recognize that many people lack the resources and skills necessary for translating formal rights into effective power (Bendix 1964, Hardin 1982). Drawing a distinction between the "right of association" and the "art of association," they note that even the freest democracies are divided by social and economic gaps that create corresponding disparities in the ability of different groups to exercise their nominally equal liberties.

Nonetheless, moderate optimists believe that many disadvantaged groups can eventually overcome these obstacles through a process of political learning and self-empowerment. Inequalities in group organization and power are viewed as common symptoms of market failure caused by imperfect information, entry barriers, and transaction costs. Given enough time and tutoring, most groups can acquire the means to mobilize an effective countervailing force that will enable them to demand the same sort of access and influence that more privileged groups take for granted. With repetition, the learning period should decline, allowing even latecomers to catch up in short order by following the examples of successful predecessors.

By contrast, pessimistic writers argue that group systems become so entrenched and sclerotic that reform is impossible without shocks and pressures from outside the groups themselves. Moderate pessimists usually think that a major national crisis can provide a sufficient jolt to crack open an oligarchy of complacent groups (Schmitter 1974, Lowi 1971). New actors could enter the system to help manage an emergency that the old order can no longer control: a severe recession, a series of escalating riots, or an electoral upset that deposes a long-dominant party. Interest group "cartels," unaccustomed to bargaining with either rivals or partners, would be forced to seek out new blood to save themselves from their own unwillingness to share power.

For extreme pessimists, however, entrenched groups are so resistant to change that real reform can follow only a full-blown catastrophe that wipes the slate clean (Olson 1982, Bachrach 1967). Innovative coalitions cannot be grafted onto existing ones; they can be created only out of their ashes. This view notes that a democratic and economic renaissance often appears in precisely those countries in which a national disaster has swept away hegemonic interest groups that seemed invincible to domestic opponents. Thus, many kinds of tragedy—from depression and civil war to military defeat and foreign occupation—may prove to be blessings in disguise, *if* they finally break the back of an old guard determined to cling to power at all costs.

Although each of these competing arguments has made a lasting contribution to the study of interest group politics, most analysts tend to agree on two key conclusions. Earlier portrayals of interest groups as natural agents of democracy and development have given way to a host of more critical and skeptical views. Instead of assuming that an "invisible hand" will somehow balance contending interests, most social scientists are asking hard questions about how groups operate in the real world: "Who created them and why?" "What kinds of people do they include and exclude?" "Does their role in policymaking promote or prevent equity and efficiency?" "Who pays the price for a particular system of group activity, and who reaps the benefits?"

The empirical evidence has convinced more and more social scientists that *interest groups obstruct democracy and development at least as much as they encourage them*. In this sense, it is fair to say that today's students of interest group politics are both more pessimistic and more realistic than their predecessors. However, they are also becoming increasingly confident about the prospects for reforming interest group systems through various combinations of internal and external pressures.

Many field workers and theorists have tried to specify the conditions under which underrepresented social sectors are likely to organize, form effective coalitions, and reshape interest group systems that have been the historical preserves of privileged minorities. Having discovered the hurdles to collective action, social scientists are also beginning to realize that the hurdles are not as insurmountable as they once appeared (Olson 1965). Thus, most social scientists have abandoned the myth that an "invisible hand" will somehow permit interest groups to correct their own abuses. Instead, they are examining a number of "helping hands" that can actively intervene to alleviate the biases that regularly accumulate in mature systems of group politics.

With increasing frequency, some of the most important helping hands are coming from the international community, including the World Bank. Donor democracies, human rights advocates, and foreign investors realize more than ever that they have a direct stake in building more open and flexible systems of representation. Associational life is no longer seen as the exclusive concern of domestic elites and national sovereigns, but as a universal interest of all who value greater human freedom and well-being (Sen 1999). International actors seeking local partners for economic and social development usually discover that they must also become part of transnational alliances for political change. Implementing even the most orthodox economic policies may require adopting some unconventional political practices such as intentionally altering the imbalance of power among organized groups.

Lobbying and Other Interactions with the Government

The most influential interest groups are those that have established continuous and mutually beneficial relationships with a small circle of bureaucrats and lawmakers who control specific areas of public policy. The most successful lobbies rely not on bribery and arm-twisting but on providing unique information and expertise that help decisionmakers accomplish their goals and advance their careers. Effective lobbies do not buy or extort influence; they usually receive it as a tacit reward for their willingness to share the daily chores and responsibilities of governing (McConnell 1967).

The drift of public power into private hands takes many forms. In the most extreme cases, governments and interest groups exchange not just knowledge and advice, but leaders as well. It is common to meet cabinet ministers and parliamentary chairpersons who are former directors of associations in the very professional or economic sectors that they are supposed to be regulating in the public interest. Similarly, many interest group leaders are retired civil servants and politicians who are now lobbying the same government officials who were once their colleagues.

When an interest group is itself a quasi-public agency, the line between the regulators and the regulated becomes virtually nonexistent. Many business and professional associations originated as government agencies that were designed to discipline modern economic sectors in much the same way that traditional guilds controlled crafts and trades. Gradually, these new groups also acquired representative functions and overtly advanced their members' demands, but they never lost the official status and authority that they possessed as agents of the state bureaucracy. In continental Europe and in much of the developing world, this has been the typical pattern for middle-class organizations such as chambers of commerce, exporters' clubs, manufacturing societies, bar associations, engineers' syndicates, and agricultural cooperatives.

Many private interest groups that did not enjoy this sort of privileged access at their inception nonetheless have succeeded in penetrating government bodies both nationally and locally. For example, in the United States and the United Kingdom, most case studies of interest group activity focus on private associations that gradually "colonize" and "capture" executive agencies and legislative committees. American audiences, in particular, have always tended to regard this blurring of public and private power as scandalous or semi-criminal. Even today, when accounts of group politics usually come from the pens of historians and social scientists instead of muckraking journalists, many of them still read like exposes chronicling the pervasive corruption of public officials by special interests.

In practice, the exercise of group influence tends to assume common forms regardless of whether an association originated in the public or private realm. In either instance, the key relationship typically revolves around a "symbiotic triangle" that joins an interest group, a specialized administrative agency, and a parliamentary committee. Each party supplies a set of vital ingredients to the partnership. The interest group contributes inside information, assistance in implementing government policies, and political support for the official decisionmakers. The agency provides authority, enforcement, funding, and coordination with other branches of government. The committee adds formal oversight, appropriations, and defense against public criticism.

The prevalence of these symbiotic triangles across so many policy arenas means that outsiders who seek to influence decisionmaking may find themselves enmeshed in delicate negotiations with a wide range of potentially conflicting personalities, in effect, a policy "family." It may be impossible to work with top government bureaucrats unless one is also prepared to deal with the associations and politicians who make up their support groups. Likewise, outsiders may approach an interest group because it enjoys a popular reputation for dictating policy in its sphere of influence only to discover that it is merely a link in a long chain of mutually dependent actors that stretches deep into the state and the political system.

As with any family, dealing with a policy triangle can be a joy or a nightmare depending on its internal dynamics. A harmonious and cooperative triangular network can open doors in many directions, paving the way for far-reaching innovation in fields and institutions that initially seemed unrelated. However, a squabbling network can produce prolonged deadlock in which personal and organizational resentments defeat even modest initiatives that appear to serve the objective interests of all of the major actors. When the members of a policy triangle are locked in battle, a foreign donor or advisor may not be able to accomplish more than brokering a truce that enables existing programs to continue without major disruptions. Divided policy networks are very unlikely to adopt new proposals, particularly if one member believes that its rivals will control lucrative benefits that can alter the balance of power among them.

Patterns of Organization by Sector

Although any social and economic sector can contain many different types of associations, there are some very common organizational tendencies among private business groups and labor unions. At early stages of economic development, business interests often cluster in a small number of undifferentiated structures that are sponsored and supervised by government ministries. However, as the private sector grows and diversifies, many entrepreneurs begin to prefer more specialized groups that can represent their diverging and often contradictory demands. New voluntary associations such as bankers' clubs usually spring up alongside the older guild-like chambers of commerce. Eventually, the private sector becomes populated by a host of corporatist and pluralist organizations that compete for the same members and that lobby the same government bodies.

In time, the public face of private business can change dramatically. What appears to be a monopolistic and hierarchical block often develops into one of the most fragmented and competitive arenas in the political system. Rhetorical references to one collective "business" interest give way to multiple collisions among increasingly hostile factions—exporters versus importers, manufacturers versus traders, lenders versus borrowers, large conglomerates versus small firms, developed growth poles versus the hinterlands.

The proliferation of specialized business groups often creates a private sector that is not only multi-vocal but also highly polarized. The profusion of conflicts over specific policies becomes eclipsed by a single overriding cleavage. This is the division between the small number of internationally competitive enterprises with access to foreign finance and markets versus the multitude of weaker firms that depend primarily on domestic resources and customers.

In a developing economy, bitter inter-business quarreling frequently spills over to the government and the political party system. The effects can be particularly onerous for the major economic ministries and the largest right-wing parties. Rival business groups are often instrumental in breaking a moderately conservative mass party into a collection of weak splinter parties that espouse conflicting economic programs. Smaller entrepreneurs are particularly likely to adopt more independent and aggressive political strategies, hoping that their larger numbers can partially compensate for their weakness in the marketplace. New coalitions of business groups and splinter parties usually criticize liberal models of the market, demanding more government intervention in the economy to protect less competitive enterprises against the pressures of monopolization and globalization.

A deeply divided business community can make it nearly impossible for a developing country to formulate a stable macroeconomic policy or to shape the broad electoral alliances necessary for stable government. When rival business groups are able to wage their battles inside of coalition governments and economic ministries, the result is usually a series of sharp policy reversals in trade, investment, money supply, and taxation—reversals that virtually guarantee fiscal crisis and developmental blockage.

In many developing countries, private-sector divisions contribute to a prolonged economic and political stalemate that threatens social order and, in some cases, the very survival of the nation. Politicians aligned with rival business groups frequently try to broaden their electoral support by linking economic conflicts with more explosive grievances based on regional, ethnic, and religious divisions. Because the most disadvantaged districts are often also the homelands of alienated minorities, clashes of material interest can quickly degenerate into bloody confrontations of races and cultures. The ensuing social and political turmoil jeopardizes not only the hard-won gains of the private sector but also the legitimacy and viability of the nation-state it hopes to lead.

Whereas private-sector development encourages business groups to become more fragmented and competitive, it spurs labor unions to become more unified and coordinated. The increasing dynamism of private business threatens different segments of the union movement in different ways, but the common thread is the perception that greater political activism is necessary to compensate for labor's economic weaknesses. The preferred type of political action will vary from union to union depending on its degree of leverage in the labor market and its prospects for forging alliances with the major political parties.

Among union leaders in the developing world, three patterns of political-economic orientations are particularly popular:

1. A conservative unionism tries to preserve the vestiges of paternalism in the state sector.
2. A militant unionism confronts the rising power of private employers.

Box 1. Common Strategies of Labor Unions

Conservative. Lobby state managers and ruling parties to fend off privatization and cost cutting.

Militant. Confront large private and foreign employers and ally with leftist parties that are willing to strengthen collective bargaining regimes.

Social democratic. Mediate factional conflicts in the labor movement and build multi-class electoral alliances.

3. A social democratic unionism tries to bridge the gap between the two extremes (box 1).

Each orientation tends to become identified with a separate faction of the labor movement that is composed of clusters of unions facing similar problems. As unionization grows, the struggle to control the labor movement as a whole often narrows down to a stable rivalry among these three factions. Sometimes they will set up separate confederations; at other times, they will maneuver for dominance within in a single confederation until the internal strains reach the breaking point and a new round of competition and coalescence begins.

Unions in large state-owned enterprises adopt a defensive posture, trying to protect past gains against pressures for cost cutting and privatization. These are usually the most pragmatic and opportunistic parts of the labor movement. Some senior union leaders may nurse a lingering nostalgia for a former ruling party that treated public-sector workers as a privileged constituency, but the ideological drag of this old guard becomes increasingly embarrassing to their younger and more pliable colleagues.

Most state-sector unions eagerly court the government of the day regardless of its partisan and ideological complexion. They focus on quietly lobbying ruling party leaders and company managers, pledging to prevent work stoppages in return for job security and minimal benefits. Sometimes they espouse a passive style of unionism that claims to pursue exclusively economic goals while avoiding partisan activity. Rival labor leaders usually denounce this approach as a kind of "company unionism" that does the bidding of the state.

Unions in large privately owned enterprises confront cost-conscious employers who are not subject to the kinds of direct political meddling that public-sector managers learn to take for granted. The bargaining power of private-sector unions depends not on political patronage but on the conditions of the labor market and the system of industrial relations. These unions can rely on economic strategies only when the supply of labor is scarce in a particular field and when the law promotes collective bargaining and the right to strike.

Although such favorable conditions arise from time to time, they are rare and ephemeral. Hence, private-sector labor leaders commonly try to form a stable political alliance with left-of-center parties that are willing to strengthen the rights of unionization and collective bargaining and to defend them against constant threats from authoritarian opponents. Private-sector manufacturing often spawns the most militant labor leaders, especially when the employers are powerful multinational corporations with deep pockets and poor public relations skills.

Unions in small and struggling enterprises usually form an intermediate group in between the conservative faction that relies on political patronage and the militant faction that tries to strengthen its economic muscles. The common problem connecting this group of unions is that most of their employers are barely able to survive even with low labor costs. Weak firms in labor-intensive manufacturing and cash-strapped municipal governments depend on sympathetic union leaders to help them stay afloat. Many times, the two sides even have to agree to shed some workers to avoid sending them all into unemployment.

Dismal economic prospects push this faction toward political activism, but not toward class warfare. In fact, they often seek alliances with a variety of middle-class associations representing businesses and professionals who feel threatened by the growing power of the biggest and most modern firms. Forced to live by their political wits, these labor leaders frequently become the "diplomats" of the union movement. They are constantly trying to smooth conflicts among the other union factions and to build multi-class electoral coalitions with left-of-center parties and moderate-income voters.

Although both business groups and labor unions become more sophisticated and assertive political actors, they tend to develop very different styles. Increasingly confident business groups break away from multifunctional organizations to press their special demands with greater independence. Increasingly defensive labor leaders try to overcome organizational fragmentation by forming stable union factions and broader social alliances. Business quietly targets the bureaucrats who direct specialized state agencies whereas labor clamors to mobilize public opinion and ordinary voters. Sensing its growing power, the private sector prefers autonomy to artificial unity. Sensing its greater vulnerability, labor looks in all directions for potential partners who are also too weak to act alone.

Interest Groups as Potential Partners in Development Projects

Task managers' relationships with interest groups, including business associations and labor unions, will depend on the specific coalitions of state and private actors that the World Bank needs to build. Task managers should learn to view both government agencies and interest groups as potential allies as well as potential adversaries. Bank officials will regularly become partners in four different patterns of coalition, and each will require a distinct approach to interest group politics.

When a unified government and a dominant set of organized interests clearly approve of a World Bank program, the core of a tacit consensus coalition already exists. In this instance, task managers can operate more as facilitators and cheerleaders than as power brokers and deal-makers. However, in virtually every other situation, Bank officials will have to actively organize and participate in a reform alliance that is willing to stand up to well-entrenched opposition.

Typically, these alliances take shape in three way: as coalitions supporting reforms from above, below, and within. In reform from above, weak government agencies seek external assistance in overcoming resistance from domestic interest groups. In reform from below, the Bank tries to deal directly with groups of intended beneficiaries to bypass an incompetent or recalcitrant government. In reform from within, task managers face a divided state as well as a divided society in which both state actors and private groups line up on either side of the battle.

Several of the most successful Bank projects demonstrate that task managers can operate effectively in all of these situations (box 2). For example, they led consensus coalitions in

Box 2. Patterns of Coalitions in World Bank Projects

Consensus coalition. China's Ministry of Health decided to decentralize its deteriorating system of rural health care, allowing Bank teams to organize broad community participation by villagers, medical professionals, and women's groups.

Reform from above. A handful of Indonesian cabinet ministers turned their common love for underwater diving into a campaign to protect coral reefs from the ravages of commercial fishing and industrial pollution. They joined the Bank in organizing local groups of "reef watchers" who pressured the government to prevent over-fishing and to build new oil refineries in other areas.

Reform from below. In Brazil the Bank was able to bypass corrupt state governments by directly funding thousands of community associations that drew up and administered their own development programs. The benefits reached the poorest groups in rural society, helping them become a new force in state and regional politics.

Reform from within. In India the Bank helped the central government to launch an important land reclamation project despite strong opposition from irrigation officials and local landowners. By giving small farmers title to the new lands and organizing them in Water User Groups, the Bank constructed a powerful public-private alliance that overcame entrenched interests.

China, India, Rwanda, and Swaziland, where governments acknowledged the need to organize underprivileged groups to improve the delivery of services. In each case, World Bank-sponsored association building was instrumental in mobilizing popular participation in rural health care, female education, refugee resettlement, and land reform.

Task managers aided embattled government officials in building coalitions for *reform from above* in Brazil, India, and Indonesia. In these countries, external support helped to tip the balance in favor of state agencies that were willing to take on formidable vested interests: public-sector unions resisting pension reform, farmers and consumers clinging to subsidized electricity, and petroleum companies and fisheries endangering a fragile marine environment. Bank officials joined these government campaigns against these sacred cows by helping to educate the public and by strengthening citizens' groups that were willing to champion poorly represented public interests.

Reform from below is a risky strategy for any international organization that wants to preserve harmonious relationships with sovereign states. Nonetheless, task managers have followed this path to good effect in several countries in which government authority is particularly weak, as in Bosnia and Palestine; in which it is overwhelmed, as in Bangladesh and Gabon; or in which it is notoriously corrupt, as in rural Brazil. In these cases, Bank officials were able to bypass formal authority and to establish direct links with beneficiaries even if the latter had no preexisting organizations of their own. Some task managers had to build new groups from scratch; some adapted informal groups to new purposes; and some helped bigger groups to spawn smaller ones—all with little or no state involvement.

Reform from within is the most challenging strategy because it requires task managers to join one mixed alliance of state and private actors against another. The best examples of success through this path are the judiciary reforms in Venezuela and land reclamation programs in India. In Venezuela, Bank officials shaped a coalition of reformist judges and civic associations to shepherd the overhaul of a court system that had long been crippled by delay and corruption. In India, task managers had to overcome the resistance of irrigation directors and local elites to make the saline land held by former laborers more productive. They did so by aiding individuals willing to reclaim the land through their own labor. In addition they helped central bureaucrats establish independent associations for the new titleholders and water users, and they created a public-private alliance that outflanked the combined opposition of vested interests in the capital city and in the states.

Types of Coalitions

Although coalition building is an integral part of nearly every task manager's efforts, some coalitions will be tactical and transitory while others will have more political implications.

Project-oriented coalitions. When interest group leaders believe that the stakes are modest, they are likely to view alliances as a series of discrete decisions with no long-term consequences for the balance of power. Joining a particular World Bank coalition today will have little influence on whether a given group decides to oppose the same task manager in a different coalition tomorrow.

This sort of project-oriented coalition is most common in efforts to expand infrastructure and to deliver social services. Interest group leaders usually perceive these distributive programs as welcome opportunities for horse trading and logrolling.[1] Although some groups stand to gain more than others, most believe they can gain something, and all can try to improve their position in the next round of negotiations. Thus, even if the bargaining is occasionally intense, it seldom produces either lasting allies or lasting enemies.

Policy-oriented coalitions. However, interest group leaders will be much more demanding partners when the proposed coalition concerns structural adjustment or interrelated projects that add up to sweeping economic, administrative, or political reform. "Economic liberalization," "decentralization," and "democratization" are abstract slogans that will have little attraction to interest group leaders unless they have a clear view of whether the new blueprints will enhance their power or threaten it. Many group leaders are seasoned in-fighters who excel at quickly sizing up potential shifts in the balance of power. Those with experience in authoritarian political systems are particularly accustomed to looking beyond vague expressions such as “deregulation,” “privatization,” and “empowerment” to ask blunt questions about who will prosper from such changes and who will suffer from them.

Interest group leaders are likely to view broad policy-oriented coalitions as long-term commitments that carry both higher risks and higher rewards than the fluid alliances surrounding most distributive projects. Because these coalitions support major social transformations, they are bound to generate conflict and polarization among the most powerful interest groups. In this situation, group leaders will be flexible in negotiating the details of individual programs as long as they are convinced that the total package of reforms will help them to consolidate influence over their constituents and in society at large. However, they are likely to become uncooperative if they sense that other coalition partners are reaping greater gains that can undermine their own power in relative terms even while improving it absolutely.

Consequently, task managers will find that policy-oriented coalitions are far more difficult to construct and maintain than project-oriented coalitions even if the two types of alliance frequently involve the same partners. Task managers might find it useful to view some project-oriented coalitions as dress rehearsals for policy-oriented coalitions, allowing unfamiliar or competing partners the opportunity to develop mutual trust and to discover converging interests. Conversely, if a troubled policy-oriented coalition appears to be in danger of breaking down, task managers might be able to shore it up by offering aggrieved members more privileged positions in other project-oriented coalitions.

In many countries, the most important incentive for preserving broad policy-oriented coalitions will be the members’ subjective fears that they may have to deal with social and political upheaval unless they can learn to deal with one another. Although such psychological factors are usually beyond task managers’ control, they should not be beyond their knowledge. A political coalition’s behavior is often a reflection of how its members view the stakes involved. Even the most intractable conflicts and jealousies tend to lose their edge when the stakes are not simply a particular program or policy package but the survival of an entire regime.

Techniques

Identifying and working with interest groups is not difficult, but it does require a willingness to do some preliminary homework and to build a wide net of contacts in diverse social circles. A large part of interest group studies is merely reputation analysis: canvassing well-informed people to learn which groups they regard as the most influential players in a particular arena and in the country as a whole. The most knowledgeable sources are usually journalists, politicians, senior civil servants, university professors, economists, and experienced expatriates. Invariably, however, the very best authorities are interest group leaders themselves. They are their own best critics, and they can become invaluable teachers to any investigator who makes the effort to earn their confidence and pick their brains.

Task managers should cultivate two special skills for dealing with organized interest groups: (1) “interviewing” the regulations that govern interest group activity, and (2) “reading” interest group leaders to size them up as allies or adversaries.

How to “Interview” a Statute

Most countries have about a dozen laws that control the structure and operation of all of the major interest groups. Usually, one omnibus statute covers the multitude of small voluntary associations and clubs that make up the majority of organized groups. This code—commonly known as the “Law of Associations”—is the best starting point for assessing the overall state of the freedom of association. In addition, separate specialized laws generally exist for each of the larger and politically influential occupational groups such as chambers of commerce and industry, labor unions, professional syndicates, and agricultural cooperatives.

Much of this legislation is extremely detailed, spelling out every aspect of the group's authority, membership, internal hierarchy, financial operations, electoral procedures, and permitted activities. Frequently, the laws explicitly list the kinds of political behavior that are allowed and forbidden for each group, including contacts with civil servants, legislators, political parties, and foreigners. Task managers who "ask" a group's statute a structured list of questions on these topics will acquire an enormous amount of "inside" information about an organization even before meeting its leaders (box 3).

By comparing the statutes of several groups, task managers can quickly grasp some of the built-in biases that make certain organizations privileged players while handicapping others. Understanding the systematic inequities of group structure can serve as a useful "reality check" against informants' subjective and anecdotal reports about reputed political influence. Often, a particular group's reputed strength or weakness clearly reflects its relative status in a formal, legal hierarchy that is intentionally skewed to its advantage or disadvantage.

However, nearly every country contains some striking anomalies. These include powerful groups that have acquired their clout independently instead of through government largesse as well as marginal groups that have squandered official privileges that their disfavored rivals could never hope to enjoy. Task managers might find that these anomalies are helpful clues to discover examples of both particularly skilled and particularly incompetent group leaders.

Box 3. Questions to "Ask" a Regulation on Interest Groups

1. Can groups form spontaneously or do they require prior approval from the government?

2. Is membership voluntary or compulsory?

3. Can more than one group operate in the same area of activity?

4. Is there a "parent" ministry that supervises group operations, finances, and leadership selection?

5. Is the group strictly private or does it perform duties that are usually reserved for government bodies such as revenue collection, adjudication, rulemaking, and professional discipline?

How to "Read" an Interest Group Leader

Interest group leaders come from all walks of life and exhibit all shades of personality. Most of them have extremely strong egos and enjoy using their interpersonal skills to win over people whom they regard as influential. No matter how busy their schedules, they are usually flattered by requests for face-to-face meetings with journalists, researchers, and representatives of international organizations. Most often, they are eager to share their knowledge and insight, particularly if visitors make it clear that they are well informed and that they are also communicating with the group's major competitors and critics.

An initial meeting with an interest group leader is much more than an opportunity to obtain firsthand information. It also can be the beginning of a unique personal relationship that blossoms into a working partnership and opens countless doors to other potential allies. Such relationships always depend on a mysterious combination of personal chemistry and hard-nosed calculations of mutual advantage. Nonetheless, task mangers can use the following five field-tested techniques to keep the process on track:

1. During the initial meeting with the group leader, ask if you can also arrange to have conversations with his or her top aides and lieutenants. This will accomplish many goals simultaneously. You will convince the group

that your interest is sincere and ongoing. You will acquire much more information from diverse sources while making minimal demands on either your schedule or theirs. You will quickly become attuned to the key debates and factional rivalries within the group.

2. As you develop a circle of contacts within the group, ask them to invite you to one of their private meetings, particularly to a decisionmaking session during which important business will be on the table. This will provide an invaluable view of interpersonal relations among the top leaders. Their interpersonal dynamics may confirm or contradict your understanding of the formal chain of command and the conclusions you have drawn from one-on-one encounters. Either way, you will learn a great deal about the group's ability to act as an effective and reliable partner.
3. Tell the organization's leaders that you also want to meet the directors of other interest groups. Ask them to suggest a list of new contacts and to provide personal introductions. If the group leaders are friends, ask your current contact to set up the initial appointment on the spot.
4. Frequently, you will find clusters of interest groups that share close working relationships with one another, regardless of whether they are formally affiliated through a federation or confederation. Such clusters are, in effect, readymade coalitions of interest groups that can be mobilized in unison. When task managers discover a group cluster that is worth exploring, it is best to let the groups themselves handle the advance work and early coordination. Ask the leader of the most influential group to designate a member of his or her staff to serve as your liaison. Let the liaison arrange a schedule of interviews with leaders of the other groups. Let the liaison act as your guide and chief informant. Meet with the liaison regularly to review your progress and to check your interpretations of your observations.
5. Always remember to go back to the group leaders that originally chose your liaison. Acknowledge and confirm those leaders' authority within their own organizations and their wide-ranging influence with other groups. Give them the satisfaction of knowing that you know that they possess power and that they have chosen to use it for your benefit. Most likely, they will be pleased to discover that you are a fast learner. Like most political actors, interest group leaders enjoy displaying their power to outsiders at least as much as they enjoy acquiring it in the first place. Astute task managers who appreciate the use of power in small ways can improve their future chances of seeing that power used in even more important ways.

Task Managers Can Promote Improvements in Group Behavior

The inherent biases and weaknesses of interest groups give World Bank officials a wide range of options in selecting social allies and managing partnerships for development. Task managers can exploit this freedom of maneuver to adopt flexible coalition-building strategies that suit each country's political environment and serve the special needs of particular projects. No strategy will work in all countries or for all projects. At times, it may even be necessary to apply different strategies to the same group if its leaders support Bank objectives in one area while trying to defeat them in another.

With the aid of knowledgeable informants, task managers can readily identify the interest groups that are most critical to their projects. Moreover, by interviewing group leaders, task managers can confidently assess each organization's political strength and determine which are most likely to act as a supporters, opponents, or bystanders. Although this background information is indispensable for developing a political strategy, it will not dictate a self-evident course of action. Every task manager still must make difficult choices about selecting and managing coalition partners based on a unique combination of hard data and personal intuition.

There are many sound reasons for granting task managers a wide degree of discretion in shaping their relations with interest groups.

Usually, they will be the most competent judges of the reliability of local data sources and informants. Because coalition building depends on cultivating face-to-face relationships that are based on mutual trust, task managers will have the clearest insight into whether prospective partners have the ability and intention to fulfill their commitments. Finally, the success of any political strategy will depend on the task managers' belief in its wisdom and their willingness to take personal interest in its implementation. Assuming that half-hearted approaches are seldom worth the effort, it is important for managers to feel that they are nurturing alliances and relationships that reflect their personal values and sympathies.

Task managers should make a serious effort to understand the realities of interest group politics, but they should not assume that these realities are given or unalterable. No system of organized interests is natural or inevitable. On the contrary, all group systems are made by human beings, contrived, and deeply flawed. They are products of historical accident and political convenience. Hence, their structures and activities are open to constant debate, reform, and renegotiation. Informed and prudent task managers can promote improvements in group behavior that are just as important and effective as the changes they sponsor in any other field of development.

Task managers must be aware of the existing distribution of group power, but they should not credit it with a degree of legitimacy and respect that it does not possess or deserve. The balance of power among interest groups usually has nothing to do with democracy, merit, or justice. More often, it simply reflects and reinforces long-standing patterns of elitism, cronyism, and exclusion. Interest groups will not necessarily be valuable allies merely because they are strong and well organized. Nor will they be unworthy partners simply because they are still weak and voiceless.

When existing disparities of group power favor the effective implementation of a particular project, task managers should take advantage of the windfall by collaborating with sympathetic and well-entrenched organizations. However, when task managers' objectives coincide with the interests of the weak instead of the strong, they should realize that the skillful manipulation and alteration of the existing system is an indispensable part of their jobs.

Notes

1. "Logrolling" is the "you-scratch-my-back-and-I'll-scratch-yours" logic of legislative deals around the world.

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3. Strategies of Stakeholder Analysis to Improve Participation and Project Performance: Concepts and Field Techniques

Sherrie A. Kossoudji

The success and sustainability of World Bank operations are closely linked to the active participation of affected individuals, groups, and organizations in their design, implementation, and monitoring. Stakeholder analysis is essential to the design of participatory strategies.

Conducting stakeholder analysis in the field, however, is difficult, and few concise documents exist to help task managers do the job. This chapter summarizes the methods used by the World Bank, the Department for International Development (DFID) (formerly the Overseas Development Administration, or ODA), and the United Nations Development Programme (UNDP). It outlines simple and creative techniques to implementation stakeholder analysis, discusses the benefits and costs of different approaches, and puts forth strategic decision options geared to improve project performance. Here, stakeholder analysis is explored as a precursor to, and a preparation for, full stakeholder participation throughout the life of the project, which is not detailed in this chapter.

Improving Project Performance

There is little in this chapter that will be completely new to task managers. Indeed, it serves to formally organize activities that are often an informal part of project preparation. It is productive to consider stakeholder analysis as another tool to improve project performance rather than as a new technique. However, the direct goal of stakeholder analysis encompasses more than identifying the individuals, groups, and organizations who will become net economic beneficiaries or losers as a result of the project's activities. More importantly, stakeholder analysis attempts to identify potential allies or enemies and calculate policy resistance. It will help predict which political or economic actions stakeholders may take to promote or sabotage a project.

As the Overseas Development Administration (now DFID) defines it (1995:2), stakeholder analysis is "the identification of a project's key stakeholders, an assessment of their interests, and the ways in which those interests affect project riskiness and viability." Unfortunately, no single design or methodology tells development practitioners how to do this. The techniques and tools vary within and between the business community and the advocacy community (see, for example, Kluyver 2000).

For the Bank, stakeholder analysis will be a blunt tool designed to achieve several subtle outcomes:

- To work successfully within a new participatory development context
- To enhance the Bank's ability to manage its relationships and maintain its credibility with those influenced by its projects and loans
- To optimize a project's performance.

The lack of a fixed methodology for stakeholder analysis gives it the flexibility necessary for it to function as a strategic tool under many field conditions.

The approaches used in this chapter are straightforward:

- To identify stakeholders
- To learn about and learn from stakeholders
- To make strategic participation and project development decisions on the basis of that learning.

Six Good Reasons to Conduct a Stakeholder Analysis

Stakeholders' agendas now dominate discussions in both the public and private sectors. A recent conference on ethical accounting highlighted the importance of stakeholders for realizing a company's potential: "In the future, it is difficult to imagine a company creating real trust in its relationships, without a clearly described, audited, and verified stakeholder dialogue process" (Copenhagen 1999: 1). It is now clear that the same is true for international donor organizations. The social audits developed in the private sector are now being applied through the development audit, the social audit, and score cards. What, though, are some concrete, field-level reasons for conducting formal stakeholder analyses as a precursor to participatory decisionmaking?

1. To improve the accuracy of the assessment of the project environment and to minimize fundamental misunderstandings of the local context. One could view coherent stakeholder analysis as insurance against political or economic disaster. Strategic mistakes can torpedo current projects. Furthermore, costly externalities are generated by misguided projects. Adverse reactions to current activities will almost certainly magnify the work necessary for future projects, and increase their cost.

2. To enhance the Bank's negotiating position by acquiring early knowledge of potential obstacles and support. By identifying people, groups, and institutions with interests in the project, stakeholder analysis provides an early warning of potential problems. Similarly, stakeholder analysis identifies potential allies and ways in which they may support the project. Negotiation is improved because of the increased information flows generated by stakeholder analysis, which enable a faster and more accurate response to potential opportunities and conflicts.

3. To improve go-ahead decisionmaking, promote project sustainability, and improve project performance. Stakeholder analysis will minimize the risk of financial losses after a project has begun. Furthermore, early assessments of conflicts of interest among stakeholders will enable task managers to assess a project's riskiness before funds are committed (ODA 1995). "Traditionally, good projects have been identified by looking at the return on investment. Net present values are often used to rank projects for success. The outcome evaluations used today, however, have a different focus. They incorporate techniques such as distributive analysis, which attempts to link the net benefits or losses of a project to the groups who end up being net beneficiaries or net losers (Jenkins 1998: 3)." These detailed analyses require task managers to have an understanding of the stakeholders affected by their projects and how the project affects them.

4. To minimize the Bank's reputational risk. Effective stakeholder analysis (and the management of stakeholder expectations that follows) reduces public relations disasters like the debacle over the antipoverty loan to China, whose proposal included the resettlement of Han Chinese to traditionally Tibetan lands (*The New York Times* 1999; Kahn 2000).

5. To lay the groundwork for participatory development. Participatory decisionmaking cannot occur without good stakeholder analysis. Even if participatory decisionmaking is not within the scope of a particular project's plan, stakeholder analysis minimizes the probability of unexpected stakeholder activities that can subvert the project.

6. To enhance poverty reduction strategies of empowerment, security, and opportunity. "The poor" are unorganized and have little or no voice in public policy. Yet groups of the poor are often organized on one level or another—a fact that is all too often forgotten in the planning phases of large projects. There exist distinct stakeholders within the "poor"—organized or unorganized groups—with differing interests who can effectively identify, help pursue, and participate in a specific component of an overall poverty reduction project. Stakeholder analysis can also contribute to poverty reduction by identifying the stakeholders who will capture the benefit of social protection programs intended to increase security for the poor.

Sufficient forethought to the needs and possible actions of stakeholders will improve specific project performance and create a participatory, collaborative environment that can spill over to other Bank financed projects and activities. Box 1 outlines a successful strategy.

Box 1. Stakeholder Analysis Summary

Keys to success for stakeholder analysis

- ✓ Iterate, iterate, reiterate
- ✓ Allow information to flow
- ✓ Master the art of listening
- ✓ Learn from what is heard and not heard: read between the lines

The process

Phase I. Identify, map, profile, and communicate with stakeholders

Step 1
- Identify and map stakeholders and stakeholder groups
- Anticipate needs of newly created stakeholder groups
- Profile stakeholders

Step 2
- Consult with potential stakeholders
- Listen to stakeholders

Step 3
- Revise project concept

Phase II. Identify the participation of appropriate stakeholders

- Prioritize stakeholders
- Conduct Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis

Phase 1. Identify, Map, Profile, and Communicate with Stakeholders

Step 1. Identify and Map Stakeholders and Stakeholder Groups

Corporate officials who must identify stakeholders usually draw from a relatively simple list: clients, suppliers, investors, employees, debtors, and the government. The Bank's diversified working environments preclude creating a similarly simple checklist (see table 1 for an example of the kind of list a Bank project might use). The Bank's *Participation Sourcebook* describes typical identification strategies as follows:

> Bank task managers have collaborated with government to identify relevant stakeholders by asking questions and seeking answers from both in-country and Bank sources. Often the objective itself has defined the relevant actors. Sometimes, firsthand observation was used to identify

Table 1. Potential Stakeholders for World Bank-Financed Projects

National authorities	National government Political figures Political party organizations Military Central ministry officials Federal or central bureaucrats National unions
Regional or local authorities	Local ministry officials Mayors and city councils Local party officials Township or province administrators Local union representatives Local law enforcement Educational institutions
Regional or local organizations	Community-based organizations Rural or other cooperatives Water use groups Mass organizations Labor or craft groups Agricultural extension services Peasant unions
Nongovernmental organizations	Advocacy NGOs Operational (or partner) NGOs Line agency representatives Local and regional non-profits International non-profits Environmental groups (water, agricultural, or land use projects) Women's advocacy groups
Religious organizations	Priests, clerics, imams Lay organizations Church-based charities Religious institutions
Traditional groups	Tribal leaders Indigenous leaders or organizations Interpreters and intermediaries Traditional healers (health projects) Ethnic group organizations
Commercial and business groups	Local credit cooperatives Bank officials International bank representatives Business organizations Civic clubs of business people or chambers of commerce
Groups defined by beneficiary status, social analysis, rural appraisals, or gender analysis	The poor The landless The displaced Women/men The elderly Youth Agricultural workers Tenants' groups
Groups created by the project	Downstream communities (water projects) Clients of created enterprises Service-user groups The displaced
The press	Local press National press International press
Other governments	Governments in exile Governments of other interested countries
World Bank	Task managers Country offices Board of Directors

appropriate stakeholders. In other cases, disseminating information about the proposed activity enabled interested stakeholders to show up by themselves.

(*The World Bank Participation Sourcebook* 1996, III:1)

The task manager's first job is to identify all potential stakeholders and define their characteristics relevant to the project. Identification is necessarily iterative because to identify stakeholders, one needs a clear idea of their relevant interests; and to define their relevant interests, one needs a clear idea of the identity of the stakeholders. Identifying all of the relevant stakeholders is an anticipatory exercise that attempts to see all possibilities for a project, not just the expected outcome. A simple roundtable with people who are already involved in project planning and/or who are familiar with the local environment facilitates the exercise. Who is expected to gain or lose as a result of the project's success? Who could gain or lose if the project is initiated, but fails? Who could gain or lose if the project is never begun? Are there possible economic spillovers or externalities of the project that will benefit or harm people who are not intended to be directly affected by the project?

The easiest groups to identify, especially in more strictly authoritarian regimes, are governmental groups or organizations that are likely to support or oppose the project. Identifying government departments, ministries, agencies, and groups that will be actively involved with the project is usually easy. These groups are important stakeholders, as are individuals within them. There may exist groupings within a government along factional or ideological lines as well as ministries, which compose the "deep structures" of society. More often than not, these are people with whom the Bank is already communicating or working. It is never too early to try to identify people who will become effective allies to participation enterprises as well as contributors to stakeholder consultations.

There may be hidden structures of disincentives. Groups and factions in ministries not directly involved with the project may have important reasons for supporting or opposing a project. Acquiring support or neutralizing opposition from such groups speeds the project's progress and their interests are ignored at the project's peril. Interviewing specific individuals in ministries or areas that are directly involved often will help the task manager to seek out groups and factions in other ministries or agencies who may have a direct or indirect economic or political interest in the project. Overlapping interests are common, so it is likely that these groups of people have encountered such situations before. Territorial negotiation up front is preferable to a situation in which omitted government groups covertly sabotage a project's potential.

A scan of the institutional environment will help to identify these stakeholders. The task manager needs to look carefully at groups at different hierarchical levels of the government as well. While projects often start with negotiations with national government officials, it is the regional and local agencies and ministries that typically are responsible for project implementation. In addition it is their representatives who are most cognizant of potential opportunities and pitfalls for the project. Whenever possible, the strongest relationships should be built at these implementation levels. The Mali Pilot Participation Project demonstrated that the project's success depended on having a full-time contact point in the Bank's country office to reinforce participatory partnerships ("Findings" 1997).

An important strategy for identifying stakeholders is to recognize the limits of the local and national contexts. Some civil society stakeholders operate across local and national boundaries. Furthermore, it is important to recognize that the extent to which stakeholder groups are organized will vary.

The search for stakeholders requires sufficient information about the ways in which the national regime allows the organization of outside groups and whether and how it controls access to those groups (see Bianchi chapter in this volume). Government officials and bureaucrats may not assist or may even resist the adequate identification of nongovernmental interest groups. Mapping stakeholder interests will require a working knowledge of the government's organizational and institutional structures—its deep structures and the informal rules of the game. Since working with the national government is a requirement, task managers may have to adopt (when possible) creative strategies to identify and communicate with nongovernmental groups. A systematic appraisal of known organizations and groups initiates the task. When possible, task managers should then embark on "snowball identification" techniques. Snowball sampling is used when locating respondents would be difficult or cost prohibitive. It relies on referrals from initial subjects to generate additional subjects. Following the tenets of snowball sampling, snowball identification creates chains of referrals from quickly found stakeholders (such as government officials) to those who are more difficult to find.

Snowball identification can be especially useful to identify groups whose organizational capacity is limited and who may not be known in many government circles. The problem with snowball identification is that it is an inevitably top-down process because Bank staff almost certainly will work on a project concept with the national or central government. In conjunction with snowball identification (when possible), the task manager must devise bottom-up strategies of identification.

The task manager must be sufficiently locally aware to ensure that the benefits and costs of identification and participation are based on the realities of the community rather than on what Bank staff know about the technicalities of a project. Local advisors and consultants are key personnel for identification. Furthermore, early use of local consultants and participants (who may be elders, professionals from the community, or religious leaders) brings critical stakeholders into the project early and can help relieve the Bank of the onus of an expert-driven experience. Communities may feel that if the Bank cedes some power early on (in identification, for example), it will also do so in its negotiations with stakeholders.

As mentioned, snowball identification can be thought of as a top-down identification technique. Nevertheless, its capriciousness (who knows who will lead to whom?) means that previously unknown groups—sometimes simply people with an identifiable common interest, meeting place, or goal—can emerge as effective stakeholders in poverty reduction projects. Examples could be women who sell at the Saturday market, women who meet at the stand pipe, or members of a *favela* council or squatters' group. Similarly, local contacts will be effective in identifying people with common needs, common goals, and common abilities. This group identity may not be associated with poverty itself but coincident with it. Even people who live in poverty, are unorganized, and have no official voice participate in institutions that represent vehicles for communication and stakeholder consultation. The Matruh Natural Resources Management Project makes good use of the local lineage group (*Participation Sourcebook*, appendix II: 4). The key is to identify well-defined groups.

Other techniques for identification of stakeholders include "scanning the environment" to identify the political environment, key people, hot spots, and support systems. These techniques will help produce a "map" of the different stakeholder groups.

Anticipate the Needs of Newly Created Stakeholder Groups

The Bank's involvement has already changed alignments in stakeholder groups. In addition, each Bank-financed project inevitably will create new stakeholder groups. Potential clients, beneficiaries, and people harmed by the project are unlikely to be constituted in identifiable organizations. These groups, whose lack of organization may make full participation unlikely, nonetheless will have interest in and influence on the project's success. Their actions later will be especially important if the project's activities require that they make tradeoffs (if they are beneficiaries) or if they can organize enough to engage other, more powerful stakeholders to protect them from being harmed.

Profile Stakeholders

It has already been noted that stakeholder identification is an anticipatory exercise. So is stakeholder profiling. Local ministry officials and bureaucrats may not know that they will have an interest in training and support for participatory processes (and that without that support, participation and the project may be doomed), but the project staff can anticipate it.

In business management, the most common stakeholder table is the interest/influence table, which outlines the interests and influence of different stakeholders, then separates stakeholders into four groups: high interest/low influence, high interest/high influence, low interest/low influence, and low interest/high influence (Ernst & Young and others 1999). Managers focus on the needs of the high interest/high influence group, while other groups are monitored for changing circumstances.

DFID and UNDP each have adopted a version of the interest/influence table. The goals of a development agency differ from those of a commercial enterprise, and the analysis used also will necessarily differ, especially if participation activities are an integral part of project development. The table presented in this chapter is more extensive than the commercial model because it explicitly assumes that the stakeholder profiling document is a dynamic blueprint for participatory planning and facilitation.

The stakeholder profile form (table 1) requires the analyst to match any given characteristic ("profile element") with any associated critical success factors. Critical success factors are key demands or requirements of the stakeholders that are related to the project and that can be managed, measured, and communicated to them.

Although this chapter describes profiling and consulting with stakeholders as separate steps, they are necessarily intertwined and will take place together. Eliciting the information about these critical success factors will evolve along with stakeholder consulting and involvement. Creative use of traditional methods of communication and information exchange are required, through the use of techniques such as Q-sorts, scenario analysis, and participant observation as well as informal discussions. For example, an informal discussion among a local elder, a female Bank project representative, and women at the stand pipe could elicit information about their children's health needs (interests), their willingness to coalesce around a health initiative (commitment), and their relationships with the existing (if it does exist) medical community (relationships with other stakeholders). Several such discussions around several stand pipes will build the stakeholder profile and engage the stakeholders in consultation.

The Chad Education V task manager notes that stakeholder meetings revealed what Bank staff never would have known: parents were very highly involved with their children's education, but felt they needed help in learning how to run schools. This critical success factor became part of the project (*Participation Sourcebook*, chapter II: 35-38).

These critical success factors may also form the basis of stakeholder monitoring systems. The project may not be able to achieve every critical success factor during its design or implementation, but the Bank will be able to report to the stakeholders which factors were met and which were not. This reporting acknowledges that the Bank is obliged not just to take information from stakeholders but also to give it back. For key stakeholders to participate, it is important that at least some critical success factors be met, but it is usually not necessary that all of them are met for every stakeholder. Participation lends itself to an acknowledgement of the realities of tradeoffs and compromise.

Steps to Complete a Stakeholder Profile

1. Detail each stakeholder's interests and indicate ways in which they agree or conflict with the project's goals. What are the stakeholder's interests in the problems that the project is trying to address? What will be the stakeholder's interest in the outcomes that the project is designed to achieve? What are each stakeholder's goals, demands, expectations, and values?

Analysis of stakeholder interests may not be straightforward. The ODA (1995) notes that many interests are covert, and agendas may not be articulated publicly. This is especially likely under more authoritarian regimes. Of course, this is exactly the situation in which uncovering such agendas is costly to the Bank, and potentially dangerous to the stakeholders. Bank country office personnel, in conjunction with intermediary individuals or groups, may help uncover hidden interests. If the political situation is not too sensitive, information about stakeholders can be sought from representatives of other stakeholder groups or organizations. Several techniques can help identify interests, such as Q-sort, scenario analysis and observational methods. Caution is warranted. Simple political insight may suggest that, unless the project's prospects rely significantly on a particular group, communication at face value, along with a few judicious assumptions, is "good enough."

2. Articulate each stakeholder's ability to influence the project's development and ultimate success. Influence will come from many sources. What are this stakeholder's resources, legal authority, moral authority, and access to the public? Is this a stakeholder with significant legal or moral authority that coercive or persuasive tactics can significantly affect the project's implementation and prospects? Does the stakeholder control significant resources that the project needs? Does the stakeholder have important skills or knowledge critical to the project's development? Can the stakeholder reach large numbers of people or influential people?

3. Assess the stakeholder's position in the community or country, and what impact participation may have on the stakeholder or on the behavior of other stakeholders. Participation by a particular stakeholder could bring about adverse reactions by authorities that could damage the project's potential. Is the stakeholder a governmental agency, nongovernmental organization, sanctioned, unsanctioned, formally or informally organized, or not organized at all (such as many beneficiary groups)? At what level does it operate (local, regional, national, international)? What is its place on the organizational and institutional map? This profile element may not be necessary in many national contexts, but it serves as a useful reminder in countries in which competing interests and unsanctioned organizations may have a restricted ability to participate or in which their participation may have unintended consequences. As the UNDP (1999: 7) points out, "participation can be a destabilizing force in that it can unbalance existing socio-political relationships and threaten the continuity of development work."

4. Detail the stakeholder's capacity for participation activities. What are the stakeholder's organizational resources; the number and dedication of its members; and its traditional knowledge, expertise, and representativeness? Detailing this will be context specific: a farmers' cooperative will have different capacity assessments for an irrigation project than for a rural credit program.

5. Determine the stakeholder's commitment to the project and/or the project's objectives. Participation cannot be effective without significant commitment. While an organization's resources may be large, they are of no use to the project if no one is willing to commit them. World Bank toolkits to determine political commitment may be useful here.

6. Explore how each stakeholder is related to other stakeholders. Are there histories of conflict or cooperation? Are there natural alliance possibilities because of overlapping interests? Are there conflicts that could be created by the project (such as conflicts between men and women over birth control or reproductive health projects)?

The table above can be varied according to the proposed project's features, the national political and social environments, and the local or regional needs and capacities. For example, based on the priority that the ODA gives to satisfying stakeholders' needs or interests, ODA (1995) suggests putting stakeholder importance in the table. Instead, the stakeholder profile approach assumes that importance is a strategic decision based on the stakeholder analysis (discussed later). Technical projects, in particular, may best be served by having expertise, organizational strength, or traditional knowledge as a specific profile element.

Table 1. Stakeholder Profile Form

Stakeholder:	
Profile Element	**Critical Success Factors**
Interests	
Influence	
Status and constituency	
Capacity	
Commitment	
Relationships with other stakeholders	
Strengths as a participant	
Weaknesses as a participant	

> **WARNING**: Know when to back off from comprehensive stakeholder analyses. In some environments, stakeholder profiles could be viewed as the compilation of sensitive information for suspicious purposes. While this chapter discusses the benefits of complete profiles, in such circumstances profiling activities should be minimized. A simple prioritizing of key and secondary stakeholders along with their influence characteristics (especially those that are negative for the project) may be more diplomatic.

Step 2. Consult with Potential Stakeholders

When possible, stakeholder groups should be consulted both separately and together. Meetings facilitate each group's understanding of what other groups need or will bring to the project. Joint meetings also will facilitate the development of participatory project planning. Furthermore, joint meetings tend to lessen the efforts needed to bring any particular group to the stakeholder table. On the other hand, separate meetings help staff learn about different groups' needs and commitment, but do little to help stakeholders learn about the project's whole environment—a critical feature of participatory success.

The myriad ways to consult and communicate with stakeholders will depend on the local and national environments of the proposed project. Workshops, round tables, public meetings, focus groups, Q-sorts, appreciative inquiry, and surveys all are ways to initiate communications with stakeholders. Inevitably, effective communication will take place in the field. Both Beneficiary Assessment (BA), which is an assessment of the perceptions of beneficiaries, and Systematic Client Consultation (SCC), which sets up communication processes and uses client feedback in project development, are commonly used in Bank-financed projects (*Participation Sourcebook* 1996). Creative project workers will accept the idea that Western concepts of “meetings,” “focus groups,” and “negotiation” are only one way of meeting, discussing needs, and working through problems. Some cultural competency is critical when devising stakeholder consulting strategies. What are traditional styles of communication, traditional meeting places, traditional taboos on what is said or who says it? Bringing in local consultants or advisors to the consultative process as early as possible significantly improves a project’s performance.

Do all stakeholders need to be consulted? For some, such as secondary stakeholders with little capacity for organization, consultation may not be necessary. For others, it will not be feasible. But project staff must not dismiss the public relations generated by consulting and reporting activities. Some stakeholders will remain outside the purview of communication. Although the international press may play a critical spoiler role, communication is not often feasible or useful. Local press (where it exists), however, may support or oppose a project and may bring issues to the attention of the international press. Communication brings the interest and influence of the press to bear on the project’s development. In general it is critical that a range of stakeholders be consulted.

Listen to Stakeholders

Whichever communication strategies are used, there are two simple listening frameworks: what is heard and what is not heard. A lack of communication on the part of a group may indicate a group’s suspicions, not its lack of interest or influence. Listening to stakeholders is a learning activity. For the task manager’s purposes, its goal is the ability to produce more complete stakeholder profiles that anticipate threats and opportunities for the project and that generate revisions to the project that coalesce effective support and diffuse opposition.

Active listening is a process of sensing, interpreting, and checking in order to understand stakeholders’ needs and demands and to facilitate the development of an effective relationship.

What kind of information is sought in these stakeholder consultations? Stakeholder consulting is concerned with learning about the participation needs, expectations, and capacities of stakeholder groups. It is also focused on learning how to make a project more responsive to the needs of stakeholders. The Bangladesh Health and Population Program provides a best-practice example. Stakeholder meetings revealed that money costs, time, and male doctors’ attitudes toward women all imposed costs on health care. The project created a Behavior Change Communication Institute, and stakeholder committees have been established to monitor the health system (World Bank internal documents).

Consultation should place particular importance on group dynamics that influence participation possibilities. Even unorganized groups have participation potential if their interests are consistent and their attention is focused. The list in box 2 adapted from Weaver and Farrell (1999: 133), reveals the topics of importance to future participation.

Adopting a coherent listening strategy is especially important when consulting with those who traditionally have little voice.

Box 2. Listening and Participation

Active listening promotes:

- Interpretation of what the group wants
- Acquiring clear signals that give insights to how a group is working
- Awareness of the dynamics that affect a group’s productivity and interdependence
- Knowledge of how well a communication process is going
- Information about the changes occurring within the group.

Step 3

Revise Step 1. Consulting with stakeholders will bring out information about other stakeholders. Similarly, it will clarify stakeholder profile elements.

Revise project concept. Identifying, profiling, consulting with, and listening to stakeholders are only useful if these activities lead to information that can help the project staff assess the costs and benefits of different participatory options and/or improve project performance.

Phase 2: Strategic Decisions to Identify Appropriate Participation

Prioritize Stakeholders

The identification and profiling of stakeholders are information gathering activities that are undertaken in order to aid decision-making. The ultimate decision is how to prioritize stakeholders and design a strategy for their involvement so that the project's performance is optimized for the relevant context and risk is managed. Budget and time constraints will limit the number of stakeholders who can be engaged in participation activities. Key stakeholders are those directly affected by the project while secondary stakeholders are not directly affected but may play an intermediary role.

The World Bank has the capacity to help organize entirely new interest groups—the landless, the disabled, widows, ethnic minorities, social castes, and children (Narayan 2000). Task managers must make strategic choices about the extent to which they wish to involve previously unorganized groups.

Interest/Influence Ranking Schemes

How should one prioritize stakeholders for participation? While there is no single methodology, most stakeholder techniques rank potential stakeholders by some criteria. The interest/influence matrix and the importance/influence matrix are the most straightforward (see table 3). Stakeholders are given numerical ranks on these elements individually. Inclusion is decided by considering their joint ranks. There are many different ranking scales (for example, 1 to 3, 1 to 5, 1 to 10). If a scale of 1 to 3 is adopted, the stakeholders would be scored in the following way: "Are this stakeholder's interests high priority (1) to the project's success, some priority (2), or low priority (3)? Is this stakeholder's influence over the project's outcome significant (1), scattered (2), or weak (3)?" Stakeholders with priority scores of 2 (1+1) are critical for participation, as may be 3s. Strategic decisions to manage other stakeholders may be taken if, for example, a stakeholder is scored with a 1 for influence and a 3 for interests because his or her interests are antithetical to the project's success).

A more complex matrix can use the individual element-joint element ranking. In this case, the elements are sorted by priority to the project's success, then each element is sorted by stakeholder ranking. Stakeholders are prioritized by high rankings on the most important elements and jointly high rankings on several elements.

Numeric rankings are relatively easy to implement and help sort stakeholders into identifiable priority groups. They are useful when first working with stakeholder analysis. However, ranking schemes have two unavoid-

Table 3. Importance/Influence Matrix

	Importance of stakeholder		
Influence of stakeholder	**High priority**	**Some priority**	**High importance**
Weak influence	Civil society organizations (CSOs)	Local government	The poor
Scattered influence			Donors
Significant influence		National government	Representative assemblies

able problems. First, simple scales do little to articulate differences across stakeholders. For instance, what if a stakeholder has a level of influence that is between middling and strong? What if many stakeholders are scored with 2, and constraints do not allow for participation by all? Second, complicated scales can be difficult to combine and analyze meaningfully. As an example, is there a meaningful difference between a score of 77.8 and 78.1?

Strengths, Weaknesses, Opportunities and Threats Analysis

An alternative to ranking schemes is the analysis of strengths, weaknesses, opportunities and threats (SWOT). SWOT analysis is a helpful tool for generating a summary of a strategic situation (Kluyver 2000). The SWOT analysis for participatory projects differs from a typical organization's SWOT analysis.

In the case of a World Bank operation, the persons conducting the SWOT analysis examine the individual elements of each stakeholder profile. Then, making judgments about the group's participation possibilities, they evaluate the strengths and weaknesses of each stakeholder as a participant. Added to this is the summary of the environment, which accesses the gathered information about *all* of the stakeholders to assess the opportunities for participation and the threats to participation posed by the external environment. (Remember that both the Bank and the government are considered stakeholders.) A SWOT analysis is more holistic than a ranking scheme and more explicitly reveals the judgments of the people conducting the analysis. It is a normative interpretation of a stakeholder's capacity and will for participation, and an assessment of the benefits and costs to the project of this stakeholder's participation under alternative conditions.

The bottom of the stakeholder profile articulates these participation strengths and weaknesses for each stakeholder. What stands out about each stakeholder? Is a group likely to mobilize for or against the project? What kinds of behavioral changes will have to take place before participation will be effective? Is the stakeholder's capacity a strength or a weakness? Can this stakeholder group mobilize its members? Does the stakeholder have particular organizational resources, alliances, or cooperative arrangements with other groups who may themselves be critical stakeholders?

Stakeholders who are directly affected by the project (such as beneficiaries or the displaced) necessarily are key stakeholders who must play a role in project development (even if full participation is not possible). Beneficiaries, for example, are not typically involved with identifiable groups or organizations. What strengths can be identified for such stakeholders? What are their weaknesses and what amount of resources will it take to overcome those weaknesses? Stakeholders who are indirectly affected by the project must be made allies or have their opposition muted.

To successfully evaluate a stakeholder's participation strengths and weaknesses, consider the stakeholder characteristics in box 3.

It will be important that this analysis of strengths and weakness be considered under several possible scenarios. Will an election change a government ministry's influence? Is there a change in policy that could influence a stakeholder's ability to commit certain resources? Analyzing the stakeholder groups under alternative conditions can help to identify groups who may not initially be chosen to participate, but who should remain on a

Box 3. Foundations for Participation Evaluation

- Cultural context and indigenous forms of communication
- Commitment
- Community involvement
- Concern about problems or the project's goals
- Collaboration potential
- Conflict potential
- Crisis potential
- Cooperation potential
- Capacity for consensus
- Collective agendas

consultation list and can be brought in as allies if circumstances change.

What will the project gain by having this stakeholder participate? What will the project lose? An extensive cost/benefit analysis may not be necessary or possible for these purposes, but a simple back-of-the-envelope calculation of the project's gains and/or losses from each stakeholder group's participation anchors the participation decisions in project performance. It is critical to evaluate the possible changes in designs, goals, service users or clients, outcomes, and the implementation cost.

Self-assessments by the task manager, project team, the Bank's country office, and other Bank functionaries are a necessary part of this exercise. What are the Bank's strengths and weaknesses for participation in this particular environment and for this particular kind of project? Are project staff members trained in participatory techniques? Will they be good facilitators in the local environment? Will they make sure that participation is embedded in project development activities?

The information about *all* of the stakeholders should be gathered in a summary that assesses the opportunities for participation and the threats to participation posed by the external environment. It is useful to think about this part of the analysis as small-scale country risk assessments. There are three critical issues to consider during this summary. First, are there any fatal threats to participation or to the project itself? If so, a project (or participation) will not be viable. A fatal threat is a situation that would cause a project to be reconceived, or its participation strategies reconsidered, in order to remain viable. A government that refuses to cooperate in participatory endeavors may be such a fatal threat.

Second, are there any significant threats to the Bank's critical success factors? These threats increase the risk of the project and, because the Bank and other stakeholders may be working at odds, mean that careful consideration ought to be taken before the project moves forward.

Third, are there strong possibilities for alliances of different stakeholder groups that could make participation activities cheaper and could improve project performance?

The act of conducting an organized SWOT often removes the need for a specific ranking of stakeholders. The stakeholders who must be included should become obvious. They are those whose interests are important to the project and for whom the benefit of participation outweighs the cost. Similarly, stakeholders who will not be included but who may pose a threat to the project may be managed. Finally, some stakeholders will be tangential enough to the project's goals and impacts that they need not be participants at all.

SWOT analysis can be useful for evaluating the participatory capacities of stakeholder groups when poverty reduction is the goal, but the tendency in SWOT is to focus on the more powerful stakeholders who can sabotage a project. When SWOT is used to assess stakeholder strategies, a complimentary strategy, like social analysis, gender analysis, or rapid rural assessment is advised.

Summary

Stakeholder analysis is one method to set up participation strategies. Stakeholder analysis itself may be conducted in the expert or participatory framework. A critical benefit of stakeholder analysis is that it can be maintained for the life of the project. As circumstances change, the changing risk to the project can be assessed within a framework of local information—shortening the time to deal adequately with the changing circumstances. When potential conflicts become real, an accurate background assessment has already suggested ways to deal with them.

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