Stakeholder Analysis

What is it? Stakeholder analysis responds to the question: <u>which interests matter</u> in policy reform? It sets the domain of people, groups and organizations that should be taken into account when conducting impact analysis for a particular policy, by examining their interests and influence on policy. The basic output is the identification and description of actors that a policy is explicitly designed to help, as well as those whose involvement – or at least assent – is required to make policy work. The identification process <u>disaggregates</u> these actors in terms of social characteristics, including:

(a) cultural: race, ethnicity, religion, language, indigenous peoples' association
(b) structural: gender, age, geography (location or rural/urban), occupation
(c) economic: employment sector, firms or business associations, labor union
(d) political: advocacy NGOs, opposition parties, elite or privileged groups (e.g., dominant families, large firms that contribute to political campaign)
(e) government: cabinet ministry, implementing agencies (at the national and sub-national level)

What can it be used for? Stakeholder analysis is used to identify people who will be affected by a policy reform, as well as those whose opposition to or support for reform is likely to affect either its passage or implementation. Not all negatively affected groups oppose – or are even aware of the effects of – policy reforms. Conversely, stakeholders that stand to gain, especially in the medium to long term, are unlikely to become crucial sources of support. Accordingly, stakeholder analysis assesses: (a) organizational capability to influence, lobby or mobilize large numbers of people; (b) the degree to which expected policy impact is manifested by political or social action. This information can be presented concisely in a stakeholder matrix (see Attachment I for an example).

In terms of the capacity of organized interests to derail or distort a reform initiative, stakeholder analysis underlies any assessment of <u>government ownership</u>, which addresses the government's willingness to undertake and stick with reform over time. The basic output of ownership assessment is an estimate of the location and extent of pressure that government will experience in adopting a policy reform.

Factors affecting ownership can be analyzed through: (a) *Political economy* analysis, which identifies affected groups and their position vis-à-vis a policy, as well as alliances or potential convergence of interests, and assesses their influence over government decision-makers; (b) *Ethnography,* which addresses social cleavages based on characteristics, such as race, ethnicity, religion, or language. An ownership assessment grid can be used to estimate and compare not only how reforms affect stakeholders, but also how stakeholders are likely to affect government's commitment to sustaining the reform (see Attachment I for an example).

An example of ex post stakeholder analysis that could have been done ex ante can be found in voucher privatization in East Europe. A misguided voucher program that inequitably distributed massive amounts of wealth was the result of a political struggle

between two different anti-communists reform groups. The political tension between these groups was neglected by policy-makers and the consequent misdistribution of wealth was therefore not anticipated.[1]

Data requirements. Ideally, reform-specific stakeholder analysis is preceded by country Economic and Sector Work (ESW) that describes general constraints upon a government's ability to determine policy, or even to remain in power. If such an ESW does not exist, it may be necessary to prepare a desk study that draws heavily on secondary information resources, especially journalism, social science research, and advocacy literature.[2]

However, while secondary literature is an important resource, stakeholder analysis *cannot be carried out without key informant interviews* that identify specific stakeholders relevant to the sustainability of policy reform. While some important information may be quantifiable (e.g., number of members in a union, amount of money an organization contributes to presidential campaign), other information is inherently more subjective. Accordingly, the reliability of findings – especially on ownership assessment – depends on direct interaction with <u>diverse</u> stakeholders. Limiting interviews to a narrow group, such as government officials or big business, can generate a highly distorted picture of interests, intentions and influence. For a detailed description of stakeholder analysis questions and techniques, see Robert R. Bianchi and Sherrie A. Kossoudji (2001) *Interest Groups and Organizations as Stakeholders*. Social Development Papers (No. 35).[3]

Opportunities and limitations. At a minimum, stakeholder analysis provides an opportunity to avoid major mistakes up front. If it reveals ownership to be extremely weak, stakeholder analysis can lead to a fundamental <u>re-evaluation</u> of a policy, regardless of expected positive impacts. More positively, stakeholder analysis can suggest <u>strategies for overcoming opposition</u>. The juxtaposition of low-influence beneficiaries with high-influence losers (or rent-seekers) is all too common, and is sure to put the government in a tough spot.[4] When powerful opposition is identified, further analysis may be required to determine what kind of strategy to follow (e.g., publicity campaign, compensate losers, delay implementation).

An important limitation of stakeholder analysis is interpreting data that is largely <u>subjective and context specific</u>. The determination of "sufficient" ownership cannot be calculated by simply "adding up" opposition and support groups like force vectors in physics. Strong support from one group does not necessarily neutralize (or even reduce

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[1] Ellerman, D., "Lessons from eastern Europe's voucher privatization", in *Challenge*, Armonk, July-August 2001, Vol.44, n.4.

[2] For a detailed list of online and hard copy research resources on business, economics, government, general country background, see http://www.grai.com/links.htm

[3] http://wbln0018.worldbank.org/Networks/ESSD/icdb.nsf/D4856F112E805DF4852566C9007C27A6/ED2 4D05D1DFC54D685256A71007E9CF7/$FILE/SDP-35.pdf

[4] The logic of collective action suggests that interests will exert more pressure on policy-makers or elected leaders when: (1) the number of group members is small; (2) the benefits or rents that accrue to each member are easy to perceive; and (3) the benefits or rents that accrue to each member are significant for each member.

the effect of) strong opposition from another. The interaction between stakeholder characteristics and government action can be subtle. In addition to resources such as money or membership size, groups can influence government through social or cultural affinity (e.g., race, language), role in economic growth (e.g., exports, allocation of credit), or perceived trustworthiness (e.g., eloquence, degree of education, attire).

Stakeholder Analysis Tools

Stakeholder Analysis Matrix (SAM). Stakeholder analysis also describes the stated or unstated interests of actors vis-à-vis the policy, as well as the degree of their influence or organizational ability to mobilize behind a common purpose. The SAM matrix summarizes this information succinctly.

Figure 1: Stakeholder Analysis Matrix (SAM)

Stakeholder Categories	*Relevant Stakeholders*	*1. Characteristics* (social, location, size, organizational capability)	*2. Interests* in relation to policy (effects on / effects of policy)	*3. Influence* on policy (H=High, M=Medium, L=Low)
Government policymakers				
Implementing agency staffs				
Intended beneficiaries				
Adversely Affected Persons				
Organized Interest Groups (e.g. business associations, trade unions)				
Civil Society (e.g. NGOs, CBOs, religious organizations)				
Donors				
Other External / Int'l stakeholders				

Ownership Assessment Grid. A useful shortcut for presenting information about ownership is to plot relevant stakeholder groups on a grid. This can be done with economic interest, social groups, or both, depending on the country. The points graphically represent the balance of forces for or against policy reform. Note that government itself does not appear on the diagram. Rather, its commitment to reform is derived from the positions and influence of public and private groups – including implementing agencies -- that have a stake in the reform. It is advisable to validate and cross-check the findings of ownership analysis among representatives from relevant stakeholder groups.

Figure 2: Ownership Assessment Grid
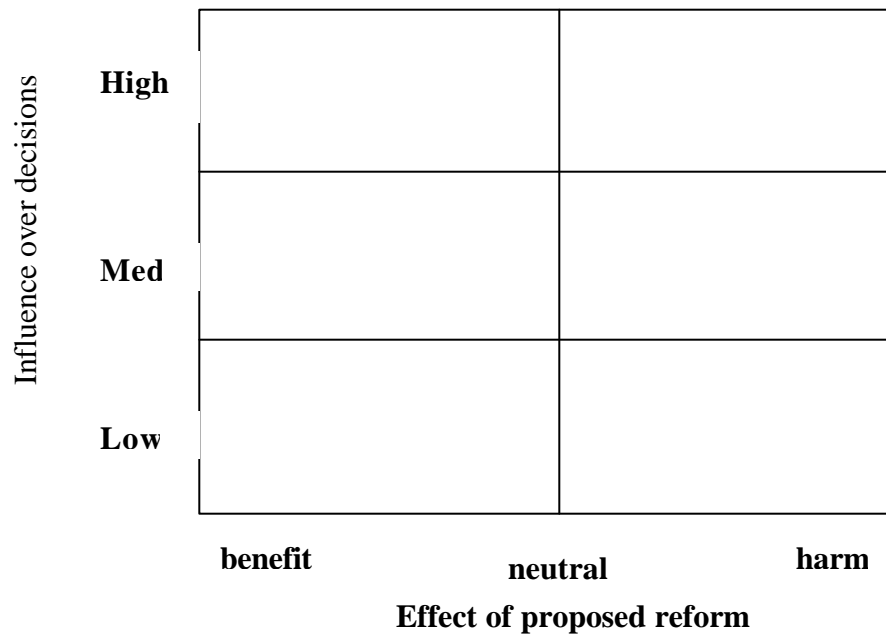
A clustering of points near the top-right should set off warning flags about moving ahead quickly. In the same vein, an even distribution at the top may suggest strategies to encourage coalitions among supporters – especially when arrayed against blatant rent-seekers – or to find compensation mechanisms for adversely affected groups. Groups that appear in the bottom right may indicate the need for safety nets or other coping mechanisms, or special efforts to encourage participation.