

III. Stakeholder Analysis

Stakeholders are people, groups, or institutions, which are likely to be affected by a proposed project (either negatively or positively), or those which can affect the outcome of the project. Increasingly it has been recognized that **any project requires the active involvement of civil society to be truly sustainable.**

Public participation of the different stakeholders in the decision-making process (be it active involvement or passive involvement) introduces a range of ideas, experiences and expertise that motivate the development of alternative solutions. This in turn enhances the knowledge of the actors involved in decision-making and implementation of the project. Moreover, if involvement of stakeholders can lead to reaching consensus at an early stage in the project, the potential for serious conflict, which is detrimental to the project, decreases and the likelihood of lasting and improved solutions increases.

For the success of a project it is important to know what the views and interests are of the stakeholders to a proposed project or proposed project alternatives. The importance of stakeholder participation should be recognized in a number of aspects of project preparation and implementation. These aspects include:

1. The identification of stakeholders' interests in, importance to, and influence over the proposed project;
2. The identification of local institutions or processes upon which to build support for the project; and
3. The provision of a foundation and strategy for involving the stakeholders in the various stages of preparing and implementing the project.

Benefits of Stakeholder Involvement (OAS 2001)

- It can lead to informed decision-making as stakeholders often possess a wealth of information which can benefit the project;
- Consensus at early stages of the project can reduce the likelihood of conflicts which can harm the implementation and success of the project;
- Stakeholder involvement contributes to the transparency of public and private actions, as these actions are monitored by the different stakeholders that are involved;
- The involvement of stakeholders can build trust between the government and civil society, which can possibly lead to long-term collaborative relationships

1. Primary and Secondary Stakeholders

Generally a distinction is made between two kinds of stakeholders, the primary and secondary stakeholders. The **primary stakeholders** are the stakeholders who **are directly affected**, either positively or negatively by the project. As such, the primary stakeholders include the intended users of the improved facilities; in other words the intended beneficiaries of the project. Secondary stakeholders are government and donors but also include local NGO's, private sector entrepreneurs, local government, water and sanitation utilities, river management boards, consumer groups, clergy, etc. The **secondary stakeholders** are stakeholders, which **play some intermediary role and may have an important effect on the project outcome**. In the past stakeholder participation was mainly limited to involving the secondary stakeholders. Many of these projects, however, proved unsustainable and since then a general consensus has emerged about the general need of involving primary as well as secondary stakeholders at an early stage.

❖ **Cultural considerations for the location of toilets in Andhra Pradesh, India**



A slum area in Vijayawada, Andhra Pradesh, India, had been upgraded but the community were not using the new toilets provided on their house plots. This was not immediately apparent to outsiders, but when a local resident was asked by a speaker of the language if there were any problems with the recent development, the resident explained that most of the residents had not been using the new toilets. The reason was that the toilets are located on the north-east corner of the house plots, and according to Hindu astrology this is a bad place to locate the toilet. The north-east corner is preferential for items such as the water source, the prayer room or the main door. Toilets should be located at the south of the plot. As a result, many residents do not use the toilets provided, and go to the edge of the upgraded area to defecate in the open areas.

Source: House et al. (1997) as cited in WEDC 1998.

2. Steps of Stakeholder Analysis

Stakeholder analysis essentially involves four steps:

1. Identify the key stakeholders from the large array of groups and individuals that could potentially affect or be affected by the proposed intervention.

2. Assess stakeholder interests and the potential impact of the project on these interests.
3. Assess the influence and importance of the identified stakeholders.
 4. Outline a stakeholder participation strategy (a plan to involve the stakeholders in different stages of the project preparation and implementation process).

Step 1: Identification of key stakeholders

In identifying the key stakeholders, you should consider the following questions:

- Who are the potential beneficiaries?
- Who might be adversely impacted?
- Have vulnerable groups who may be impacted by the project been identified?
- Have supporters and opponents of the project been identified?
- What are the relationships among the stakeholders?

Answering these questions will lead to a simple list, which forms the basis of the stakeholder analysis.

Step 2: Assess stakeholder interests and the potential impact of the project on these interests

Once the key stakeholders have been identified, the possible interest that these groups or individuals may have in the project can be considered. Questions that you should try to answer in order to assess the interests of different stakeholders include:

- What are the stakeholder's expectations of the project?
- What benefits are likely to result from the project for the stakeholders?
- What resources might the stakeholders be able and willing to mobilize?
- What stakeholder interests conflict with project goals?

Important to realize when assessing the interests of the different stakeholders is that some stakeholders may have hidden, multiple or contradictory aims and interests.

In order to be sure that you are as accurate as possible about your assessment, 'on-the-ground' consultations with different stakeholders would be recommended.

Step 3: Assessing stakeholder influence and importance

In the third step the task is to assess the influence and importance of the stakeholders that you identified in earlier steps. Influence refers to the power that the stakeholders have over a project. This power may be in the form of stakeholders that have formal control over the decision-making process or it can be informal in the sense of hindering or facilitating the project's implementation. Importance relates to the question how important the active involvement of the stakeholder is for achievement of the project objectives. Stakeholders who are important are often stakeholders who are to benefit from the project or whose objectives converge with the objectives of the project. You should realize that some stakeholders who are very important might have very little influence and vice versa

In order to assess the importance and influence of the stakeholder you should be able to assess:

- The power and status (political, social and economic) of the stakeholder.
- The degree of organization of the stakeholder.
- The control the stakeholder has over strategic resources.
- The informal influence of the stakeholder (personal connections, etc.).
- The importance of these stakeholders to the success of the project.

Both the influence and importance of the different stakeholders can be ranked along simple scales and mapped against each other. This exercise is an initial step in determining the appropriate strategy for the involvement of these stakeholders. As with the second step, in order to make sure the assessment is as accurate as possible it would be preferable to have 'on-the-ground' consultations.

Especially when assessing dimensions like informal influence over the project, personal communication with stakeholders is likely to be essential.

Step 4: Outline a participation strategy

On the basis of the previous three steps in the stakeholder analysis process, some preliminary planning can be done in relation to the question of how to best involve the different stakeholders. The involvement of stakeholders should be planned according to:

- Interests, importance, and influence of each stakeholder.

- Particular efforts needed to involve important stakeholders who lack influence.
- Appropriate forms of participation throughout the project cycle.
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3. Approaches for involving stakeholders

As a rule of thumb, the appropriate approaches for involving stakeholders of differing levels of influence and importance can be as follows:

- **Stakeholders of high influence and high importance** should be closely involved throughout the preparation and implementation of the project to ensure their support for the project.
- **Stakeholders of high influence but low importance** are not the target of the project but could possibly oppose the project that you propose. Therefore, you would want to keep them informed and acknowledge their views on the project in order to avoid disruption or hindrance of the project's preparation and implementation.
- **Stakeholders of low influence and high importance** require special efforts to ensure that their needs are met and that their participation is meaningful.
- **Stakeholders of low influence and low importance** are unlikely to be closely involved in the project and require no special participation strategies (beyond information-sharing to the general public).

❖ **Design for the needs of the users**



In 1992, DFIF evaluated a water supply project in Nepal. The project has been primarily engineering-led and project-staff had liaised with communities through the leaders of the formal local political structures. Links with the communities were therefore only through a small group of local leaders who might not have broadly represented the interests and views of all sections of the community. When the project was finally evaluated it was discovered that some of the tap stand locations were unduly public, especially for women. Tap stands are also used for bathing purposes in Nepal and some of the tap stands were located next to roads where there was little or no privacy.

The design itself was also considered unsatisfactory by users, especially women, as the construction did not provide enough room for washing clothes, leading to crowded situations.

Source: House et al. (1997) as cited in WEDC 1998.

4. Stakeholder Analysis Matrices

In order to get a clear overview of the stakeholders and their interests, influence and importance it is useful to use so-called stakeholder analysis matrices. The first matrix gives an overview of the different stakeholders, their interests and their importance and influence. In this matrix the stakeholders that you have identified are entered in the left column. In the second column the interests of the stakeholders to the project are identified. In the third column, the effect that the project will have on the interests of the stakeholders is identified. For this identification a three-point scale can be used (negative, neutral, positive). The fourth column provides information about the importance of the stakeholders for the success of the project. The importance can be indicated by using a 6-point scale (unknown, little/no importance, some importance, moderate importance, very important, critical player). The last column concerns information about the influence of the stakeholder over the project. Here too, a 6-point scale can be used to display the relative influence that each of the identified stakeholders has over the project (unknown, little/no influence, some influence, moderate influence, significant influence, very influential).

Matrix: Step 1, 2 and 3 of the Stakeholder Analysis.

Stakeholder Groups	Interests	Effect of project on interests	Importance of Stakeholder for success of project	Degree of Influence of Stakeholder

In the second matrix, the focus is on the third step of the stakeholder analysis. In this matrix the relative influence and importance of the stakeholders are mapped in relation to other stakeholders. The left column consists of the different degrees of influence the stakeholders have, whilst the top row concerns the

different degrees of importance of the stakeholder for the success of the project. The different stakeholders that have been identified in the first step are now placed in the box, which most accurately displays their relative influence and importance.

INFLUENCE	IMPORTANCE					
	Unknown	Little or no	Some	Moderate	High	Critical player
Unknown						
Little or no						
Some						
Moderate						
High						
Very influential						

The third matrix that we will discuss in this module concerns the fourth step of the stakeholder analysis, namely the initial formulation of a strategy for stakeholder participation. The column consists of different stages in the project cycle. The top row presents the type of participation that you should adhere to, moving from a limited form of participation (one-way information sharing) to more far-reaching form of participation (including transfer of decision-making powers).

Information sharing – This relates to informing the stakeholders of a project, the project goals and project objectives. The stakeholders are not involved in determining the goals and objectives. Informing stakeholders can be done by a variety of ways. News and information about the project can be transmitted through radio, TV or newspapers if access to mass media in the particular area is good. Otherwise, posters or leaflets may be prepared and distributed in areas where the stakeholders are likely to be. Also presentations may be given to the stakeholder stakeholders.

Consultation – This involves involving the stakeholders in discussions on the goals and objectives of the project and on the design and implementation of the project. These stakeholders may experience impacts from decisions relating to the project and as such need to be consulted. The stakeholder representatives consulted in the project should be given the opportunity to voice

their concerns and should be regularly informed of the progress of the project. This can be done by sending progress reports or by inviting stakeholder representatives to project meetings.

Collaboration or Partnership – Collaboration implies full involvement of the identified stakeholder. This means that the stakeholders are involved in decision-making relating to the project's goals, objectives and design. Possibly representatives from the stakeholders are included in the project team in order to strengthen the partnership.

Empowerment or Ownership – The most far-reaching form of stakeholder participation involves transferring control of decision-making powers and resources to the stakeholders. The matrix for the strategy of stakeholder participation provides you with an overview of the participation strategy that you have to follow in each of the stages of the project. This matrix provides an overview of the way you will involve what stakeholder, in what way and during which stage of the project.

STAGE IN PROJECT PROCESS				
	Information sharing (on-way flow)	Consultation (two-way flow)	Collaboration (increasing control over decision-making)	Empowerment (transfer of control of decisions and resources)
Identification				
Preparation and Appraisal				
Implementation, Supervision and Monitoring				
Evaluation				

❖ **Design of groundwater wells in Letang, Nepal**

In the town of Letang, some hand-dug wells were in use. These wells have head walls built above ground level. The head walls were tall and wide, so it was difficult and exhausting to lift the water from the wells, because the head walls came up to the armpits of a tall man. This made it difficult to lift the water as this had to be done with extended arms. The difficulty is even greater for Nepali women, who are generally significantly shorter.

Source: House et al. (1997) as cited in WEDC 1998.

5. Methods for Stakeholder Participation

In principle, different methods can be employed to gather the information required for a stakeholder analysis. Although it is possible to do an entire analysis on the basis of a desk study, it is strongly recommended that other methods of gathering information be employed. Among the possible forms that you could think of are:

- Stakeholder workshops, in which selected stakeholders are to discuss the project.
- Local consultations 'on the ground'.
- Surveys.
- Consultations with collaborating organizations (such as NGOs, academic institutions, etc.).

Using multiple sources of information not only has the advantage that the information obtained is likely to be more accurate, but especially the participatory methods of information gathering (stakeholder workshops, local consultations, etc.) can also contribute to creating a sense of local ownership of the project and consensus about the project objectives. Stakeholder participation techniques range from a low level of involvement to a high level of involvement (Figure 15).

The Dynamic Nature of Stakeholder Analysis and Involvement

It is important to recognise that a stakeholder analysis is not just a one-time activity, after which you return to the normal 'order of the day'. As the society in which the project will be implemented is not static but continuously evolving, so will the views, interests and importance of the different stakeholders. As such, it is important to keep analysing the different stakeholders during the different stages of the project.



Figure 15- The degree of stakeholder involvement and methods for involvement.