

Section 2.

GUIDANCE NOTE ON HOW TO DO STAKEHOLDER ANALYSIS OF AID PROJECTS AND PROGRAMMES

July 1995

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GUIDANCE NOTE ON HOW TO DO STAKEHOLDER ANALYSIS

The Technical Note on Enhancing Stakeholder Participation outlines the reasons and scope for participation. Effective strategies for stakeholder participation must be based on good analysis of individuals, groups, and institutions with an interest in a project. The Technical Note states that stakeholder analysis is advisable for all projects.

1 Introduction: What, Why, When, Who and How Much?

This guidance supplements the Technical Note on Enhancing Stakeholder Participation, and provides practical hints on how to do stakeholder analysis, and how such analysis can be used.

The Technical Note on Participation explains why participatory approaches are important for a sustainable and effective aid programme. It describes how to identify key stakeholders through stakeholder analysis and lists key issues for partnership with these other stakeholders. A series of steps are provided for negotiating participation of other stakeholders in DFID-funded activities and the extent to which participation is feasible, sensible and cost effective is explored in relation to the type of aid and sector. The TN recommends an initial stakeholder analysis at an early stage to be incorporated in the Project Concept Note, and then further refined for the Project Submission, with revisions during annual reviews.

What is stakeholder analysis?

Stakeholder analysis is the identification of a project's key stakeholders, an assessment of their interests, and the ways in which these interests affect project riskiness and viability. It is linked to both institutional appraisal and social analysis: drawing on the information deriving from these approaches, but also contributing to the combining of such data in a single framework. Stakeholder analysis contributes to project design through the logical framework, and by helping to identify appropriate forms of stakeholder participation.

Definitions

Stakeholders are persons, groups or institutions with interests in a project or programme. Primary stakeholders are those ultimately affected, either positively (beneficiaries) or negatively (for example, those involuntarily resettled). Secondary stakeholders are the intermediaries in the aid delivery process. This definition of stakeholders includes both winners and losers, and those involved or excluded from decision-making processes.

Key stakeholders are those who can significantly influence, or are important to the success of the project (according to DFID's priority policy objectives and project purpose).

Why do a stakeholder analysis?

Stakeholder analysis helps administrators and advisors to assess a project environment, and to inform DFID's negotiating position in project talks. More specifically, doing a stakeholder analysis can:

- draw out the interests of stakeholders in relation to the problems which the project is seeking to address (at the identification stage) or the purpose of the project (once it has started).
- identify conflicts of interests between stakeholders, which will influence DFID's assessment of a project's riskiness before funds are committed (which is particularly important for proposed process projects).
- help to identify relations between stakeholders which can be built upon, and may enable coalitions; of project sponsorship, ownership and Cupertino.
- help to assess the appropriate type of participation by different stakeholders, at successive stages of the project cycle.

When should it be done?

Stakeholder analysis should always be done at the beginning of a project, even if it is a quick list of stakeholders and their interests. (Most people do this already, if only informally). Such a list can be used to draw out the main assumptions which are needed if a project is going to be viable, and some of the key risks. Thus, stakeholder analysis will contribute to the drafting of a log frame.

Whenever log frames are re-considered during the life of a project, a stakeholder analysis will be useful. This means that annual monitoring missions and mid-term reviews should include stakeholder analysis as part of their tool-kit.

Who should do the analysis?

The tools and exercises outlined below can be used in a participatory fashion, similar to the Project Cycle Management (PCM) approach to log frames. Drawing up lists and diagrams in such a manner can share and clarify information quickly. Certainly, a team approach is likely to be more effective than an individual doing the analysis alone.

However, stakeholder analysis often involves sensitive and undiplomatic information. Many interests are covert, and agendas are partially hidden. In many situations there will be few benefits in trying to uncover such agendas in public.

How much time should be spent?

The following section describes a basic methodology. The type and scale of the project, and the complexity of the issues, should dictate how much time at any stage of the project cycle should be devoted to the task.

2 How to do a Stakeholder Analysis

There are several steps to doing a stakeholder analysis:

- draw up a 'stakeholder table';
- do an assessment of each stakeholder's importance to project success and their relative power/influence;
- identify risks and assumptions which will affect project design and success.

This section outlines the above steps in a little more detail, providing some rules of thumb and checklists.

Stakeholder Tables

To draw up a stakeholder table:

- identify and list all potential stakeholders.
- identify their interests (overt and hidden) in relation to the problems being addressed by a project and its objectives. Note that each stakeholder may have several interests.
- briefly assess the likely impact of the project on each of these interests (positive, negative, or unknown).
- indicate the relative priority which the project should give to each stakeholder in meeting their interests (this refers to priorities derived from DFID's policy and project objectives).

Identifying the stakeholders and creating a list

Stakeholders can be listed and categorised in various ways. One starting point is to divide a list into primary and secondary stakeholders. Box 1 provides a quick checklist to help draw up a list.

Primary stakeholders are those people and groups ultimately affected by the project. This includes intended beneficiaries or those negatively affected (for example, those involuntarily resettled). In most projects primary stakeholders will be categorised according to social analysis. Thus, primary stakeholders should often be divided by gender, social or income classes, occupational or service user groups. In many projects, categories of primary stakeholders may overlap (e.g. women and low-income groups; or minor forest users and ethnic minorities).

Secondary stakeholders, including DFID, are intermediaries in the process of delivering aid to primary stakeholders. They can be divided into funding, implementing, monitoring and advocacy organisations, or simply governmental, NGO and private sector organisations. In many projects it will also be necessary to consider key individuals as specific stakeholders (e.g. heads of departments or other agencies, who have personal interests at stake as well as formal institutional objectives). Also note that there may be some informal groups of people who will act as intermediaries. For example, politicians, local leaders, respected persons with social or religious influence.

Within some organisations there may be sub-groups which should be considered as stakeholders. For example, public service unions, women employees, specific categories of staff.

Box 1: Checklist for identifying stakeholders

- *have all primary and secondary stakeholders been listed?*
- *have all potential supporters and opponents of the project been identified?*
- *has gender analysis been used to identify different types of female stakeholders (at both primary and secondary levels)?*
- *have primary stakeholders been divided into user/occupational groups, or income groups?*
- *have the interests of vulnerable groups (especially the poor) been identified?*
- *are there any new primary or secondary stakeholders that are likely to emerge as a result of the project?*

Drawing out stakeholders' interests in relation to the project

The resulting list of stakeholders forms the basis of a tabulation of each stakeholder's interests in the project, and the project's likely impact on them.

Box 2 provides another checklist to help think about the possible interests which a stakeholder has. By going through this checklist, interests for each stakeholder in the initial list can be drawn out.

The likely or actual impact of the project on these interests should also be assessed (only in simple terms). Expected project impacts on various stakeholders' interests can be classified into positive, negative, uncertain and unknown.

A recent draft stakeholder table for a proposed private sector population project in Pakistan provides an illustration (see Example 1). This shows how each stakeholder has several interests. The proposed project will have a positive impact on some of those interests - but not all. The table also identifies the relative priorities to be given to each stakeholder, according to DFID policy and project objectives.

Box 2: Checklist for drawing out interests

Interests of all types of stakeholders may be difficult to define, especially if they are 'hidden'; or in contradiction with the openly stated aims of the organisations or groups involved. A rule of thumb is to relate each stakeholder to either the problems which the project is seeking to address (if at an early stage of the project), or the established objectives of the project (if the project is already under way). Interests may be drawn out by asking:

- what are the stakeholder's expectations of the project?*
- what benefits are there likely to be for the stakeholders?*
- what resources will the stakeholder wish to commit (or avoid committing) to the project?*
- what other interests does the stakeholder have which may conflict with the project?*
- how does the stakeholder regard others in the list?*

Information on secondary stakeholders should be available from institutional appraisals; information on primary stakeholders should be available from social analyses. Especially in the case of primary stakeholders, many of the interests will have to be defined by the persons with the best 'on-the-ground' experience. Double check the interests being ascribed to primary groups, to confirm that they are plausible.

Example 1: Stakeholder table for a proposed private sector population project, Pakistan (simplified and adapted)

	Interests	Potential project Impact	Relative priorities of interest
Secondary Stakeholders			
Ministry of Population Welfare	Achievement of targets Control over funds and activities Avoid liability for any negative reactions to contraceptive promotion	+ - -	3
Pharmaceutical Co. & distributors	Sales volume Profits Public image	+ +/- +/-	=2
DFID	Institutional learning Health and Pop objectives Short-term reimbursement Conserving staff inputs Avoid liability for any negative reactions to contraceptive promotion	+ + - ? -	=2
Primary stakeholders			
Lower-middle income groups	Reproductive choice Cheaper contraceptives	+ -?	=1
Women	Reproductive choice Enhanced health Status	+ + -/+	=1
External Stakeholders			
Islamic clergy	Social & religious influence	+/-	4
Traditional birth attendants	Private incomes	-	5

Explanatory note: As a private sector project, the Ministry may perceive a loss of control over resources. Several of the secondary stakeholders with positive interests in the project are wary of the social and religious influence of the clergy on public opinion (and therefore their image). The clergy are identified as a stakeholder group posing potential risks to the project.

Assessing the Influence and ‘Importance’ of Stakeholders

Key stakeholders are those which can significantly influence, or are important to the success of the project. Influence refers to how powerful a stakeholder is ‘importance’ refers to those stakeholders whose problems, needs and interests are the priority of DFID's aid - if these ‘important’; stakeholders are not assisted effectively then the project cannot be deemed a ‘success’.

By combining influence and importance using a matrix diagram (see Example 2), stakeholders can be classified into different groups, which will help identify assumptions and the risks which need to be managed through project design. Before outlining this matrix, ways of assessing influence and importance are suggested.

Assessing influence

Influence is the power which stakeholders have over a project - to control what decisions are made, facilitate its implementation, or exert influence which affects the project negatively. Influence is perhaps best understood as the extent to which people, groups or organisations (i.e. stakeholders) are able to persuade or coerce others into making decisions, and following certain courses of action.

Power may derive from the nature of a stakeholder's organisation, or their position in relation to other stakeholders (for example, line ministries which control budgets and other departments). Other forms of influence may be more informal (for example, personal connections to ruling politicians). It may also be necessary to consider stakeholders whose power, and therefore influence, will increase because of resources introduced by the project.

Assessing influence is often difficult and involves interpretation of a range of factors. By way of example, some of the factors that may be involved are illustrated in Box 3 below.

Box 3: Variables affecting stakeholders' relative power and influence	
Within & between formal organisations	For informal interest groups & primary stakeholders
<i>Legal hierarchy (command & control, budget holders)</i>	<i>Social, economic and political status</i>
<i>Authority of leadership (formal & informal, charisma, political, familial or cadre connections)</i>	<i>Degree of organisation, consensus & leadership in the group</i>
<i>Control of strategic resources for the project (e.g. suppliers of hardware or other inputs)</i>	<i>Degree of control of strategic resources significant for the project</i>
<i>Possession of specialist knowledge (e.g. engineering staff)</i>	<i>Informal influence through links with other stakeholders</i>
<i>Negotiating position (strength in relation to other stakeholders in the project)</i>	<i>Degree of dependence on other stakeholders</i>

Assessing importance to project success

Importance indicates the priority given (by DFID) to satisfying stakeholders' needs and interests through the project. Importance is likely to be most obvious when stakeholder interests in a project converge closely with DFID's objectives. In general terms, these objectives are defined by the PIM System, but in relation to a project, can be taken from the logical framework's goal and purpose.

Importance is distinct from influence. There will often be stakeholders, especially unorganised primary stakeholders, upon which the project places great priority (e.g. women, resource poor farmers, slum dwellers, ethnic minorities etc.). These stakeholders may have weak capacity to participate in the project, and limited power to influence key decisions. A checklist for assessing 'importance' to the project is provided in Box 4.

The matrix example overleaf, for a proposed population project, shows that satisfying the interests of women and lower-middle income couples (unorganised primary stakeholders) is of high importance to the success of the project, even though they are weak in terms of their influence (see also the stakeholder table in example 1).

Conversely, the Islamic clergy also appear in this matrix example as a stakeholder group with a high degree of influence on the project, but whose interests are not targeted by the project.

Box 4: Checklist for assessing which stakeholders are important for project success

When assessing importance to project success, use these 'checklist' questions, the answers to which may already be suggested by the information existing in stakeholder tables:

- *which problems, affecting which stakeholders, does the project seek to address or alleviate? for which stakeholders does the project place a priority on meeting their needs, interests and expectations?*
- *which stakeholder interests converge most closely with policy and project objectives?*

Combining influence and importance in a matrix diagram

Importance and influence can be combined by using a matrix diagram. This is done by positioning stakeholders in relative terms according to the two broad criteria in a two by two matrix (similar to a graph with vertical and horizontal axes). This exercise in positioning will indicate relative risks posed by specific stakeholders, and the potential coalition of support for the project. These findings will inform project negotiations and design.

Example 2: Matrix classification of stakeholders according to relative influence on, and importance to, a proposed private sector population project, Pakistan

High Importance

A *5 *4 *3	B *2 *1
D *7	C *6

Low Importance

Low Influence

High Influence

Stakeholders (*)

(secondary)

1. Ministry of Population Welfare
2. Pharmaceutical companies & distributors
3. DFID

(primary)

4. Lower-middle income groups
5. Women

(external)

6. Islamic clergy
7. Traditional birth attendants

Explanatory note: implications of importance / influence analysis of the Pakistan example project. Boxes A, B and C are the **key stakeholders** of the project - those who can significantly influence the project, or are most important if DFID's objectives are to be met. The implications of each Box are summarised here:

A Stakeholders of high importance to the project, but with low influence. This implies that they will require special initiatives if their interests are to be protected.

B Stakeholders appearing to have a high degree of influence on the project, who are also of high importance for its success. This implies that DFID will need to construct good working relationships with these stakeholders, to ensure an effective coalition of support for the project.

C Stakeholders with high influence, who can therefore affect the project outcomes, but whose interests are not the target of the project. This conclusion implies that these stakeholders may be a source of significant risk, and they will need careful monitoring and management.

D Stakeholders in this Box, with low influence on, or importance to project objectives may require limited monitoring or evaluation, but are of low priority. They are unlikely to be the subject of project activities or management.

Drawing out assumptions and risks affecting project design and participation

Identifying assumptions and risks about stakeholders

As stressed in the logical framework approach to planning, the success of a project depends partly on the validity of the assumptions made about its various stakeholders, and the risks facing the project. Some of these risks will derive from conflicting interests.

Process projects are often particularly affected by stakeholder interactions and responses to project activities. Planners must therefore identify (and assess the importance of) the most plausible assumptions about each 'key' stakeholder which are necessary if the project is to be successful. This implies that most key stakeholders should appear in the fourth column of the log frame.

By assessing the influence and importance of key stakeholders, some risks emerge from the matrix diagram (see Example 2). In general, risks will be evident from those stakeholders in Box C which have high influence, but interests which are not in line with project objectives. These key stakeholders may be able to 'block' the project, and if this is probable, the risk may constitute a 'killer assumption'.

In order to go systematically through the assumptions and risks which need to be specified for each stakeholder, the checklist in Box 5 may be useful.

Further guidance on risk analysis is provided in Annex 1 of the Technical Note on The Management of Risk in DFID Activities.

Box 5: Checklist for drawing out assumptions about (and risks deriving from) stakeholders

- *what is the role or response of the key stakeholder that must be assumed if the project is to be successful?*
- *are these roles plausible and realistic?*
- *are there negative responses which can be expected, given the interests of the stakeholder?*
- *if such responses occur what impact would they have on the project?*
- *how probable are these negative responses, and are they major risks?*
- *in summary, which plausible assumptions about stakeholders support or threaten the project?*

Once these risks and assumptions have been taken into account, stakeholder analysis may also contribute to the first column of the framework - the hierarchy of objectives. In particular, outputs and activities should reflect the expanded and refined analysis of risks.

For example, necessary assumptions for project success may include the need for outputs such as the building of relations between project sponsors, establishing or strengthening the arrangements which (a) are required for a wider coalition of support, and (b) will enhance the capacity of primary stakeholders (including women) to participate more effectively. If such outputs are required in order to attain the purpose and goal of a project (given the risks and assumptions identified), this will imply a revised set of activities to attain these outputs. In this way, the findings of stakeholder analysis fits into the ‘...if -- and --then.’ causality of the PCM approach to project design.

Identifying appropriate stakeholder participation

Defining who should participate, in what ways, at what stage of the project cycle, contributes to a well designed project.

The Technical Note on Enhancing Stakeholder Participation recommends the use of a matrix to clarify the roles to be played, at each stage of the project cycle, by all key stakeholders including the DFID. Such matrices can be used as a basis for bilateral negotiations between DFID and individual stakeholders. In many situations, it will be useful to draft a participation matrix (and if necessary undertake bilateral negotiations) before the logical framework is finalised. More guidance on using the participation matrix is included in the Technical Note.

Stakeholder analysis can contribute to the process of deciding how the key stakeholders are to be included in the project. Note that ‘key’ refers to high importance, high influence, or both.

The matrix can be drawn up for individual stakeholders in turn, but a summary matrix can also be constructed. A hypothetical summary matrix for the population project is shown below as Example 3.

Key stakeholders with high influence and importance to project success are likely to provide the basis of the project ‘coalition of support’, and are potential partners in planning and implementation. In Example 3, this coalition of support includes both the Ministry of Population and Welfare and the pharmaceutical companies.

Conversely, key stakeholders with high influence, but with low importance to project success may be ‘managed’; by being consulted or informed. The Islamic clergy are shown in Example 3 as one such key stakeholder group.

Example 3: Draft ‘summary participation matrix’ for the proposed private sector population project, Pakistan

Type of Participation	Inform	Consult	Partnership	Control
Stage in Cycle				
Identification		Pharmaceutical companies	DFID Ministry of Pop. & Welfare	
Planning	Clergy?	Women’s Grps	DFID Ministry Pharmaceutical companies	
Implementation	DFID	Clergy	Ministry Health NGOs Women’s Grps. Pharmaceutical Co.s	TCOs / PIU
Monitoring & Evaluation	DFID	Ministry	Health NGOs Women’s Grps.	External consultants

			Pharmaceutical Co.s TCOs / PIU Ministry	
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3 Using the Findings of a Stakeholder Analysis

Findings from a stakeholder analysis are already recorded in the tables and matrix diagrams, and the risks and assumptions arising from the analysis should be included in the log frame. In addition, the analysis should have contributed to a participation matrix that is used to explain project design. These records of the analysis are the basis for revision later on in the life of the project.

In more concrete terms, the findings of a stakeholder analysis need to be included (with different amounts of detail) into (a) the project concept note and (b) the project document. It will also be appropriate to include analysis in annual monitoring reports and reviews.

The project concept note

The main findings of a stakeholder analysis should be included in the project concept note. Such a summary needs to be brief, because (a) of the nature of concept notes, and (b) the analysis will probably be revised as the project design develops, interests change, and more information becomes available.

The main findings of a stakeholder analysis can be presented in a table adapted from the original listing - showing only the key stakeholders and their interests. Assumptions being made about stakeholders (and any associated risks) will appear in the fourth column of the log frame. An extended narrative is not necessary.

The project document

All project documents will need more detail than the concept note, drawing on both the stakeholder analysis and any revisions arising out of appraisal.

PEC submissions are likely to require more detail of key secondary and primary stakeholders - their various interests, and their relative influence and importance. This information should appear in summary form in the Social and Institutional Section of the project document.

The main text should cross-reference with:

- a specific annex, in which the findings of the analysis should be clearly presented in a stakeholder table, matrix diagram, and a narrative outlining each key stakeholder's influence and importance;
- the logical framework;
- the participation matrix, if appropriate.