Stakeholder analysis is a methodology used to facilitate institutional and policy reform processes by accounting for and often incorporating the needs of those who have a “stake” or an interest in the reforms under consideration. It is a tool for identifying those affected by and involved in a proposed reform. The process of stakeholder analysis involves grouping identified stakeholders into categories on the basis of their relationships with the proposed policy reforms, programs or plans.

The process of identifying the key stakeholders involves a series of approaches ranging from the compilation of lists of relevant stakeholders based on local information and collective expert knowledge to organizing meetings, informal discussions, and field trips to assess the potential losers and winners of the reform process. A thorough stakeholder analysis can assist in identifying relevant stakeholder groups. Their proper identification and engagement is very important as they can provide information and perspective that may not be readily accessible from data. Furthermore, environmental pressures tend to affect the poor and vulnerable sections of the population more severely. Including these key stakeholder groups in the process is central to identifying and capturing key social and environmental considerations.

Conducting a political economy analysis compliments the stakeholder analysis by enhancing the understanding on the part of the strategic environmental assessment (SEA) team of the existing power relationships among the different stakeholders and how they interact with each other and the environment. A political economy lens broadens operational considerations beyond technical solutions to include an emphasis on stakeholders, institutions and processes by which policy reform is negotiated and played out in the policy arena. Such an analysis is important because it helps identify how, and which, stakeholder groups are marginalized, as well as how to balance the difference in the political influence and economic clout of the various stakeholders. This can ensure that the issues identified as priority issues include the concerns of marginalized groups. It also helps identify what the agendas of the identified stakeholders are and their relative importance.

Box 1: SEA of the Kenya Forest Act 2005

The objectives of the SEA of the Kenya Forest Act 2005 were to inform the process of implementing of a new Forest Act, indirectly inform the policy dialogue regarding sustainable use of natural resources for national development, and to draw lessons to refine future SEAs.

In this SEA, the process of identifying stakeholders entailed reviewing the databases of key organizations, including those of the Kenya Forest Working Group and, at the time, the Kenya Forest Department, and identifying and listing stakeholders who will be affected (positively and negatively) by the new Act as well as those interested in the new Act. The list of persons to consult was validated with the Ministry of Environment and the Kenya Forest Department and confirmed to be fully representative. The community stakeholders included traditional forest dwellers, communities living adjacent to indigenous forests and forest plantations, pastoralists and migratory groups—whose use of open savannah forest is seasonal—and those who depend, either partly or fully, on trade in timber and non-timber forest products for their livelihood (e.g., charcoal users, pitsawers). There are also others living remotely from forest areas that may be indirectly affected by economic decisions.

All the identified stakeholders were then grouped in categories comprising government, community forest associations, the private sector, non-governmental organizations, scientific and research organizations, and the donor community.
their links with other institutions. A political economy analysis assesses the impacts on, and the influences of, the various stakeholders in relation to the policy design and implementation.

This understanding is critical in anticipating the potential repercussions and reactions of stakeholders to a proposed reform. Well-intended reforms can be ineffective because of the adverse reactions of stakeholders during reform implementation.

**Methodology**

Methods for identifying relevant stakeholders in a SEA process can include:

- Drawing on the knowledge of key informants that have an in-depth knowledge of the sectors.
- Reviewing databases of key organizations and institutions and identifying and listing stakeholders who will most likely be affected by the institutional changes and policy reforms, as well as those with an interest in these reforms. The identified stakeholders will then be validated by competent institutions or entities to ensure they are fully representative of the wider stakeholder interests (see Box 1).

**Box 2: SEA of Integrated Coastal Zone Management in Yemen**

The SEA on Integrated Coastal Zone Management (ICZM) in Yemen aimed to inform the development of an ICZM policy. The stakeholder analysis used a two-tier approach, starting with a compilation of a preliminary list of stakeholders, based on collective expert knowledge and local information. The list was arranged by categories with regard to the relative societal and political position of stakeholders, such as government, policymakers, implementing agencies, donor agencies, governmental bodies at decentralized levels (provincial, district, municipal), the private sector, and civil society groups. The final stakeholder analysis involved a number of variables assessed by the consultant team indicating their legitimacy as stakeholders and scores were applied as follows:

- **a) interest:** the key stake and perceived level of interest that each stakeholder had in the proposed policy reform, along a continuum from commitment to status quo (-), to modest willingness (0), to openness to change (+);

- **b) impact:** the degree to which the coastal management policy reform will impact each stakeholder (+,0,-);

- **c) influence:** the influence a stakeholder has to facilitate or impede policy reform, design, and implementation (no influence, some influence, moderate, significant influence and crucial player);

- **d) importance:** importance of the stakeholder for the success of the policy reform (1 being little/no importance and 5 being a crucial player);

- **e) power to command compliance in the policy process (+,0,-);

- **f) resources possessed by stakeholder to bring to bear in the policy process (from 1 being little/no resources to 5 being crucial resources);

- **g) presence:** whether stakeholder lives or actively operates on the ground in the coastal areas and familiarity with coastal environmental issues and climate adaptation (+,0,-).

The score obtained was used to analyze the relative relevance of the stakeholders with regard to their impact, importance, influence and power in the present ICZM framework. The resulting matrix is used to identify key stakeholders.

- Arranging the list of selected stakeholders by preliminary categories with regard to the relative societal and political position of the stakeholders and then assigning a number of variables indicating the stakeholder’s position in relationship to the institutional or policy reform (see Box 2).
A thorough stakeholder analysis will clearly indicate which stakeholders are affected by the proposed policy, program or plan, and whether the impact on these stakeholders is positive or negative. It will also indicate the degree of influence that the stakeholders have in relation to the proposed policy, plan or program. In the event that an influential stakeholder is highly negatively affected by the proposed changes, it is possible that this stakeholder group would obstruct the change process. The illustration in Figure 1 shows a mapping of different stakeholder groups on two axes, how the groups are affected by the proposed land reform, and the groups’ levels of influence. A stakeholder group (in this figure identified as no. 25) is negatively affected and is influential in decision-making. If the proposed reform is to advance, it will be important to address the concerns of these stakeholders.

An assessment of the political economy involves:

- Conducting initial appraisals of the power relationships among the different stakeholder groups based on personal meetings with key players and on well-informed insights of local members of the SEA team through previous engagement in the reform process.
- Conducting literature reviews to help understand the role and the influence of the identified stakeholders in relation to policy design and implementation.
- Conducting analyses in order to assess the various interests of the stakeholders involved in the SEA in relation to the problems being addressed by the new reform process. As part of these analyses, the likely impact (positive or negative) of the reform process on each of these interests can be assessed and the interests of each stakeholder prioritized in relation to the reform process, from high-to-low priority.

**Figure 1**: Stakeholder Influence Over and Impact of Proposed Land Reform as Suggested by the Government

![Stakeholder Influence Over and Impact of Proposed Land Reform as Suggested by the Government](image-url)
Lessons Learned

- Ensuring that the stakeholders who will ultimately gain or lose are fully engaged in the process of institutional reform requires a high level of emphasis to be placed on communication skills and the ability to act as mediators and moderators in discussions between the different interests groups (IDL Group, Institution-Centered Strategic Environmental Assessment of the Forest Sector in Kenya: Lesson Learned Report, March 2007, Washington, DC—submitted as part of a World Bank project).

- To ensure appropriate stakeholder analysis, engagement, and needed political economy analysis, a SEA should include sufficient time and resources for a comprehensive introduction to the SEA process—in the form of a one- or two-day awareness-raising session and needed training prior to launching the process. Building understanding among stakeholders regarding the role and purpose of an SEA can ensure higher commitment and more effective public participation in the institutional reform process. It is important that a good political economy analysis is applied early in the process, to be effective in structuring engagement in the SEA process.

- The political economy analysis will also indicate the types of coalitions that may emerge through dialogue among a broad range of stakeholders, including client governments, donors, other development partners, the private sector and the public.

- A good political economy analysis should inform processes of institutional change needed to create forms of bottom-up accountability.

- An effective SEA should combine sound analytical work with well-tailored public participation to bring the voices of all key stakeholders into the policy dialogue.

Links and References

For more information on the methodology used to conduct a stakeholder analysis and information on how to conceptualize a political economy analysis, please view the links below:


Governance Assessment and Indicators:
http://www.profor.info/profor/governance-indicators

OECD, 2006, Applying Strategic Environmental Assessment. Good Practice Guidance for Development Cooperation, OECD, Paris:


World Bank resource on information and articles on political economy analysis: http://go.worldbank.org/MT5JIN7GK0

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