

Element 2: Identifying stakeholders

After asking the right questions and identifying the problem that requires solution, an early identification of relevant stakeholders is important. Not only can policy choices affect different stakeholders or economic agents in different ways, but these stakeholders can also influence whether a policy is adopted and how it is implemented.

Stakeholder analysis identifies people, groups, and organizations that are important to take into account when conducting PSIA.² It identifies and analyzes those who are affected by the policy, as well as those who can potentially affect policy implementation. Identifying and disaggregating the stakeholders in the first category—beneficiaries and those who suffer adverse impacts—is central to the analysis of poverty and social impact of policy. They can be disaggregated by a large number of characteristics such as household type, household size, ethnicity, gender, location, occupation, and so forth. For modeling work, stakeholder analysis can serve as an input into determining how best to disaggregate representative household groups or subgroups. Stakeholders in the second category—organized groups such as unions, business associations, donors, and civil society organizations—may become sources of support or opposition to policies. Analyzing such influential actors is essential to understand behavioral responses that condition impacts, and the likelihood of reform success. Box 2 illustrates the use of stakeholder analysis to address the impact of mine closures in Russia.

A distinction should be made between stakeholders who share multiple characteristics that enable them to coalesce as a cohesive group (for example, labor unions) and those that are analytical categories rather than organic groups (for example, “the fourth income quintile” or “the poor”). Stakeholder analysis goes beyond simply identifying groups to analyzing the stated or unstated interests of actors in relation to a policy, as well as the nature and degree of their organization or ability to mobilize behind a common purpose (see box 3). To the extent that groups of the

second type are atomized or unorganized (such as landless peasants, non-unionized workers, small businesses, consumers), they are less likely to be able to easily voice their opposition to or support for a policy, even if their support may be crucial to reform success.³ While secondary resources such as social science research, news media reports, and advocacy literature can help identify broad political economy issues and social tensions, key informant interviews may be needed to analyze the interests of stakeholders whose support is critical to reform implementation, including those within government agencies, or interest groups able to influence reform. Analyzing interests of stakeholders who are less organized may involve special surveys or focus groups.

Stakeholder analysis contributes to an assessment of the extent of country ownership of a particular policy in order to predict how different interests are likely to influence government in general, and the policy process in particular. Ownership assessment reveals sources of potential resistance to policy change and provides a rough estimate of the location and extent of pressure that government will face in adopting a policy reform. This helps to assess government's willingness to undertake and stick with the reform over time. Weak ownership can lead governments to abandon reforms midterm or produce distorted policies. For example, some countries pursue bank deregulation and privatization, but refuse to remove barriers to entry because of entrenched interests, resulting in an oligopolistic sector that charges high interest rates and provides poor services.

Factors that typically affect ownership can be analyzed by looking at both the political economy of a country and its diversity (based on ethnic, religious, linguistic, gender, and age differentials). By considering political economy, analysts can identify affected groups and assess their influence over government decisionmakers. Taking stock of diversity is important because reforms may polarize existing tensions in the short term, even while improving welfare in the long run.

Box 2. Analyzing the Impact of Mine Closure in Russia: Stakeholder Analysis

In the early 1990s, the Russian coal industry was in a state of crisis. A large number of economically inefficient mines were kept afloat by subsidies that reached \$2.76 billion (more than 1 percent of GDP) in 1994. Restructuring entailed closing 183 loss-making mines and downsizing the workforce (including those involved in coal production, administration, social services, and other auxiliary activities) from 900,000 in 1992 to 328,000 by end-2001.

The Bank provided \$1.3 billion in loans and played a major role in helping the Russian government develop its strategy for mitigation of the poverty and social impact of coal sector restructuring. The team carried out a stakeholder analysis using structured interviews in Moscow, mine visits, and discussions with union leaders. The analysis was designed to clarify the nature of the problem, identify the interests of various actors, and develop a solution for effective fund transfer using existing actors.

The team grouped the stakeholders into several categories. Government ministries were not seen as neutral agents, and their interests were explicitly identified. Similarly, the options of mine employees were differentiated by their previous employment. Workers on the mine face, analytic and administrative support workers, and workers in the schools and hospitals previously funded by mine revenue would be impacted differently as mines closed. The interests of

municipal and *oblast*-level governments were based partially on the revenues that each could muster in the event of mine closure.

The differences between stakeholder groups lay largely in their analysis of the core problem. On the one hand, the Ministry of Energy, regional governments, the labor union, and the mine face workers advocated a narrow solution focused on preserving the mining industry in some form. On the other hand, municipal governments, social service workers employed by the mines, and local businesses focused on the need to find new drivers of growth in mono-industry towns, as well as sources of funding for services previously supplied by the mines. Municipal governments did not have the revenue base to support the schools and other services formerly provided by the mines, and were hard hit by the closures.

An Interagency Coal Commission with representatives from municipalities, ministries, and government agencies helped discuss and plan reforms. The Ministry of the Treasury was identified as a transparent channel through which social protection funds could be transferred directly to the workers, rather than moving funds through the Ministry of Energy and regional governments. The analysis of stakeholder interests was used to create a system of checks, balances, and independent assessments to ensure that all actors followed the rules laid out in mine closure plans.

Sources: Lockhart 2001; Haney and others 2003.

Box 3. Interest Groups and Collective Action

Estimating the influence of a particular group over decisions is as much art as science. However, there are some useful criteria for predicting the propensity of a group to lobby the government. The logic of collective action suggests that interests will exert more pressure on policymakers or elected leaders when: (a) the number of group members is small; (b) the benefits or rents that would accrue to each member from the desired policy are very substantial and easy to perceive; and (c) members have the means, especially the financial resources and networks, to protect their interests. The behavioral premise is simple: people fight harder when they have a large personal stake. In contrast, the more diffused interests of unorganized groups

such as consumers are typically less influential. Many development interventions are designed to reduce or eliminate rents among a small group of privileged interests and increase the overall welfare of the public. These are precisely the policies that are most likely to be fought, making either tough political decisions or a concerted communications strategy paramount. However, if the impact is sufficiently large, public interest groups may emerge to advocate the interests of the less powerful, or violent street protests may break out. For example, the Consumers Rights Commission of Pakistan was formed to advocate consumer interests on tariff reform, and this lobbying is substituting for more violent forms of urban protest.