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# **MANUAL ON GUIDELINES FOR STAKEHOLDER ANALYSIS**

Prepared for

His Majesty's Government of Nepal  
Ministry of Water Resources  
Electricity Development Center

Under the

USAID/Nepal Private Electricity Project  
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## **About the Manual**

This manual is written to assist the user in conducting stakeholder analysis for power development projects, specifically hydroelectric projects

The manual is divided into different sections, with examples and illustrations provided as indicative material. The forms and formats are developed with a typical hydropower project in mind.

The manual is prepared to facilitate identification of stakeholders, to understand their concerns, and to formulate appropriate strategy to manage stakeholder participation during private sector investment in hydropower development.

The conceptual background for this manual is found in Appendix A to this manual.

# 1 Introduction

Nepal has a significant hydropower potential that needs to be exploited to provide the stimulus for the national economic development. Exploiting this potential, however, is constrained by the potential negative impacts of this effort on some groups, while positive impacts will occur on others. Those who perceive a loss of their welfare, oppose any effort for such development. Some of these losses can be quantified and objectively assessed and compensated, but others cannot be quantified and compensated. They change with context. Efforts to compensate and mitigate these intangibles lead to disagreement, which can then gradually evolve into dispute, and then into serious conflicts. Negotiation and trade-offs are the only solution to these disputes, in which participation of the affected individuals, groups, institutions and communities should be ensured.

Development projects are required to interact with various groups, satisfy their interests, and abide by rules and regulations to achieve certain goals. For private sector entrepreneurs, generally these goals are related to developing or causing to develop hydroelectric generation. To accomplish these goals, a thorough stakeholder analysis is required to understand the potential opposition to a project and ways to avoid or address potential conflicts related to the project. Stakeholder analysis can be conducted by the project proponent or his consultants, by the Electricity Development Center (EDC) or other HMG/N ministry with a decision-making role.

## 1.1 Purpose of Stakeholder Analysis

Stakeholder analysis is a process that is conducted to ensure that the needs of the affected parties are clearly understood.

A good stakeholder analysis should help decision makers

- ▶ Understand the project situation
- ▶ Anticipate conflict
- ▶ Anticipate risks involved in the process of project implementation, and operation and maintenance
- ▶ Identify relationships between stakeholders to build coalitions and affect the decision
- ▶ Strategize proactive measures such as participation of stakeholders at various stages of project preparation to avoid and/or resolve conflict

Stakeholder analysis may also help resolve potential conflicts through a mutual problem-solving approach between the project proponents and the stakeholder community. It is useful for the decision-makers to make a project more viable and successful through meaningful participation of the people. Stakeholder analysis is a relatively new tool, which has developed after the realization that big projects of public interest are more successful when affected people are involved in all phases of project development and implementation. Avoiding participation can lead to disputes even when proposed projects are designed for the public good.

For a stakeholder analysis report to be useful for decision making, it should reflect the affected community's views and concerns. It should help frame the project such that it will bring forward the benefits of the project to the affected community. Therefore, participation of stakeholders in the decision making process is a key to the quality of the report.

The purpose of stakeholder analysis is as follows

- ▶ Assist in identifying the stakeholders in a hydropower project, their interests and leverage
- ▶ Assist in identifying and analyzing the issues raised by the stakeholders

- ▶ Assist in addressing the concerns of the stakeholders
- ▶ Provide necessary information on potential project opposition to the investor in the hydropower project

A stakeholder analysis will suggest a process for involving stakeholders at various stages of project development, and will recommend ways to manage stakeholder issues

## **1 2 Definition of Key Elements of Stakeholder Analysis**

There are some key elements that should be understood and used in the stakeholder analysis. The relative importance of these elements can differ with context, but they should be assessed in every case. Good information about these elements should therefore be collected at the very early stage of project formulation.

### **1 2 1 Stakeholders**

Stakeholders are those parties whose interests are likely to be affected positively or negatively by the project activities. These parties can be individuals, groups, business organizations and government agencies.

Depending on the nature of impact, the stakeholders can be divided into primary and secondary. Primary stakeholders are the ones who are directly impacted (negatively or positively) by the project. Secondary stakeholders are the ones whose interests are only indirectly affected by the project.

Stakeholders belong to different levels depending on the scope of their influence, importance and their interest in the project. They can be divided into local, district or regional, national and international.

The importance of stakeholders to a project varies with their position related to the project and its objectives. Major or key stakeholders are the ones who can significantly influence the project's success.

### **1 2 2 Interests**

Interest is what one wants. It is expressed in terms of a person's needs, desires, concerns or fears, and those things that one cares about. It is the interests attached to certain things that motivates individuals or groups to act or react on certain decisions. Loss of income, concern for health, concerns for amenities, concerns for fairness, and desire to receive high price for property are some of the expressions of interests. In addition to these tangible interests, the desire to retain control over decision making in one's local affairs should be included as an interest.

### **1 2 3 Relative Power or Influence**

The stakeholders differ in their relative bargaining leverage. Some are more educated, resourceful and articulate. In a meeting of stakeholders, it is very likely that the powerful ones dominate the weaker stakeholders. In order to make sure that the voices of each stakeholder are heard in the meeting it is necessary to understand the relative power of each stakeholder in the list. If any stakeholder is significantly more powerful than others, then the outcome may be skewed in favor of the powerful one.

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The stakeholders' leverage to influence the decision comes from various sources

- *the government affiliated stakeholders* draw their power from the legal right and authority endowed on them by the law
- *the market related stakeholders* draw their power from the nature and volume of business they have. They also draw power from the legal provisions in the constitution and civil law. It is necessary to assess the nature and volume of their business
- *the civil society stakeholders* draw their power from the number of their members respectively. They also draw their power from the legal provisions in the country. These provisions should be understood

#### **1 2 4 Beliefs and Value Systems**

Values are strongly held personal beliefs, moral and ethical principles, basic legal rights, or one's idealized view of the world. Values are about what one cares about. Individuals and groups differ according to their ideals or ideologies. The stakeholders express their values in the way they make statements. For some, protecting the rhino or tiger might not be as important as saving human life, whereas for others, they will be equal. Animal rights groups would attach equal value to the life of an animal and man. To assess the values of affected stakeholders, they should be interviewed, their cultural practices observed, and their expressions in their dialogue with their opponents noted. Small community group meetings may also be useful in assessing stakeholder values.

#### **1 2 5 Perception about the Project and Impacts**

The stakeholders may hold different views about the project, which is largely affected by their value system. Some believe in small, while others find big equally good. Some might find the private sector involvement in power sector bad from an equity point of view, and others may find such involvement necessary for growth. If the perception is influenced by the lack of adequate information then it can be changed with more information and interaction. If the perception is due to a deeply rooted belief or value system, then it will change only if the believer himself wants to change.

#### **1 2 6 Significance of Impacts for the Stakeholder**

The affected people can be grouped by the degree of impact on them. The person or institution can have only peripheral interest in the project. To identify what is at stake for each of the identified stakeholders, assessment of the impact of the project on them should be carried out. The losses can be tangible and intangible. The loss of property, business, income sources are tangible and quantifiable losses, while the loss of religious sites, family harmony and social interaction are intangibles which often cannot be quantified.

#### **1 2 7 Timing of Stakeholder Analysis**

The stakeholder analysis should be done at the beginning of the project. An initial understanding of the stakeholder and the major issues and concerns significantly helps project staff to assess the potential risk. An initial assessment should then be followed by more detailed analysis periodically as the project progresses.

### **1 2 8 Expertise for Stakeholder Analysis**

Ideally, stakeholder analysis should be carried out by a team of social scientists, engineers, power sector experts and ecologists with sufficient experience to observe and understand the social and institutional dynamics involved in the power development process. At the initial stage of a project, an experienced individual assessor may do an initial analysis, but this should be followed by a full team analysis so that important issues affecting the project are not missed.

### **1 2 9 Disclosure of the Stakeholder Report**

Stakeholder analysis often uncovers and involves sensitive issues about interests, motives, position and agenda of the stakeholders. The information should be kept confidential if requested by the individual stakeholders.

### **1 2 10 Need for Stakeholder Analysis in Hydropower Projects**

Hydropower development projects affect interests of diverse individuals, different groups, and institutions from government, private business, and local communities. These interests, when negatively affected, may make the impacted party adversely react and oppose the project. For a successful execution of projects, these interests should be identified early on and managed accordingly.

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## 2 Steps for Stakeholder Analysis

This section of the manual describes the steps that should be taken to complete a stakeholder analysis for a proposed hydroelectric project. As previously noted, this exercise can be conducted by the project proponent or by EDC, but is an analysis that should be completed early in the project planning stage.

The major steps are summarized below, with a more detailed description of the major steps provided in each of the following subsections:

- ▶ Step 1 Identification of All Stakeholders
- ▶ Step 2 Identification of Key Stakeholders
- ▶ Step 3 Identification of Key Stakeholders' Interests
- ▶ Step 4 Identification of Impact on Key Stakeholders' Interests
- ▶ Step 5 Prioritizing Stakeholders
- ▶ Step 6 Final Selection of Stakeholders for Participation in the Project
- ▶ Step 7 Inclusion of New Stakeholders
- ▶ Step 8 Final Planning for Stakeholder Participation in Project Planning Process

### 2.1 Step 1 Identification of All Stakeholders

Identify individuals, groups, organizations and communities whose interests are affected by the project.

Initial steps in the identification of stockholders process:

- ▶ Review project documents
- ▶ Review legal documents
- ▶ Conduct a quick survey of the project area (district, villages and settlements)
- ▶ Interview informed individuals
- ▶ Review the social, economic, physical and biological context

Use the following to further identify the stakeholders:

- ▶ How is the stakeholder related to the project?
- ▶ Are there legal provisions linking the stakeholder with the project?
- ▶ How does the project affect the stakeholder?

Check the completeness of the identification using the following checklist:

- ▶ Have all the organizational stakeholders related to the project been identified?
- ▶ HMG/N Ministries and affiliated institutions?
- ▶ District level offices?
- ▶ Locally elected bodies?
- ▶ Major political organizations at the national level?
- ▶ Major political organizations at the district level?
- ▶ Major political organizations at the local level?
- ▶ National NGOs?
- ▶ Local clubs, user groups, schools, colleges and NGOs?
- ▶ Special interest groups?
- ▶ Business offices?
- ▶ Professional organizations?

Recheck that the list has included all stakeholders

- ▶ National stakeholders identified?
- ▶ Regional stakeholders identified?
- ▶ Local stakeholders (at different project component sites) identified?

## 2 2 Step 2 Identification of Key Stakeholders

Identify the key stakeholders that significantly influence the project or are most important related to meeting the project's objective

To assess the key stakeholders' influence, use the following

- ▶ Interviews with informed individuals
- ▶ Review legal documents
- ▶ Review past history (of using influence)
- ▶ Prepare a table summarizing the level of strength, indicating very influential, influential and no influence

Use the following checklist to gather information regarding stakeholders' level of influence

- ▶ Is the stakeholder in a position to reward those who have the power to change the project in its favor?
- ▶ Does the stakeholder have legitimate authority to influence the project?
- ▶ Does the stakeholder hold power to punish those who can change project?
- ▶ Does the stakeholder hold expert knowledge related to the project?
- ▶ Does the stakeholder hold critical information to influence the project?
- ▶ Is the stakeholder in a position to use any of the above power sources?

The influence assessment table is similar to the following example that can be used to rate the relative influence of each stakeholder. A rating, such as 1 through 4, would be placed in each cell, with 1 being the least influential and 4 the highest

Stakeholder Name	Reward Ability	Authority	Coerciveness	Knowledge	Critical Information	Commitment	Total	Level of Influence (Average of total)
1 NGO - X	2	1	1	3	4	1	12	2.0*
2								
3								
4								

\* Indicates medium influence

To assess the importance of the stakeholder for the project's objectives, use the following

- ▶ Review the impact on the stakeholder
- ▶ Review impact of stakeholders' current position on the project
- ▶ Review project goals in relation to the stakeholder

To assess the importance of a stakeholder use the following checklist

- ▶ What will be the effect on the project with or without this stakeholder's support?
- ▶ Is the stakeholder's welfare directly affected by the project?
- ▶ Is stakeholder's interest directly affected (positively or negatively) by the project?
- ▶ Does the project try to address the needs of the stakeholder?

- ▶ How close are the expectations of the stakeholder and the objectives of the project?
- ▶ Do the project activities affect (positively or negatively) something that the stakeholder cherishes, loves or believes?

### **2 3 Step 3 Identification of Key Stakeholders' Interests**

Identify the interests of the key stakeholders through personal interviews or by informed opinion from key informants

Use the following checklist to further ensure that all the interests have been identified

- ▶ What are the needs that the stakeholder wants to be fulfilled from the project?
- ▶ What is the stakeholder concerned about?
- ▶ What is it that the stakeholder is most afraid of losing?
- ▶ What does the stakeholder wish to maximize by the project?
- ▶ How does one stakeholder see other stakeholders' loss or benefit from the project?
- ▶ How does the stakeholder view his basic human needs (security, economic well-being, recognition and control over one's life) related to the project?

### **2 4 Step 4 Identification of Impacts on Key Stakeholders' Interests**

Identify the impacts of project activities on each key stakeholder's interest

Use the following steps to identify these impacts

- ▶ Conduct surveys, interviews, observations and reviews of project documents
- ▶ Prepare list of stakeholders
- ▶ Prepare list of main project activities at different stages and locations of these activities
- ▶ Relate project activities stage-wise to each key stakeholder and prepare a matrix table indicating positive or negative impacts

Summarize the interests of the stakeholders as either positively or negatively affected by the project. Further characterize these impacts on stakeholder interests as either

- ▶ Short term or long term
- ▶ Economic, social or psychological

### **2 5 Step 5 Prioritizing Stakeholders**

Prioritize the stakeholders according to their importance to the project's success to determine which are the most important stakeholders to include in the project decision-making process

Prepare a matrix graph combining the importance and influence of each stakeholder to the project

- ▶ The graph will include a vertical axis for the influence and a horizontal axis for the importance of each stakeholder
- ▶ Determine the position of each stakeholder by entering on the graph the numerical importance and influence ratings determined in Step 2

Use the following criteria to decide about the position of each stakeholder in the priority list

- ▶ If the position is high on both axes, then the stakeholder has high priority and should be included in the project decision-making process
- ▶ If the position of the stakeholder is low on both axes, then the stakeholder does not have to be included in the decision-making
- ▶ If the position of the stakeholder is high on importance level and low on influence level, then the stakeholder should be included in the decision-making
- ▶ If the position of the stakeholder is high on influence level and low on importance level, the decision-maker must decide whether to include the stakeholder based on other criteria

Based on the above finding, prepare a list of stakeholders with priority for inclusion in the project's planning and decision-making process

## **2 6 Step 6 Final Selection of Stakeholders for Participation in the Project**

Make a final selection of stakeholders for participation in the project planning and decision-making process

Prepare final list of participants and refer to the influence and importance matrix and to the results from Step 5, to prepare the list of most-likely participants

Use the following decision criteria to select the final participants

- ▶ Those who are high in the importance and influence matrix (have priority)
- ▶ Those who are low on influence but high on importance

Further analyze the following types of stakeholders as to whether they should or should not be included in the list

- ▶ Those who are low on importance but high on influence
- ▶ Those who are low on both importance and influence, but hold certain attributes that are critical for achieving the project's goals

## **2 7 Step 7 Inclusion of New Stakeholders**

Include new stakeholders during the course of the project development process. There is always a possibility of new stakeholders emerging during the project development. These can either be those not previously identified, or previously-listed stakeholders who have increased in either importance or influence. To decide about their inclusion in the process, follow the instructions in Step 5

## **2 8 Step 8 Final Planning for Stakeholder Participation in Project Planning Process**

Formulate a strategy and recommendations for stakeholder management during the project development process

Strategically plan for stakeholder participation, considering

- ▶ When in the project cycle each stakeholder should be included?
- ▶ At what level each stakeholder should participate?
- ▶ What are the options for involving the participants?
- ▶ How the stakeholders should be represented?

Consideration of stakeholder behavior

- ▶ State the key assumptions regarding the behavior of each key stakeholder
- ▶ Assess the possibility of change in the present behavior of each stakeholder
- ▶ Assess the likely effects on the project success from either maintenance of or changes in the stakeholders' behavior

Consideration of unforeseen issues

- ▶ Briefly describe the general context of current relationships and stakeholder positions
- ▶ Review any possible changes in the relationship or positions of stakeholders and the potential impact (positive or negative) on the project's success

Stakeholders' participation in the project cycle

- ▶ Make recommendations for involving the key stakeholders in the project planning process. These recommendations should consider
  - the recommended level of participation - inform, consult, partnership and joint problem-solving
  - at what stage of project cycle should the stakeholder be included (identification, planning, implementation, monitoring and evaluation, and auditing)
  - in what ways should the stakeholder be involved in the project's decision making (public meetings, private consultations and group meetings)
  - what type of information about the project does the stakeholder need for effective participation at each stage
  - what does the stakeholder need to participate effectively (material support, awareness program, transportation and privacy)
  - who should facilitate the participation (outside mediator, government agency, NGO's or other civil institutions)

### **3 Summary and Conclusions**

This manual on guidelines for conducting stakeholder analysis for a proposed hydroelectric project has provided background information on the importance of conducting such an analysis. This manual has also outlined a step-by-step procedure for identifying which stakeholders should be included in the project planning process, and how to plan for their participation in the process. It is recommended that the stakeholder analysis be initiated as early as possible in the process, and that this analysis be conducted by a qualified team of social scientists, engineers, power sector experts and environmental scientists. A timely, well-executed stakeholder analysis, with meaningful inclusion of stakeholders in the project planning process, will greatly enhance the probability of successful completion of the project.

**APPENDIX A**

**DISCUSSION ON GUIDELINES  
FOR  
STAKEHOLDER ANALYSIS**

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## Acronyms

CITES	(UN) Convention on International Trade In Wild Flora and Fauna
DDC	District Development Committee
EDC	Electricity Development Center
EIA	Environmental Impact Assessment
IUCN	IUCN-The World Conservation Union
MOA	Ministry of Agriculture
MOI	Ministry of Industries
MOPE	Ministry of Population and Environment
NEA	Nepal Electricity Authority
NPC	National Planning Commission
USAID	United States Agency for International Development
VDC	Village Development Committee
WB	World Bank

## 1 Introduction

Nepal is sitting on the huge hydropower potential which needs to be exploited for the national development. Exploiting these possibilities, however, is constrained by the negative impact these efforts will have on some groups and benefit others. Those who perceive a loss of their welfare, oppose any effort for such development. Some of these losses can be quantified and objectively assessed and compensated, but numerous other losses cannot be quantified and compensated. They change with context. Trying to compensate and mitigate these intangibles leads to disagreement, which can then evolve into a dispute and then into serious conflicts. Negotiation and trade-offs are the only solution to these disputes for which participation of the affected individuals, groups, institutions and communities should be ensured.

Notwithstanding these needs, legal provisions for involving people and stakeholders in the environmental assessment process have been made that are binding to all developers and enforcing agencies. In addition to these requirements, there are some moral and ethical limitations regarding the release of information which varies with the social and political condition of the country. Certain local situations and special circumstances also impose requirements on releasing the information.

Besides these regulatory requirements, there are certain ethical requirements which also guide the public agencies such as EDC to ensure participation and representation of the weaker section of the stakeholders. It has to make sure that women, children, and minority disadvantaged groups are involved in project's decision making.

EDC's own interest requires it to interact with various groups, satisfy their interests and abide by the rules and regulations to achieve certain goals. These goals are set in its scope of work which are to develop or cause to develop hydroelectricity and to encourage private sector entrepreneurs for the development of hydroelectricity and to follow up the works relating to hydroelectricity development (Nepal Electricity Act 2049, 36).

### 1.1 Objective of the Guidelines

The objective of these guidelines is to

- ▶ Assist in identifying the stakeholders in a hydropower project
- ▶ Assist in identifying and analyzing the issues raised by the stakeholders
- ▶ Assist in addressing the concerns of the stakeholders
- ▶ Assist necessary information to the investor in the hydropower generation

### 1.2 Use of the Guidelines

These guidelines will be useful for

- ▶ EDC to ensure smooth power project implementation
- ▶ Private sector to make a decision for making investments
- ▶ Consultants conducting environmental impact assessments
- ▶ Project managers of hydropower projects

### 1 3 Stakeholders

Stakeholders are those parties who have their interests in the project and the project activities are likely to affect these interests positively or negatively. These parties can be individuals, groups, business houses and government agencies.

Depending on the nature of impact the stakeholders can be divided into primary and secondary. Primary stakeholders are the ones who are directly impacted (negatively or positively) by the project. Secondary stakeholders are the ones whose interests are only indirectly affected by the project.

Stakeholders belong to different levels depending on the scope of their influence, location and the interest in the project. They can be divided into local, district or regional, and national and international.

The importance of stakeholders to a project varies with their position in relations to the project and its objectives. Major or key stakeholders are the ones who can significantly influence the project's success.

### 1 4 Stakeholder Analysis

Stakeholder analysis is a process which is undertaken to ensure that the needs of the affected parties are clearly understood. A good stakeholder analysis should help the decision makers with the following:

- ▶ Understand the project situation
- ▶ Anticipate conflict
- ▶ Anticipate risks involved in the process of project implementation and operation and maintenance
- ▶ Identify relationships between stakeholders to build coalition and affect the decision
- ▶ Strategize proactive measures such as participation of stakeholders at various stages of project preparation to avoid and or resolve conflict

Stakeholder analysis does the following:

- ▶ Identify the stakeholders in the project, their interests and leverage
- ▶ Categorizes them according to the significance of impact
- ▶ Suggest a process for involving the stakeholders at various stages of project development
- ▶ Recommend ways to manage the stakeholders issues

### 1 5 Use of Stakeholder Analysis

Stakeholder analysis serves two interrelated purposes. It helps to resolve potential conflicts through a mutual problem solving approach between the project proponents and the community. It is useful for the decision-makers to make the project more viable and successful through meaningful participation of the people. It is a relatively new tool, which is developed after the realization that big projects of public interest are more successful when affected people are involved in all phases of project development and implementation. Also, that the avoiding participation can lead to disputes even when they are designed for public good.

For a stakeholder analysis report to be useful for the decision makers, it should reflect the affected community's views and concerns. It should help frame the project such that it will seem beneficial in the eyes of the affected

community Therefore, participation of stakeholders in the decision making process is a key to the quality of the report

## **1 6 Timing of Stakeholder Analysis**

The stakeholder analysis should be done at the beginning of the project An initial understanding of the stakeholder and the major issues and concerns significantly helps project to assess the potential risk An initial quick assessment should then be followed by more detailed analysis periodically as the project progresses

## **1 7 Expertise for Stakeholder Analysis**

Ideally stakeholder analysis should be carried out by a team of social scientists, engineers, power sector experts and ecologists with sufficient experience to observe and understand the social and institutional dynamics involved in the power development projects At the very initial stage, an experienced individual assessor can also do the quick analysis, but there is a risk of missing some important issues affecting the project

## **1 8 Disclosure of the Stakeholder Report**

Stakeholder analysis often uncovers and involves sensitive issues about interests, motives, position, and agenda of the stakeholders This information should be kept confidential if available

## **1 9 Need for Stakeholder Analysis in Hydropower Projects**

Hydropower development projects affect interests of diverse individuals and different groups and institutions from government, private business and local communities These interests, when negatively affected, make the impacted party react and oppose the project For a successful execution of projects these interests should be identified early on and managed In particular, EDC needs stakeholder analysis because it cannot achieve its goal without other parties' cooperation

## 2 EDC's Interaction With Other Participants in Power Development

### 2.1 EDC and Other Participants

EDC comes in contact with other participants when it tries to fulfill the following activities to achieve its stated goals

- ▶ Examine the application seeking license for production, transmission or distribution of electricity
- ▶ Issue public notice about the proposed project
- ▶ Receive public concern
- ▶ Notify the proponent of the public concern
- ▶ Make necessary amendments in format for issuing license
- ▶ Issue license through the Secretary of the Ministry
- ▶ Supervise and ensure smooth supply of electricity to the consumer
- ▶ Receive and annual report of the production, distribution, internal use, leakage and capacity factor, maximum demand of a month, specimen of load curve (Electricity Regulation 2050)

EDC also comes in direct contact with other HMG/N offices. For example, its work is related with the *Ministry of Industries/Departments* when the latter registers the proponent of the power project because, as per Electricity Regulations, a domestic private sector must first be registered under Industrial Enterprises Act 2049

As per *Environmental Regulations 2054*, EDC has to seek approval of the Ministry of Population and Environment (MOPE) for any power projects that it plans to license

As the foreign investment of the private power companies should be registered under *Industrial Enterprise Act 2049*, and must have secured permission from *Foreign Investment and Technology Transfer Act, 2049*, this also brings EDC in contact with the Ministry of Industries

These interagency linkages are at the national policy maker's level. These include the Ministry of Forest, Ministry of Finance, and Ministry of Local Development. EDC often needs to seek advice from their departments and district offices during the implementation at the local level

At the local level EDC comes in contact with the local government bodies such as District Development Committees (DDC), Village Development Committees (VDCs) and Municipalities

In addition to these government agencies, EDC has to deal with other non-government stakeholders in the business sector such as private investors, insurance companies, suppliers, contractors, consulting firms which are interested in the project for business opportunities

There is a whole set of other stakeholders, which EDC comes in contact with during a project preparation. This includes local communities, social organizations, advocacy groups, the national and international NGOs, and other social institutions

## 2 2 Donor Agencies

Major financing agencies such as World Bank and other agencies also require involvement of affected people from the very identification of the project. They have made it mandatory to ensure public consultation and participation of affected people, advocacy groups, and other interested parties in the project's EIA process. The World Bank's statement, "we hope new partners for development, new allies against poverty, will come to see us. The Bank and NGOs must work together" is a clear indication of changed mode of development cooperation between different participants. The OECD guidelines make similar suggestions to complete the environmental impact assessment.

## 2 3 EDC's Responsibility

EDC is responsible for ensuring participation of all the legitimate stakeholders in any hydroelectric project. As any other public institution, EDC is also guided by the constitution and the regulations to release certain information.

### 2 3 1 Constitutional Provision

*The Constitution of the Kingdom of Nepal 2047 (1990)* states overall rules and inviolable instructions for the release of information on issues of public interest within the kingdom. This document states the following regarding the right of the citizen to be informed about an issue of public interest:

"Every citizen has the right to ask and get the information about any subject of public importance (16)"

This constitutional provision has had very significant implications for large-scale water resource development projects. The court verdict in favor of the individual's writ against the State to release Arun III project information is a landmark case. The withdrawal of World Bank support, and the consequent need for promoting the project anew, has "taught a lesson" to the promoters of power projects that the information sharing with the public should be a part of the project design and promotion process. In addition, this incident has shown that a better public relations and management of diverse stakeholders is necessary for a project to sail through in the country.

### 2 3 2 Public Involvement

There are no specific legal provisions for a separate stakeholder analysis, but the legal provisions made for the people's participation in Environmental Impact Assessment for energy production, transmission and distribution projects (*Environmental Conservation Rules 1997*) implicitly requires addressing stakeholders concerns in hydroelectric project. This Act requires EIA for

- Supply of electricity by installing transmission lines of more than 66 kV capacity
- Operation of rural electrification projects of more than 6 MVA
- Operation of electricity generation projects with a capacity of more than 5 MW
- Generation of more than 1 MW diesel or thermal electricity
- Any power resources development activity which displaces more than 100 people with permanent residence

- Construction of multipurpose reservoirs
- Interbasin water transfers and uses (Schedule 2 E)

*The Electricity Regulation 2050* requires the project proponent to submit following information for giving license to produce, transmit, and distribute electricity which takes into account the effects on the local stakeholders

- Measures to be taken to minimize the adverse effect due to project on environment
- Social and economic effect of project on the said area
- Utilization of local labor
- Source and materials
- Benefits to be taken by the local people after the completion of the project
- Training to be provided to the local people in relation to construction, maintenance and operation
- Facilities to be required for construction site, safety arrangements and effect on landowners due to operation of the project
- Details of people to be evacuated and necessary plan for their rehabilitation

These regulatory arrangements are guided by development philosophy of the nation expressed in its periodic development plans. The overall development philosophy of the country which is to eliminate poverty, reduce inequality and promote sustainable growth, makes it imperative for greater participation of stakeholders in the development process including hydropower development. The stakeholder analysis is needed to fulfill these requirements.

### 3 Stakeholder Concerns in Hydroelectric Project

A hydropower project brings in numerous stakeholders including the project affected people, the proponent, the licensing agency, the environmental enforcing agency, the national and international governmental and non-government organizations, and various national and international business groups who see their interests being affected by the project. The main group of stakeholders include the developer or proponent, the public agency, and the affected people.

The business group is clearly interested in making profit, the public agency (EDC) is interested in involving the private sector in power development and also protecting public interests. The affected people are interested (1) to maintain and improve their economic and social welfare and (2) have some share in the benefit.

The relationship between EDC and the developer is clearly determined by the existing laws and regulations. Formal contractual arrangements are worked out and if there is any dispute they can be resolved by the court, if necessary. The relationship of EDC and that of the affected people is not as clear. It can be determined only in general terms and guidelines and has to be worked out on a case-by-case basis.

#### 3.1 Concerns

Concerns are fears, feelings, perceptions, frustration and anger, which a person feels due to the outside intervention. The stakeholder expresses his concerns in meetings, private interviews, and in the media. He also expresses these feelings through actions such as demonstrations, strikes, threats of violence, peaceful appeals, and various other means. In order to find out the concerns, the assessor should watch all these activities of a stakeholder.

Typically a hydropower project has an intake area (dam or reservoir), conduit (tunnel) and generation area (powerhouse and tailrace). The construction and operation of these components affect humans who live in the area, positively and negatively.

In the intake area, the impact due to the dislocation of people, rise in water level, seepage, inundation, and erosion on the surrounding environment is the main source of concern. In the downstream, the reduced water volume for irrigation and drinking water, disruption of habitat for aquatic animals, flora and fauna, change in the water courses and loss of productive base are the main concerns. Also the risks of being washed away during water release, or fear of accidental break down of the reservoir, are some of the typical concerns of the affected people.

In the conduit (canal or tunnel) area, the affects are different. If the conduit is open, such as open canal, then people are concerned that it might permanently disrupts the traffic (circulation), changes the microenvironment of the area, and the hazard to people and animals in the surrounding area.

In the power generation area, people are concerned with largely short-term affects due to construction activities. They are worried that it might disrupt the local environment such as deforestation, noise from blasting, dust, and other similar irritants. It is not easy for the local people to visualize the situation in the long run. Although it might lead to a more pleasant and improved situation, it cannot reduce the fear of immediate disruption.

## 3.2 Impacts

In all these locations, different groups feel the impact differently. Women are concerned with their household income, fuel, fodder, and their children's safety and concerns, while disadvantaged groups have different set of priorities. They are more concerned with the employment and access to the opportunities created by the project.

The local community also differs by the type of economic activity it is engaged in. The local business people are more interested in selling their products. They are worried that outsiders might take up the opportunity. They often welcome the project as they see an opportunity to expand their business.

Whereas the above concerns are directly related with the local stakeholders, there are others who see the effects in more broad terms. The national NGOs, INGOs and Advocacy groups are worried that the change in the environment will affect larger national and global interests. In addition, they are also concerned that the country might become economically dependent on lending agencies and multi national companies. They are concerned that the country might be adopting a system of development that they think is inappropriate. Moreover, they are concerned that the distribution of benefits in the society will be unequal.

Local level involvement in a hydropower project design cycle was mostly due to the international donors' suggestions. After the promulgation of new constitution, this has become a right of the local people to influence the decisions taken at the national level. This process has then been operationalized through various acts and regulations and specifically due to the act for the protection of environment.

## 4 Current EIA Guidelines for Public Consultation

National Environmental Guidelines 1993 provides guidelines for peoples' involvement. This EIA process helps stakeholder identification, the identification of impacts, and a method to understand the significance of impacts on the stakeholder from assessor's side. The objective of public involvement in the EIA is to ensure effectiveness of environmental impact assessment. The assessment also helps to assess the feasibility of mitigating the impact and eventually help the decision makers to determine, given the cost, if the project should be implemented.

There is an implicit purpose of public involvement, which is to avoid potential delay or loss due to the conflict or dispute among the stakeholders—the project proponents community, and concerned groups at various decision making level.

### 4.1 EIA Guidelines

#### 4.1.1 Participation

As per *EIA Guidelines 1993* it is expected that the following individuals, groups, and agencies must be involved in the environmental impact assessment process:

- Local beneficiaries, target groups, user groups, affected groups, special interest groups such as women
- Relevant government and private sector agencies
- Local leaders and academic groups
- Relevant non-government organizations
- Recognized experts

#### 4.1.2 Methods of Involvement

The following methods have been suggested in the Guidelines for involving the groups:

- Community meetings
- Interpersonal contact
- Dialogue with user groups and local leader
- Questionnaires, interviews, and surveys
- Review of draft environmental report by the community
- Panels comprising representative of concerned organizations and local people

#### 4.1.3 Timing of Community Involvement

The EIA Guidelines 1993 suggests that they should be involved in all the phases of EIA preparation which include:

- Prefeasibility study
- Feasibility study
- Before making the environmental impact assessment study
- Review of environmental impact assessment report

- At all decision-making points in the project cycle
- During environmental monitoring
- At the post-auditing stage

#### **4 1 4 Responsibility of Ensuring Participation**

As per Article 50 of the EIA Guidelines, the responsibility for ensuring public involvement during EIA preparation lies with the project proponents, implementers and authorizing agencies (in this case EDC) EDC is supposed to encourage community participation and the general public from the very initial stage of project planning The general public, project proponents and implementers are jointly responsible to collect and assess the relevant information before making decision to implement the project and during the course of project implementation

## **4 2 Limitations of Existing Guidelines**

The suggestions made for the participation of people in the EIA Guidelines 1993 are useful for assessing and mitigating the physical (tangible) effects of the projects on the people, but they are only indirectly useful for managing the effects on the project of the human participation The guidelines primary focus is not the people who affect the power project, but the affects of the people activities on the nature

The EIA does not provide enough information about the position of various stakeholders, but provides useful facts that can help move stakeholder from its position In other words, it has limited utility when it comes to understanding and predicting the potential conflict and then devising proactive strategies for overcoming these conflicts Its information is useful to resolve the dispute after it emerges

There are some conceptual problems when it comes to operationalizing the terms used by the EIA in stakeholder management The basic concepts of EIA such as "mitigation", "compensation", have normative connotation, which the stakeholders do not appreciate These concepts imply that the developer or promoter can mitigate or compensate for every sort of damage They do not imply equality in right to decision making When an officer says, "We have done so much to mitigate their hardship and they are still complaining", he is influenced by the very limitation of the concept

The EIA as reported expresses the view of an outsider The views of the insider (stakeholders) do not come out in a useful form For example, it is common to find statements like, "This area can then be used for recreation or grazing purpose Similarly the borrow area downstream of will also be more stable and productive after the removal of loose old landslide debris that is deposited in the area Both these areas should be properly graded and landscaped following their use" But whose perception does this EIA statement present? Is the rehabilitation method suggested by the assessor also what the local level stakeholders want? Whose recreation and grazing is the statement is talking about? Do the local stakeholders have any idea about these possibilities? Is this what they want? What is the position of the major stakeholders regarding these suggestions? Who is likely to disagree and why? What are the issues behind these suggestions? The EIA is silent about these questions

The nature of information and the statement made in the EIA has limited utility when it comes to resolving a dispute in a fair manner The mitigation measures and compensation often favor those who make louder noise and look like potential obstacles to the project It sends the wrong message to other stakeholders

The information gathered in the EIA about the people does not provide enough feeling of the human perception in the project, its benefits, and major concerns that could be used for managing the disputes

An individual officer from enforcing agency does not get enough direction as to what should he/she do to ensure the participation of legitimate stakeholder, voice and fairness when issuing a license to a developer

The managers of stakeholders try to avoid the social aspects of stakeholders and focus on the physical with the hope that physical improvement will solve the problem. But without resolving some key human feelings such as fairness, dignity, and participation in the decision making, just distributing physical goodies only creates dissatisfaction and conflict

In summary, EIA Guidelines 1993 are only a general prescription designed for all types of development projects related impact assessments. They are useful to assess the physical losses, but they have to be strengthened with human behavioral information to make them useful for resolving potential disputes. The EIA process has to be complemented with components to identify the human interests, motivations, and bargaining leverage affecting the project activities. The stakeholder analysis is, therefore, a part of EIA which, needs to be further refined

## 5 Conceptual Framework for Stakeholder Analysis

Stakeholders are those groups and individuals who have some interest in the development projects. The stakeholders are interested in the project for various reasons. Some are interested because the project directly affects their tangible and intangible interests. Others are interested because they feel that the value they protect is affected by the project. The stakeholders can be identified by the concerns they show during face to face meetings, survey, and observation.

In any development project there are numerous stakeholders, whose interests are affected by the project activities. It is in the interest of the project proponents (developer) and the licensing agency to identify them and take account of stakeholders' concerns and address them satisfactorily. The identification and analysis should be systematic such that both the direct and indirect stakeholders can be identified. The identification should take place early on during the project preparation so that legitimate stakeholder can be ensured voice and representation in the project preparation and implementation.

### 5.1 Conceptual Groups of Stakeholders

The stakeholders can be placed under three major groups of institutions -- Government, Business, and Civil Society.

- ▶ *Government* related stakeholders are all the government institutions, departments and affiliated agencies.
- ▶ *Business* related stakeholders are the ones whose main interest is business profits such as consulting and construction companies, hotels and services, and material suppliers.
- ▶ *Civil Society* includes individuals and organizations which are motivated by social responsibility such as academic institutions, clubs, trusts, NGOs, Private Voluntary Organizations, and advocacy groups.

These groups may not always be clearly separate as some stakeholders might fall in some grey areas. For example many non-governmental organizations also are involved in consulting business which clearly is a profit making activity. Often business houses are involved in voluntary activities as well. Yet what differentiates them is their basic interest, motivation, sources of relative bargaining leverage, value system and the type of impact on their interests.

These groups are supposed to be generating dynamic equilibrium in a society. For a sustainable development, these three groups should work together in a consensual manner. When the government does not respond to the demands and needs of the civil society it tends to revolt, when the business sector feels risks it tends to go elsewhere, and when government takes unilateral decisions then conflicts between and among these three groups and their members emerge.

### 5.2 Disputes Among the Stakeholders

The conflicts among the stakeholders can be resolved through various means such as court, out of court negotiation and arbitration. It is believed that most of the disputes related to environmental issues should be resolved out of the court through mutual settlement. The main reason for this is that the courts are not equipped with the knowledge and skills to resolve such conflicts. Resolving differences between the stakeholders is possible only through participation and dialogue.

The purpose of participation is to allow the various interests to express themselves and let them argue against the proposal made by the project proponents. This opportunity should be carefully planned and distributed to all the parties.

Participation has various forms ranging from simple meetings to full engagement in the decision making process. Make sure that the participation is real and fully engaged. Just a gathering and one sided lecturing is just a "circus" which has many flaws. The groups that are weak, unorganized, illiterate, poor and uninformed cannot speak out their concerns. They remain silent. But their silence does not mean their agreement to what the more informed tell them. Quite often they are only confused which later erupts as rebellion against the project.

In order to avoid such disputes stakeholders should be encouraged to participate in decisions that are likely to affect their welfare. Decisions that affecting environment (human relation with nature) often leads to conflict. The courts are not equipped to deliver verdict on these disputes. Therefore, formal and informal negotiations between the parties at dispute with or without the help of facilitators in most cases produces results that are acceptable (win-win solution) to all parties. Experience in the US and Europe has shown that once the interests, relative power, motivation, and value system of the parties are known it is easier to move them from their position and bring them closer to workout a solution. Stakeholder analysis during the environmental study is necessary to resolve such disputes.

### 5 3 Elements of Stakeholder Analysis

There are some key elements, which should be understood and used in the stakeholder analysis. The relative importance of these elements can differ with context but they should be assessed in every case. A good information about these elements should therefore, be collected at the very early stage of project formulation.

#### 5 3 1 Interests

Interest is what one wants. It is expressed in terms of what one needs, desires, concerns, or fears and those things that one cares about. It is the interests attached to certain things that motivates individuals or groups to act or react on certain decisions. Loss of income, concern for health, concerns for amenities, concerns for fairness, desire to receive high price for property are some of the expressions of interests. In addition to these tangible interests the desire to retain control over decision making over their local affairs should also be included in the interests.

#### 5 3 2 Motivation

Different factors motivate Stakeholders to demonstrate their interest in the project. The stakeholders belonging to the government, who are supposed to protect the collective interest, are often motivated by their mandated interest of their Ministries or affiliated agencies. Their personal interests for success, promotion and rewards are some motivating factors for them. *The market affiliated stakeholders* whose main motivation is profit making can be further broken down into local business and industries, national and international, according to their scope of involvement.

The stakeholders belonging to the civil society, whose main motivation is lesser control or effect on their

private property, freedom or things they like, should be further broken down into permanent organizations, issue related organizations, international, national and local level

### 5 3 3 Relative Bargaining Leverage

The stakeholders differ in their relative bargaining leverage. Some are more educated, resourceful, and articulate than others. In a meeting of stakeholders it is very likely that the powerful ones dominate the weaker stakeholders. In order to make sure that the voices of each stakeholder are heard in the meeting it should understand the relative power of each stakeholder in the list. If any stakeholder is significantly more powerful than others then the outcome gets skewed in favor of the powerful one.

The stakeholders' leverage to influence the decision comes from various sources

- *The government affiliated stakeholders* draw their power from the legal right and authority endowed on them by the law. The legal provisions that allow other government agencies affect EDC's rights should be understood.
- *The market related stakeholders* draw their power from the nature and volume of business they have. They also draw power from the legal provisions in the constitution and civil law. Assess the nature and volume of their business.
- *The civil society stakeholders* draw their power from the number of their members respectively. They also draw their power from the legal provisions in the country. These provisions should be understood.

### 5 3 4 Value System

Values are strongly held personal beliefs, moral and ethical principles, basic legal rights and idealized view of the world. Values are about what one cares about. It is one's world view. Individuals and groups differ according to their ideals and ideologies. The stakeholders express their values in the way they make statements. For some protecting the rhino or tiger might not be as important as saving human life whereas for others they will be equal. Animal rights group would attach equal value to the life of an animal and man. In order to assess the values of affected stakeholders they should be interviewed, their practices observed, and their expressions in their dialogue with their opponents should be noted down. This can be assessed through interviews, by observing the cultural practices, and through small community group meetings.

### 5 3 5 Perception about the Project and Impacts

The stakeholders hold different views about the project, which is largely affected by their value system. Some believe in small while others find big equally good. Some might find involvement in power sector bad from equity point of view and others find such involvement necessary for growth. If the perception is influenced by the lack of adequate information then it can be changed with more information and interaction. If the perception is due to a deeply rooted belief or value system, then it will change only if the believer himself wants to change.

### **5 3 6 Significance of Impact for the Stakeholder**

The affected people can be grouped by the degree of impact on them. The person or institution can have only peripheral interest in the project. To identify what is at stake for each of the identified stakeholders, assessment of the impact of the project on them should be carried out. The losses can be tangible and intangible. The loss of property, business and income sources are tangible, and quantifiable losses whereas the loss of religious sites, family harmony, social interaction are intangibles which cannot be quantified and monetized.

### **5 3 7 Position**

A stakeholder's position is based on his interest, perception and value system. Positions can change through convincing new information, facts and rational arguments. Positions are often determined by previous biases and beliefs. "I will not let this project being constructed because it inundates my religious site which cannot be recreated", is an example of position taken by a stakeholder.

## 6 Guidelines for Stakeholder Analysis

The main purpose of the stakeholder analysis is to identify the primary and secondary stakeholders and then decide who should be included in the project planning process and how to ensure their participation. The goal is to reduce conflict as the project develops and to ensure that every one feels a winner. Therefore, the information should help these objectives with simple but realistic picture of the situation. Stakeholder analysis should be updated periodically to monitor the changes. More detailed information should be provided only if necessary.

### 6.1 Steps for Stakeholder Analysis

The stakeholder analysis includes the following steps

- ▶ Identification of the stakeholders
- ▶ Developing a stakeholder table
- ▶ Assessing the interest of each stakeholder
- ▶ Assessing the power of the stakeholder to influence the project
- ▶ Identification of position each stakeholder holds about the project
- ▶ Identification of assumption about each stakeholder affecting the project

### 6.2 Preparing Stakeholder Table

To prepare a stakeholder table the following should be done

- ▶ Identify and list the potential stakeholders
- ▶ Identify the interests of the stakeholders in relation to the hydropower development project
- ▶ Assess the impact of the project on these interests. Categorize them into positive, negative, or unknown
- ▶ Indicate what priority the project should give to each stakeholder

An example of a stakeholder table is provided in Table 6-1

#### 6.2.1 Identification of Interests

Interest is what one wants. It is expressed in terms of what one needs, desires, fears and those things that one cares about. Individual, groups and organizations express their interests in different ways and forms. Loss of income, concern for health, concern for amenities are some of the interests. Certain interests are not expressed in public. Interests that are narrowly defined are often expressed indirectly.

#### 6.2.2 Identification of Impact on the Interest

Depending on the stage and scope of stakeholder analysis, the likely impact on the stakeholder's interests should be assessed. Initially the impact should be assessed in simple terms indicating positive, negative or uncertain.

### 6 2 3 Prioritizing the Stakeholder

How important a stakeholder is for the project proponent (or for EDC) is determined by the interest of the institution which is mentioned in its mandate. From the perspective of EDC, in a hydropower related stakeholder it might want to assign higher priority to the impact on the developer's interest because any negative impact on their interest is likely to reduce its achievement in the power development.

### 6 2 4 Assessing Power and Influence

Influence of a stakeholder is its ability to change the project-related decisions. Influence depends on the power of the stakeholder. It can be seen in the way individuals, groups and organizations are able to persuade or coerce others into making decisions and do certain things that they did not want to otherwise do.

The ability to influence depends on the sources of power. Ability to influence comes from behavioral such as commitment, ability to communicate, etc., as well as physical root such as organization, knowledge about the project, money, muscle, networking, access to rulers.

The power can be felt when it is demonstrated or exercised. Just being rich or wealthy, for example, is not enough to influence the decision. Therefore, the power to influence should be seen in the behavior of the stakeholder. Other things remaining the same, the higher the commitment of a stakeholder the greater is its power to influence.

The ability of a stakeholder to influence keeps changing. The very introduction of the project into an area can increase the power of a stakeholder to influence the project. For example, once a developer makes some investment in the project area, then other stakeholders can use this investment as hostage. Since the ability to influence a decision is a relative thing, it keeps changing with time and context.

Assessing the ability to influence is a complex task and involves interpreting all the major factors that have to do with stakeholder's power.

Variables affecting stakeholders relative power is summarized in Table 6-2.

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Table 6-1

**Example of Stakeholder Table**  
**Using Upper Bhothe Koshi Hydropower Project as Illustration**  
(The values are assigned and for illustration purposes only They are not real )

Stakeholders	Interests	Potential Impact on the Interest	Current Perception	Source of Influence	Relative Priority
<b>Primary</b>					
▶ Local people at Daskilo diversion area and Jhirpu	▶ Peace and freedom ▶ Traditional way of life ▶ Clean air and water	(-) (-) (-)	(+)? ? ?	▶ Local root and organization ▶ Political parties ▶ EPR	1
▶ The users of the river	▶ Control over the resource ▶ Benefit from fishing and entertainment	(-) ( )	(-) (-)	▶ User right ▶ Proximity citizen groups	2
▶ Potential users of electricity	▶ Uninterrupted electricity supply ▶ Cheap electricity supply	(+) (+)	(+)/(-) (+)/(-)	▶ Money and buying capacity	3
▶ DDC Sindhupalchok	▶ Revenue during construction and operation ▶ Local employment	(+) (+)	? ?	▶ Legal ownership of the stone and sand	3
▶ VDC, Jhirpu	▶ Local benefits	(+)	?	▶ Political organization	2
<b>Secondary</b>					
▶ Himat International Power Corporation ▶ Harza Engineering Company International	▶ Profit from selling power to the NEA ▶ Expeditious implementation of decisions ▶ Construction on time ▶ Good relationship with the local people	(+) (+) (+) (+)	(+)  (+)	▶ Legal contract with EDC ▶ Money ▶ International networking	2
▶ Ministry of Water Resources ▶ EDC	▶ Meet power demand of the nation ▶ Avoid liability ▶ Avoid negative impact on the people ▶ Attract other developers	(+) (+) (+) (+)	(+) (+) (+)	▶ Legal mandate to reject or approve development proposal	1
▶ Ministry of Forest ▶ Ministry of Agriculture/Dept of Fisheries	▶ Protect forest ▶ Increase fish production	( ) (+)/(-)	( ) (+)/(-)	▶ Legal mandate to protect forest ▶ Expertise in fisheries	2 2
▶ Ministry of Population and Environment ▶ Ministry of Home Affairs	▶ Enforce environmental protection law ▶ Law and order	( ) ( )	? ?	▶ Legal right to reject or approve EIA ▶ Legal authority	2 2
▶ Environmental NGOs	▶ Protect forest wildlife environment	( )	( )	▶ Moral authority organization and international network	3

**Notes**

- ▶ The location is very close to the northern border of Nepal with Tibet region of the PRC Presence of expatriates in the area so close to the border might not be acceptable to the Chinese government
- ▶ The area is very sensitive to the distributive access to the benefits Since different political parties function in the area they might view the project as a source for consolidating their base through favors done to their followers  
Since truly private investment in the power development sector is new in Nepal people might take it as any other public project and expect similar treatment in terms of investment in their development

**Table 6-2**

**Variables Affecting Stakeholders Relative Power**

Formal Organizations (Govt.) (Secondary stakeholders)	Investors/Developers	Community and Informal Interest groups and primary stakeholders
<b>Organizational Factors</b>		
<ul style="list-style-type: none"> <li>▸ Legal mandate (EPR Dept of Forest)</li> <li>▸ Hierarchy (EDC vs Ministry of Finance)</li> <li>▸ Control over budget (MOF)</li> <li>▸ Possession of information and knowledge (Dept of Fisheries)</li> <li>▸ Control over strategic resource necessary for the project (DDC controlling the Sand and stone)</li> </ul>	<ul style="list-style-type: none"> <li>▸ Money</li> <li>▸ Network</li> <li>▸ Contractual document</li> </ul>	<ul style="list-style-type: none"> <li>▸ Social political and Economic status</li> <li>▸ Leadership</li> <li>▸ Degree of organization</li> <li>▸ Unity within the community</li> <li>▸ Degree of control over the strategic resources</li> <li>▸ Ability to form alliance and networking with other stakeholders</li> </ul>
<b>Behavioral Factors</b>		
<ul style="list-style-type: none"> <li>▸ Commitment</li> <li>▸ Ability to enforce</li> <li>▸ Ability to articulate the laws</li> <li>▸ Alternatives to not cooperating with the project</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ability to negotiate</li> <li>▸ Ability to articulate the law</li> <li>▸ Commitment</li> <li>▸ Alternatives</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ability to negotiate</li> <li>▸ Ability to exercise right</li> <li>▸ Options</li> <li>▸ Commitment</li> <li>▸ Alternatives—degree of dependence</li> </ul>

### 6 2 5 Assessing Importance of Stakeholder to Project Success

Project's goals and objectives determine importance of the stakeholder to a project. Stakeholders whose interests are directly affected by the project are also the most important ones for the project.

The importance of the stakeholder is independent of the power of the stakeholder. Even a weak villager who does not have any influence but whose interests in the project is likely to affect is an important stakeholder as far as the project is concerned.

Checklist for assessing importance of stakeholder to a project

- What is the problem that the project is trying to solve?
- Who is affected by the problem?
- Which stakeholder interests converge most closely with policy and project objectives?
- Who does the project put as priority on meeting their needs?
- Whose interests converge most closely with policy and project objectives?

### 6 2 6 Identification of the Position

Positions are the side a stakeholder takes vis a vis the project. Positions are governed by the interests, perception and value system that a stakeholder carries. Stakeholders change positions when convinced with new information, or when their interests are met. Positions taken by a stakeholder solely on the basis of its value system is difficult to be changed. Values are strongly held personal beliefs, moral and

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ethical principles, basic legal rights, and idealized world or one's world views Values are about what one cares about

Positions of a stakeholder should be indicated as against, for, or undecided

### **6 3 Strategic Statement Regarding the Risk and Assumptions for the Project**

Once the interests, power source, importance, and position of a stakeholder are assessed then assumptions about possible changes in these factors and consequent effect on stakeholder's behavior and on the project success should be made This exercise should be done for every key stakeholder The findings from these exercises should be used to determine the strategy for project's decision making

The following checklist should be used to assess the risks

- ▶ What are the key assumptions regarding the behavior of each stakeholder?
- ▶ Are these assumptions regarding the behavior realistic?
- ▶ What is the possibility of change in the current position?
- ▶ To what extent the position is likely to lead to conflicts between project and the stakeholder?
- ▶ What can affect the change in favor of the project?

### **6 4 Guidance for Stakeholder Participation**

The strategic statement following stakeholder analysis should make suggestions for involving the key stakeholders in the project planning process It should mention

- ▶ Who should participate?
- ▶ What is the reason for its participation?
- ▶ How should the stakeholder participate (inform, consult, partnership, joint problem solving)?
- ▶ At what stage of project cycle should the stakeholder be included (identification, planning, implementation, monitoring and evaluation, auditing)?
- ▶ In what ways should the stakeholder be involved in the project's decision making (public meetings, private consultation)?
- ▶ What does each stakeholder need to participate effectively (material support, awareness program, transportation, privacy)?
- ▶ Who should facilitate the participation (outside mediator, local committee)?

## 7 Sequencing Stakeholders Analysis with Environmental Study

EIA tries to assess the impact of a project on biological, physical and human spheres, and stakeholder analysis tries to assess the behavior of the humans that affect the project. Since, human behavior is often guided by the physical gain or loss, the findings in the two spheres also helps to change the position of the humans.

One of the main objectives of stakeholder analysis is to ensure voice of legitimate stakeholders in the project related decision making and then try to address the concerns for the stakeholder's satisfaction. It should be carried out as a part of the EIA study.

The stakeholder analysis should not be exempted on the basis of the size of the project as is the EIA for projects over 5 MW. The issues for even a small size project developed by a private profit making parties will generate issues of similar nature, with a difference that the bigger size projects will more numerous and national, and international stakeholders. At the community level the stakeholders are the same. For example, a small project in rural area might not interest a national or international NGO or business houses whereas a bigger one will do and therefore, there might not be any stakeholder meetings in the national or district capital.

In rural Nepal where the impacts of development projects have been realized only recently, it is not easy for the potentially affected stakeholder to visualize the impact of a hydropower project in the predevelopment stage. New stakeholders and interests can emerge as the project implementation progresses. The process of stakeholder involvement should be accommodating the new. At the same it should look fair and try to strike a balance between rigidity and flexibility. Discretion, therefore, should be used to meet the contextual need.

Information collection is the first step for stakeholder analysis. This should begin as early as project formulation. Ideally, information about the local stakeholders should be collected at the project screening stage and should continue throughout the EIA preparation and project design. The information should be updated during construction, EIA monitoring and evaluation and auditing phase.

The Initial Stakeholder Information (ISI) should give a good understanding of the social dynamics of the project area. It should include number of major stakeholders, their position, value system and list the issues of their concern so that a realistic assessment of the situation can be made.

The presentation of the situation should be such that it provides background for detailed study if necessary and the issues that need deeper understanding. The EIA Terms of Reference should also include a section with Stakeholder Analysis, indicating necessary expertise to conduct the study.

### 7.1 Project Screening for Stakeholder Issues

This exercise helps to assess the concerns of major stakeholders on selected projects. By allowing the stakeholders to express their concerns at the screening stage, decision-maker can anticipate the possible disputes of choosing one project vs the other. Stakeholders are asked by a facilitator to rank the project according to the set criteria. To be effective the process should

- ▶ Consult with major stakeholders and inform them about the project and its components
- ▶ Set up screening criteria
- ▶ Screen the project based on an agreed upon criteria

For this exercise stakeholders should be invited to meetings where the objective and methodology of ranking the issues should be well explained. Then a valuation sheet should be provided asking the stakeholders to assign points to each issue in order of their importance. The values assigned by each stakeholder should then be collected and summed up for each project. The total points a project obtains also determines its rank in relation to other projects.

Since the concerns of the stakeholders at the local level, district level and central level are different, the process of conducting the screening exercise should be different. This exercise ideally suits the stakeholders at the Central and District levels. More simplified way in the form of game play can be used to assess the alternative sites of project. The first step in the exercise is to collect main issues and condense them into a small numbers of indicators.

This exercise should be designed and conducted by an experienced facilitator or moderator. One of the effective ways is to give actual money to the participants and then ask them how much would they pay to protect their interest.

The main issues in the ranking exercise are who to involve, how often and who should bear the cost of such involvement. The initial assessment of stakeholders should be used to answer these questions.

Theoretically, all the stakeholders who show interest for participation in the process should be given opportunity. Since it is not possible to involve each and every one, they should be grouped by some common factors and their direct or indirect participating in the meetings should be ensured. The cost of exercise should be borne by the developer.

The main objective of stakeholder analysis is to anticipate potential conflict. These meetings should be carried out at all the three levels (national, district and local) as many times necessary to assess the position of the major stakeholders about the projects and alternatives of a particular project. Discretion should be used after reviewing the merit of the issues and the position of each major stakeholder.

## **7.2 Stakeholders Assessment Activities**

The Stakeholder Assessment process should be carried out simultaneously with the EIA process. It should constitute a separate part in the EIA where the main concerns of the stakeholders are listed. It should provide a baseline information for understanding the social dynamics of the affected and concerned stakeholders (similar to the baseline information for EIA).

This stage of consultation should allow stakeholders to choose the representatives who will be participating in the discussion at various stages of project preparation. The methodology of participation should also determine the language and mode of communication between the stakeholders at the community level, and the project proponents and the concerned agency.

At this stage a specialist moderator or facilitator should be asked to handle the meetings. He/she should ensure that the views are balanced and representative to the reality. The terminology and concepts might have to be agreed upon. For example the stakeholders might want to use other terms instead of "compensation"

## **7 3 EIA Preparation Phase**

### **7 3 1 Assess the Nature of Impact on Each Stakeholder Group**

The Seriously Project Affected Family (SPAFA) and Project Affected Family (PAFA) are useful categories but the measure used to divide (such as for PAF the loss of house and/or more than 50% of the income source) used by most EIAs is useful only to a certain extent

### **7 3 2 Assess the Significance of Impact on Each Group**

This significance can be assessed through interviews and observation. The stakeholders should be assessed with proxy indicators as what value do they assign to such impact. They should be allowed to assign relative value to the various types of impacts on them. The assessment should be from the perspective of the stakeholder. For example, the loss of certain wild species might be of great significance for a scientist, but the local user might not attach same value to such loss. The statement should show the value attached by the stakeholder and not by the informed assessor

### **7 3 3 Assess Stakeholders' Source of Bargaining Leverage (Power)**

Groups that are under financed, disorganized and illiterate, disadvantaged, and historically suppressed groups which, in the case rural Nepal, is a rule than exception, are unlikely to be their effective advocates. They need support to articulate their interests in the meetings. In order to ensure fairness, the weak parties should be given adequate opportunity and strength to raise their voice

### **7 3 4 Assess the Affinity Among the Stakeholder Groups**

- Categorize the stakeholders into groups
- Review history of each group
- Assess possible alliance between and among the stakeholders
- Identify the issues of possible conflict among the stakeholder groups

## **7 4 Compensation Fixation Process**

The current legal provision for compensation committee which includes HMG/N appointee, representative of licensee, expert appointed by HMG/N, representative of Village Development Committee (VDC), representative of Land Revenues Office, Real Estate owner affected by the project functions satisfactorily for generation projects but it runs into problem when applied to the distribution projects. How to involve the numerous people who might have their property affected through out the length of the transmission line is the main challenge for the enforcing agency

The committee often finds it difficult to stick to its initial decision. It tends to change the price of property when more powerful groups put political pressures. This however, creates further contention and works as unfair thing for those who do not bargain hard. The main challenge is to ensure the process fair and equitable.

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