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**M A N U A L** on

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# **Situation Analysis**

In the

## **Policy Development Process**



Republic of Macedonia  
Government of the Republic of Macedonia  
General Secretariat



Agency for  
Public Management  
and eGovernment



Center for  
Research and  
Policy  
Making

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Skopje, November 2008

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## *Foreword*

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Since its independence, the Republic of Macedonia is going through an intensive process of legal and institutional reforms. Integral reforms are being implemented in the areas of economic politics and increasing investments through improving the business climate, in healthcare, in social policy, and other areas. All these challenges, in particular the adaptation of the legal system of Macedonia with that of the European Union (as one of the basic principles for the integration of our country in the EU) have a significant influence on the legislative process and the quality of the adopted policies.

The Republic of Macedonia exerts serious efforts to reform the system for planning and preparing the policies by: adopting the new Procedural Code of the Parliament of the Republic of Macedonia, implementing the mechanism for assessment of the regulative impact, as well as strengthening the functions of planning and coordination in the General Secretariat of the Government.

In January 2007, the General Secretariat of the Government of Republic of Macedonia, within the NORMAK project (Norwegian Assistance to the Republic of Macedonia in the field of European Integration and Public Administration Reform) published a Policy Development handbook, which represents a useful guide for the preparation of quality proposals. Based on relevant information and completed analysis, it gives directions and advice to the public servants for their actions in the specific phases in the policy making process. It draws upon the positive experiences of policy making in the member countries of the EU, the current regulations, and established practice in the Republic of Macedonia.

The affirmation of clear goals of the policy, through Situation Analysis and stakeholder consultation is of integral importance for improving the quality and stimulating coherent decision-making in the Government; at the same time it is also a key condition for the European integration of the country.

The Manual on Situation Analysis in the Policy Development Process is prepared on the basis of the research conducted by the Center for Research and Policy Making in the period June-July 2008 in several public institutions<sup>1</sup> and represents a part of our efforts for the advancement of the law-making process and the quality of the legislation in the Republic of Macedonia.

GENERAL SECRETARY  
*Stojan Todorov*

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## *Acronyms*

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LFS	Labor Force Survey
ILO	International Labor Organization
MLSP	Ministry of Labor and Social Policy
EU	European Union
RIA	Regulatory Impact Assessment
EBRD	European Bank for Reconstruction and Development
CSO	Civil Society Organization
IGO	International Governmental Organization
INGO	International Non-Governmental Organization
WWF	World Wildlife Fund
NGO	Non-Governmental Organization
IMF	International Monetary Fund
WB	World Bank
IBRD	International Bank for Reconstruction and Development
GDP	Gross Domestic Product
SSO	State Statistical Office
OECD	Organization for Economic Co-operation and Development
DIFI	Agency for Public Management and e-Government (Norway)

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## Definitions

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**Public Policy** – “Process of adoption of activities or not undertaking any activities by the Government, the Parliament or by the municipality at local level in order to resolve a specific problem or a range of inter-related problems as well as methods to define directions for implementation of the identified goals.”<sup>2</sup>

**Policy making** – “The process of policy making is a process in which a decision is brought about what should be achieved with the policy, what should be done in order to achieve this, how to do this in an efficient and economic way, who should do it, etc.”<sup>3</sup>

**Policy analysis** – “An analytical approach to solving complex societal problems”<sup>4</sup>.

### Policy Making Instruments :

- Regulation Instruments (laws and other provisions);
- Materials (analysis, reports, reviews and information) which give an overview of the policy for the realization of regulation instruments;
- Financial Instruments (subventions, taxes, tax exemptions and reductions, revenues and compensations, budget expenses); and
- Informative Instruments (issuing informative materials, brochures, advertisements, propaganda and other kinds of materials, using the mass communication and web pages)<sup>5</sup>.

**Quantitative vs. qualitative data** - *Qualitative data* are in a narrative descriptive form and are useful for explaining reasons or collecting opinions. *Quantitative data* are numerical and can be statistically analyzed over time, in series or with basic arithmetic tools using tables.

**Stakeholder analysis** - “A stakeholder analysis is a method of identifying the interests and influence of the various groups affected, modifying the policy to meet the group’s needs (if possible), and planning strategies of how to engage or placate the various groups”<sup>6</sup>.



## CHAPTER 1

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# **Public Policy and Policy Making**

## ***Public Policy***

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There are various definitions of public policy and, despite the fact that all of them differ from each other, there is a common agreement in respect to a single key aspect – *“policies are the result of government decision, but the decision of the government not to take any measure could be regarded as public policy as well as the decision to do something about it”*.<sup>7</sup>

Therefore, the most frequently used definition of public policy worldwide is the one suggested by Thomas Dye<sup>8</sup>, who defines that public policy is everything that the *“government decides to do or not to do”*. This definition explains the role of the Government as the major actor who is in charge of creating public policies, pointing out the fact that anything that other actors do or the decisions they carry out during the course of policy-making is simply not a public policy.

The activities that they undertake certainly affect government decisions; however, they do not create public policy. Secondly, Dye points out the fundamental right of the Government to choose to take any measure or to choose not to do so.

The concept of not taking any measure is to a certain degree more difficult to comprehend, but particularly it is the decision to maintain the status quo which brings forth a state of continuous neglect of the identified problems.

Unlike Dye<sup>9</sup>, who understands public policy as a matter of choice, the Methodology for policy analysis and coordination defines public policy as a *“process of adoption of activities or not undertaking any activities by the Government, the Parliament or by the municipality at local level in order to resolve a specific problem or a range of inter-related problems as well as methods to define directions for implementation of the identified goals”*.

This definition incorporates the before-mentioned definition and moreover adds a novel aspect which implies the existence of inter-related problems. It suggests that each problem is complex and could be resolved through mutual cooperation among various actors, each one of them having the power to decide in their area of competence. The definition also emphasizes the multilayered nature of governance in Macedonia and differentiates the executive from the legislative authority.

Each of these definitions points out that studying public policy in one area (for e.g. health, education, economy, municipal development etc.) is not simple because it can not be performed only through a review of the official decisions of the government in that area expressed by (laws, by-laws, decisions, regulations and other regulation). Although these documents represent important and relevant sources of

information for the public policy in a certain area, still public policy is also expressed through the will of the government to implement their decisions (the choice made or not made expressed through laws and other documents) in concrete historical, socio-economic and political circumstances.

Thus, public policy can not be perceived in a limited manner, i.e. as a law regulating a certain area. Rather it represents a sum of all relevant components: laws and by-laws (i.e. created on the basis of a thorough analysis of the possibilities and gains of each legal decision); a network of institutions implementing the decisions (with a certain capacity and professionalism); procedures being/not being implemented; as well as a line of factors influencing the policy implementation (such as the interests of the policy's end users [the citizens or groups of citizens], the legal and political culture, the level of development of different environments/communities, the mentality, tradition, rules of the game etc.).

## *Policy making and Policy Analysis in Macedonia*

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The formulation of public policy is an ongoing process. In Macedonia and in other new market economies, due to the fact that we must resolve multiple systematic problems simultaneously, governments tend to transfer policies that proved to be successful in the neighboring countries or are part of the EU approximation agenda. The consideration of the best practices, the so-called lessons learned resulting from the experiences of other countries, is certainly beneficial. However, they must not be accepted automatically because they proved to be successful in other countries. Instead of being the main argument justifying the appropriateness of the proposed policy measure, the comparison among selected countries should complement the whole research process.

To change this predicament, the Government of Macedonia puts serious efforts in standardization and advancement of the policy development processes. Sector for Policy Analysis and Coordination of the General Secretariat of the Government is the body leading these changes. Supported by financial and technical assistance from the Norwegian and British Governments, this department has defined the key tools for policy analysis and policymaking in Macedonia:

- The key act of the Government regulating the system for planning and creating policies is the Book of Rules of the Government of the Republic of Macedonia<sup>10</sup>; it sets the ground rules for the strategic planning processes, policy analysis and coordination.
- The methodology for strategic planning and preparing the annual work program of the Government<sup>11</sup> defines the process for determining the strategic

priorities of the Government. This methodology aims to provide a planned implementation of the policies by utilizing the appropriate resources (time, money, people, space, and equipment), with the aim of accomplishing the strategic priorities set out in the party's election programme, and formulated in specific policies and initiatives in the Government's four-year program.

- The Methodology for Policy Analysis and Coordination<sup>12</sup> determines the key principles of policymaking and the steps in each phase of policy implementation.
- The Methodology for Regulatory Impact Assessment<sup>13</sup> (hereinafter: RIA) on the other hand, regulates the procedures and phases of RIA to be undertaken by all policymaking actors.
- The Policy Development Handbook offers practical guidance and advice in the relevant steps of the policy making process.

This manual is also part of these efforts to reform policymaking practices in Macedonia.

To identify the tools that need to be specifically addressed in this manual, CRPM has conducted interviews and gathered data on the process of policy analysis and policy development in several public institutions in the course of June and July 2008.

The research allowed for evidence to be presented in a separate policy brief on the deficiencies of the policymaking process in Macedonia. As the aim is to make policymaking more grounded in reality, to reflect the real needs of people, society and businesses, and to respond to real problems, the Macedonian Government isolated the technique of Situation Analysis as the main tool for evidence based policy making. Therefore Chapter 2 of this manual focuses on the Situation Analysis, guiding policy-makers step by step on conducting such studies in the sectors where they work.

In the Annex we provide detailed guidance on stakeholder analysis and various systematic evidence gathering methods for policy analysis. Stakeholder analysis and systematic evidence gathering play a crucial role in situation analysis; they provide for the policy-makers and the policy-making process to be appropriately informed, to be grounded in evidence and to be directed towards the creation of public value.

## CHAPTER 2

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# **Situation Analysis**

Designing an appropriate solution to a policy problem requires the policy maker to know the current status of the policy, the policy framework, the local, national and global circumstances, as well as the influencing factors in the relevant policy area. In short – policy makers need **to know the policy context**. A Situation Analysis is a process that will help you and your working group, create a common understanding of the context in which you create or implement policies. Through the tools of Situation Analysis policy-makers get a broader and comprehensive picture of the situation that will help them provide directions for policy change and also design better evidence based policy solutions.

A Situation Analysis as a policy making tool involves an analysis of the key factors affecting your targets including: direct threats, indirect threats, opportunities, and enabling conditions. Each factor can typically be linked to one or more stakeholders. The Situation Analysis often involves linking factors working on local, national, and global levels. By applying the situation analysis, you are able to generate knowledge on the conditions at the local level, in addition to the economic and institutional changes made at national and international levels by government and the private sector that affect those local conditions. At a local level, Situation Analysis explores such issues as livelihood needs and concerns of local people and institutions. At a national or international level Situation Analysis analyzes the relationship of local issues with such major drivers as: national debt, trade policies, government or private investments, and poverty reduction strategies.

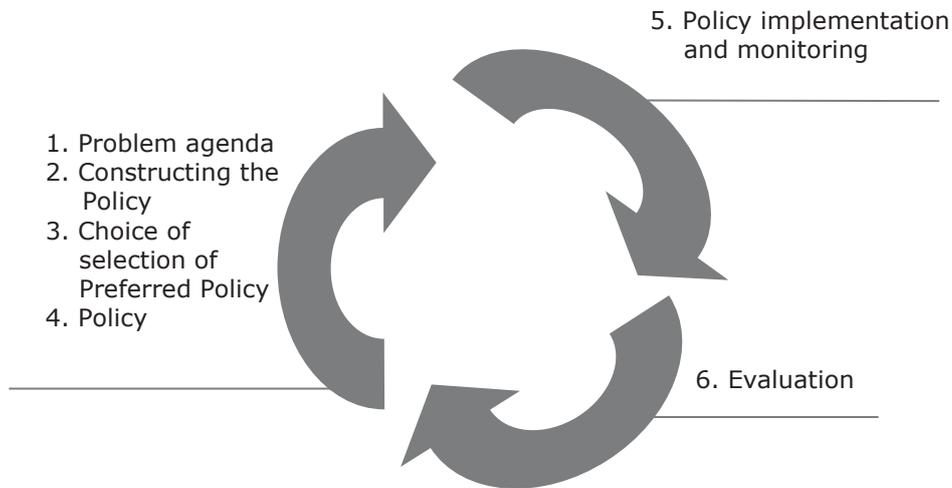
Without a clear understanding of what is happening in your policy area, it is nearly impossible to develop goals, objectives and activities that make sense and have an impact on the factors, conditions and situation in your policy area. In addition, often policy working groups at various governmental institutions *think* they have a shared understanding of the context in their policy area and the main threats and opportunities. During the formal process of documenting underlying assumptions about the policy's context; policy teams often find they have somewhat different perceptions of the same situation. For example, ecologists focused on the ecological aspects of the new Skopje bypass, whereas the Government, Macedonian Roads and EBRD (as directly involved stakeholders in this project that is part of the national development policy) focused on the socioeconomic impact of bypass on the local and national levels. A Situation Analysis helps all working group members to come to a common understanding of the policy's context, its critical threats, underlying factors (indirect threats and opportunities), trade-offs, and incentives. These are key elements to be considered during policy planning.

A Situational Analysis will normally include:

1. An analysis of the legal framework, administrative procedures and other policy documents; and
2. An assessment of how the policy framework is reflected in reality.

Those who are already familiar with the policy cycle<sup>14</sup> can easily locate in which of the policy cycle stages the Situation Analysis most appropriate to be used as a tool. Hence, we can note that the Situation Analysis could be used in order to get acquainted with the conditions in a certain area or with the nature of the problem, and also as a monitoring and evaluation tool for analysis of ongoing policies.

*Picture 1  
Policy cycle*



In a Situational Analysis four main questions are to be addressed:

1. What is the problem?
2. Why is it important to address the issue?
3. Who is affected by the identified problem?
4. What has been done so far and what can be done in the future?

The following table illustrates the necessary steps to be taken when doing situation analysis.

*Table 1: Situation Analysis in steps*

Step 1	Clarify the problem
Step 2	Conduct background research on the problem
Step 3	Define relevant stakeholders affected by the issue
Step 4	Analyze the gathered data
Step 5	Compile a report on the issue

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# Step 1

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## **Clarify the problem**

Before you conduct Situation Analysis you must first clarify the problem. For this you will need all background information about the policy in the given area as well as information that is not related to the policy area directly, but nevertheless may have an impact on the problem or policy. To better understand the abundance of information you will uncover (even though most of it will be in the area out of your specialization) you will still have to cooperate with other experts from the civil service and outside of the government.

If you are just starting your Situation Analysis, conduct a quick information search in preparation for a working group meeting. Relevant background information may include: maps, research reports and government plans relevant to the project, and an examination of relevant national policies and political processes.

Assemble your working group. Plan to spend at least a few hours together – ideally an entire day. The working group can be limited to internal staff, but ideally will include external experts who can expand the base of information to include areas that are not areas of expertise of the participating staff, but are still relevant to the policy issue.

The aim of this meeting is for you to build a common understanding of the problem as well as its context and the effects it has on: society, economy, culture, and overall development. In clarifying the problem you should also jointly discuss your envisaged goal. If the policy problem is complex, your aim may be to design policy interventions that will impede the factors that create and sustain it.

### Example 1

#### **Policy problem: Unemployment**

*Unemployment is the biggest structural problem in Macedonia. It has impact on the economic development of the country, as well as the well being and quality of life of its citizens (especially considering that public services and benefit schemes are provided primarily from tax revenue, including wage taxes). There are also various factors that induce it. These factors are cross-sectoral: in economy they are - grey economy, poor access to finances, limited investment flows; in finance they are - high wage taxes, high taxes in general; in education there are - low skilled labor; in the labor policy area there are - low activity rates, inflexible labor market. However these factors vary from one country to another and therefore it is important to gather data on all indicators relevant to unemployment in Macedonia.*

*Various policy interventions can be designed in order to impede each of these factors, as fighting unemployment requires a complex policy reform in several policy areas: economy (cutting red tape for doing business, providing better access to finance and stimulating investments); finance (decreasing tax levels, decreasing wage taxes); labor (introducing flexibility on the labor market, providing active measures for employment); education (increasing educational level of the citizens, providing training for redundant workers, life-long learning).*

*To choose which policy intervention to apply in your policy area you must set the goals you want to achieve. In this respect you must be realistic and modest (ex. increasing the educational level of citizens for 10% in 5 years time).*

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Your working group is advised to brainstorm strengths and opportunities as well as threats and weaknesses (SWOT-analysis) of the current policy addressing the clarified problem.

In this stage you should identify the factors which influence the problem. For each factor, you may also want to list the relevant actor/stakeholder who is responsible for the factor and/or the motivation for their action. In this process, try not to get stuck too long on any one factor – if there are uncertainties, you can just note them for further inquiry.

At the meeting you will not be able to analyze in detail all these factors. For most of them you will need to initiate background research which will help you to better understand the problem and to find feasible solutions. Therefore, at the end of the meeting, ensure that one or two persons are assigned to each threat and associated factors; they should write a short text describing how it represents a threat.

This process is highly iterative and you should discuss with your group your confidence level in the different portions of your analysis and which stakeholders or other experts might need to be further consulted. External expertise might be highly valuable in depicting the real situation and needs of citizens, businesses or other target groups.

The main activities of this phase are:

- Establish working-group;
- Analysis of threats and opportunities;
- Description of the problem and the goals you want to achieve by finding solution of the policy problem.

## Step 2

### **Consider further background research on the problem**

Based on the analysis conducted in the previous step, you and your working group are ready to further examine the nature of the policy problem. You will address the questions of identifying the factors that cause the problem and the ways that they affect the stakeholders. To accomplish this goal, you must first get familiar with the topic. Therefore, you should gather all the relevant (mostly quantitative) data<sup>15</sup> on the specifics of the target group, statistics on the issue, analyze monitoring data, etc. Similarly, you can review the public discourse on the issue and see how much media attention the issue has received in the past. Then, determine the prevailing opinion amongst the general public. A further step would be to examine the positions of the various groups affected by the issue, as there are always at least two or three social groups interested in the ultimate policy formulation who are equally engaged to influence it.

All this information is very important and can be gathered through desk top review of reports, data bases, and other secondary sources of information. Even though such information is usually not sufficient to conduct a full-fledged situation analysis, it is an important starting point for further data gathering through field research. By conducting primary desktop research you will become familiar with the topic, get a better idea of what to expect and how to respond to specific reactions from different groups.

## Example 2

### Policy problem: Unemployment

The basic facts policy-makers should gather when analyzing this policy problem are: the number of participants in the labor force in Macedonia; their education level and age (See Table 4); activity, inactivity, employment and unemployment rates (See Table 2).

From Table 2 below the policy-maker can observe that the labor force participation in Macedonia in the last several years has been strikingly low, with only 58% to 62% of the working-age population being economically active. The employment rate is very low and at times almost equal to the unemployment rate (according to ILO standards). The size of informal employment has not been officially determined, but is estimated to comprise 30% of the unemployed people<sup>16</sup> and to account for about 35% of GDP in 2004.<sup>17</sup>

Participation among the working age population in Macedonia is low, and Table 3 shows that it is mainly due to very low female participation. Further analysis of the labor force survey data indicates that lower female participation rates are mainly driven by very low levels of participation of young rural unskilled women. In particular, the labor force participation of women from rural areas was 39% in 2006.<sup>18</sup>

Table 2: Labor market indicators, adult population aged 15-64, 2004-2007<sup>19</sup>

Rates (%)	2004	2005	2006	2007
Activity rate	58.8	60.7	62.2	62.7
Inactivity rate	41.2	39.3	37.8	37.3
Employment rate	36.8	37.9	39.6	40.7
Unemployment rate according to ILO	37.4	37.6	36.3	35.1
Long term unemployment	85	86	86	82

Source: SSO and Employment Agency

The inactivity rate in Macedonian is relatively high and encompasses about 37.3% of the working-age population (aged 15-64). Even though it has been reduced slightly during the past four years, it is still well above the EU average (30.2%-for 2004).<sup>20</sup>

*Table 3. Inactivity rates in Macedonia according to age and gender (2006)*

	Total	Men	Women
Inactive persons (15-64)	537214	180110	357103
Rate	37.8	25.0	50.8
<b>Age</b>			
15-24	209209	96938	112271
rate (% age group)	61.1	58.0	70.7
25-34	72412	16086	56325
rate (% age group)	23.4	10.2	37.2
35-44	58771	9096	49675
rate (% age group)	19.8	6.0	34.0
45-54	71467	15454	56012
rate (% age group)	25.2	7.0	40.0
55-64	125355	42536	82819
rate (% age group)	61.2	43.2	77.7

Source: SSO, LFS, 2006

*The share of prime-age population (aged 25-54) in the total inactive population in Macedonia is 22.8% and incorporates 7.7% of the prime-age men and 37% of the prime-age women. As elsewhere in the world, the inactivity as a phenomenon is most present among women and in the population aged 15-24 and 55-64.*

*Table 4. Inactivity rates in Macedonia according to educational attainment and gender; population 15 years and older (2006)*

Level of education	Total	Male	Female
No education or incomplete primary	177702	46189	131513
Rate	75.7	59.0	84.1
Primary education	311839	102014	209826
Rate	57.7	40.1	73.5
Secondary education	207954	99850	108104
Rate	30.6	25.7	37.2
Higher or University education	29307	16639	12668
Rate	17.7	18.9	16.3

Source: SSO, LFS, 2006

*The non-participation rates decrease as the level of education increases. However, an interesting gender-related trend can be noticed from Table 4. Namely, the female non-participation rate is higher than the male rate in every group. The only exception is women with higher education or university education. This indicates that the relatively higher economic activity rate among women can be seen as a primarily education dependent phenomenon. It is higher than the male rate in each group, except in women with higher or university education, indicating that the economic inactivity among women should be primarily seen as an education dependent phenomenon.*

*The evidence presented above leads to several key findings regarding the problem of unemployment in Macedonia:*

- *Long-term unemployment is a severe problem*
  - *The inactivity of women is high*
  - *Unemployment is mainly dependent on the low levels of education*
- 

While conducting primary research you should be able to identify the research questions on which you were not able to obtain responses, and which are crucial for a better understanding the policy problem. For these questions/issues you should conduct further research to collect data and evidence. This can be done in a number of ways: informal conversations with colleagues, experts, beneficiaries; official statistics, sectoral data bases and reports; policy briefs and studies published by international organizations, think-tanks, academia, consultants; information from the media and other sources. The data may reflect the number of people affected by the problem, results of the implementation of policy interventions and the changes that might occur over time.

To effectively conduct research and gather new data and evidence, you should plan it well before going in the field. You must identify data sources and assign working group members who will contact these data sources and obtain qualitative and/or quantitative data for the needs of the situation analysis. You will need to allocate time and resources for each of the research tasks. A good action plan is a key practical tool which aids you in monitoring the progress of the research work of your working group. The table 5 illustrates how to develop an action plan for your working group.

To obtain the full benefits of data analysis requires investing sufficient time and effort. Also you will have to get to know the whole policy framework, including the indirect factors and potential solutions of the policy problem. To help you in this process we have prepared a list of questions you can use while working on this stage of the situation analysis.

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The research can be performed by your working group by using the research tools and methodologies discussed in Annex 1 of this manual. If you have a budget for it, you may also consider using external researchers or consultants to conduct a special study.

Table 5: Action plan for research work

Activity	Description of the activity – what actions	Why do you need this data	When you will do it (start date)	By when do you expect to be done (end date)	Calculated costs for external expertise
Research activity 1					
Research activity 2					
Research activity 3					

**Box 1: Sample Questions to Identify Indirect Threats and Opportunities**

These questions can be used to guide the identification and description of indirect threats and opportunities that are important for the Situation Analysis of your policy problem. The questions can be used during the initial working group meeting or during the analysis. Not all questions will be relevant to the situation you are exploring, and there may be other questions not listed here that are relevant to your analysis.

**Demographic Change**

- What patterns of demographic change are occurring in Macedonia?
- Is population growth associated with changing production patterns?
- Is population growth altering resource tenure patterns?
- What social, political, and economic changes are being driven by demographic change?
- Does demographic change affects your policy problem and if so in which way?

### Inequality and Poverty

- What are the features of the local economy and the key environmental issues affecting the welfare and livelihoods of local groups and individuals?
- What are the principal dynamics of local poverty, and what are the main drivers of these dynamics?
- Is poverty preventing desired investments in your policy area?
- Is expansion of commercial production displacing populations?
- Are the policies in your policy area pro-poor policies and how gender-aware are they?
- Are policies creating further inequality?

### Public Policies, Markets and Politics

- What are the principal institutions and social relations at the sub-national, national, and international levels that influence local development dynamics?
- How do national institutional arrangements create conditions and opportunities whereby the local poor can improve their livelihoods and manage their surrounding environment?
- Who has the power to shape policies and markets?
- Who is benefiting from policies and markets?
- Whose access to "cheap" resources is favored?

### Macroeconomic Policies and Structures

- What are the main economic and development policies that currently influence the development options and opportunities of local actors, and how are those policies transmitted to the local level?
- Have economic policy changes altered resource use patterns?
- What is the relation of production patterns to national and international demand and investment?
- What are the positions of small- and large-scale producers in the market?

### Social Change and Development Biases

- Does government policy favor expansion of certain industries?
- Do rural people see alternatives to economic development?

- What is happening to traditional social and cultural mechanisms for regulating economy, trade and the environment? Has social change promoted the breakdown of consumption patterns?
  - What social or cultural pressures are contributing to changing patterns of development, consumption and service delivery?
  - What social or cultural changes are promoting acceptance of these new patterns?
- 

The outputs of this phase of the Situation Analysis usually are:

- Background report
- List of issues to be further researched
- Draft questionnaire for field research
- Plan for the field research
- Conducting field research and gathering evidence

### Example 3

#### Background report of policy factor: inactivity of low-skilled women

*Traditional values act by preventing women to work or allowing them to exercise only certain professions. They also instigate an array of other constraints. For example, the family restricts women from continuing their education after primary school because the community does not expect them to need additional education for being housewives. In turn, the women who have completed only primary education (or less) usually do not want to or can not take part in the work force, as many professions are off limits to them and the available ones are not very attractive. Also, many appear to be overburdened with domestic responsibilities and since they still perceive the task of being a good housewife as very important, they do not even consider the possibility of pursuing formal employment. These factors are interrelated in a vicious circle which is difficult to be break.*

*Obtaining further education appears to be the most 'controllable' factor (i.e. easier to influence). In this regard, the new governmental policy of making secondary education compulsory (to be implemented from September 2008) may improve the educational levels of the new generations and increase their possibilities for participation in the labor force. However, the main challenge is to encourage girls/women to actually complete the secondary school and empower them to seek employment.*

*Also, there should be special programs which would provide adult education (primary and secondary) free of charge – or with symbolic contributions - to individuals who have not completed their formal schooling. This would also need to be a carefully designed programme which would be proactive (the institutions seeking out and motivating the participants) and with specific targets for yearly quotas of new graduates.*

*Also, training on developing job searching skills would be very useful for all. Many appear to be unable to 'sell' themselves in the current labor market, despite having sufficient professional skills. As a result of the constant rejections by employers, they feel victimized by the institutional policies. Hence, gaining certain self-presentation skills may prove to be effective for increasing in their self-confidence and increasing the possibility of finding a job.<sup>21</sup>*

## Step 3

### **Define relevant stakeholders affected by the issue**

Based on the background report, you should define the relevant stakeholders. The identification of relevant stakeholders is important as Macedonian policy-making is consultative. The Methodology for Policy Analysis and Coordination encompasses the process of consultations and puts an emphasis on inter-ministerial consultations. However, you should consider opening up the policy-making process further to the other state actors (local self government units, independent agencies, funds and etc.) and also to non-state actors (NGOs, businesses, international communities, local groups, expert groups and etc.). The task of identifying stakeholders who should take part during the course of the consultations is an important step in situation analysis.

The aim of this step is to understand the impact stakeholders may have on the policy problem and possibly also on the various policy solutions. Therefore, stakeholder analysis is an essential part of policy analysis, critical to problem definition and choosing the best policy option for adoption and implementation.

In theory the stakeholder analysis can be: (i) an ongoing participatory process involving all interested parties in the issue, a problem or a policy solution; or (ii) an assessment undertaken by a single party – an analyst, a planner, and/or a policy

advisor in a ministry, a local self-government unit, an independent agency, or a public utility company.

A stakeholder analysis as a participatory strategy is designed to solicit ideas and feedback from various stakeholders. It is conducted with the belief that the participants will help to design better policy and that their participation will contribute to successful implementation. Interactions with the main stakeholder groups are planned to take place throughout the project's design and implementation phases. In many systems these are called consultations with stakeholders. The consultations are usually organized by the lead agency (the policy making authority) which should invite all stakeholders (policy makers, implementing agencies, monitoring bodies, direct and indirect beneficiaries and interested citizens) to participate and discuss the solutions at these events. Although final decision-making on the discussed solutions and responsibility for the decisions remain with the lead agency; this type of participation strategy requires a commitment to a certain level of openness and in the policy making process.

The second mode of stakeholder analysis is individual assessment undertaken by a policy analyst. In this case, the analyst interviews all relevant groups by using an open ended questionnaire directed to gather data on the stakeholders' interest and their influence on the policy problem and the policy solution. How you will interview the stakeholders depends on their availability as well as their readiness to speak in an open forum or behind close doors. For those with no problem in talking in front of other peers, you should consider organizing focus groups; for the rest face-to-face interviews would be appropriate. When looking for other data that could be obtained by on-site visits, consider going on a field trip or organizing meetings with community members. These methods are useful when you want to gain an in-depth knowledge on the issue that you could not get otherwise.

Stakeholder analysis means identification and analysis of the influence and importance of various stakeholders on the policy problem and eventually the policy solution. Influence refers to the power that stakeholders have over a certain policy. Some stakeholders have direct policymaking power (agencies, ministries, local self-government units, commissions in the general secretariat, the Government, the Parliament, the President, the Constitutional Court and etc.). Other stakeholders lack this formal authority but may have access to policy makers (IGOs, NGOs, the business community) or opinion leaders (academics, celebrities, public intellectuals) who shape public opinion and thus influence policy decisions or policy outcomes. Importance relates to the degree to which achievement of policy objectives depends on active involvement of certain stakeholders.

Who is important for policy adoption or who is important for successful policy implementation? For example, employees in the Agency for Employment cannot

decide on the adoption of any active new employment generating policy measures but can hamper or sabotage some of the implementation if they do not understand the objectives of such measures or do not support them. So these actors do not have influence on the design of the policy, but are important for its successful implementation. Other important players are the key beneficiaries of the policy measures. For example, the implementation of the active employment policy measure which targets first-time employment of young people aged 27 is contingent on these beneficiaries actively applying for this program. When staff, community groups, businesses or individual citizens have the ability to affect the policy or its outcomes, policy makers need to develop strategies for involving them in the policy making process and informing them about the policy and its benefits.

To analyze the influence and the importance of the stakeholders, policy makers should prioritize the stakeholder list depending on their level of influence on the policy and their importance to the policy's implementation. The following table (Table 6) helps map the key stakeholders' influence and importance; it also informs the last two steps in the stakeholders' analysis.

*Table 6: Mapping Key Stakeholders Influence and Importance*

Influence of Stakeholder	Importance of Stakeholder					
	Unknown	Little importance	Some importance	Moderate importance	Much importance	Critical stakeholder
Unknown						
Little \ influence						
Some influence						
Moderate influence						
Significant influence						
Very \ influential						

The benefit gained from this stage is three-fold. Firstly, the policy analyst is able to get a glimpse of the standpoints of the various groups in respect to current policies. Secondly, the policy analyst or policy maker is able to pre-test the possible reactions, and accordingly adjust the proposed solutions. Thirdly, the analyst can benefit from the suggestions received as they can inspire the policy maker to formulate a policy that would best fit with the diverse interests and finally tackle the problem.

The immediate output of this phase is:

- Stakeholder analysis report (details about stakeholder analysis are presented in Annex 2 of this manual)

#### **Example 4**

##### **Stakeholder analysis: The family patriarch and women advocacy groups**

*As expected, the traditional role of a dominant patriarch is still prevalent within many Muslim, but also with in rural Christian communities. While this influence is strongest in the Albanian community, it is also represented in the Roma, Turkish and Macedonian communities. These values are held rather strongly by some men and most of the women do not appear to vocally object to these norms and accept them as a composite part of their culture.*

*Implementing educational activities and promoting active employment measures in the male-dominated cultures will be difficult. The family patriarch has a key influence in many areas (who in the family is going to be educated further, who is going to work and which professions are 'suitable' for women), and active involvement of the patriarch is necessary in order for such programs to yield results. However, considering the fact that there is a will among many women in these communities (especially younger ones) to further their education and to enhance their skills, they could act as mediators for reaching out to the low educated women from traditional families. This would be a challenge since their social circles are rather limited. However, some female NGOs appear to have the capacities to get in touch with some of these women and work with them on changing the traditional outlook on female education and employment (both in the individual and the family circle). More importantly, women appear to trust these organizations and rely on them when it comes to delivering trainings aimed at upgrading their skills. These skills can afterwards be utilized to earn money while not having to leave their homes (for e.g. by selling the hand-made products they make at home). Moreover, a systemic solution for this problem could be achieved through making connections between the women with specific skills (which are not officially recognized) and the businesses in need of these skills. Here, certain NGOs can act as a 'link' between both parties by identifying the women and the skills they possess and communicating and matching them with the businesses' needs.<sup>22</sup>*

## Step 4

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### **Analyze the gathered data – produce an analysis identifying the gaps**

This stage is essential because it is the precursor to the final step when you are required to summarize the most important findings. Based on your assumption about what is essential and what is less important you sketch out the main contours of the final report of your situation analysis.

This final analysis consists of an in-depth analysis of the problem, the factors that influence the making of the problem, as well as the direct threats to the possible solutions of the problem. This should be done in the given policy context, the framework made of laws, bylaws and the institutional set-up that helps implementation of such policies. Furthermore you should be able to generate findings on the level of accomplishment of these policies. With your report you will be able to inform your Minister, the Government and other policy-makers on the gaps during the implementation phases and the management practices. It also sheds light on the inability of the current policy to address the needs of the citizens, interest groups, and /or businesses. The analysis that identifies existing gaps is frequently referred to as Gap Analysis. Certainly, this is essential so that you can identify what are the deficiencies of the present policy as well as deficiencies in the systems in use for implementing the measures. Moreover, policy-makers should be informed whether

the policy responds fully to the needs of the target groups; it could be the case that it would cater to the interests of a single group, while neglecting others.

There may be cases when the specific area was not regulated before you start with the situation analysis. Consequently, there is no policy in place to be researched and analyzed. In such cases you should undertake the same steps of researching the various factors influencing the problem or the policy area. It is also smart to refer to examples from other countries regulating the same policy area. Usually, comparisons with countries having similar size, population, socio-economic development are considered as appropriate. In the case of Macedonia these are the Baltic States: Estonia, Latvia, Lithuania; and the ex-Yugoslav countries Slovenia and Croatia; but analysts also use Bulgaria as one of the peer countries.

The EU *acquis communautaire* is a source of information that is often used when producing a report that identifies the gaps. The Macedonian legislation is compared with EU legislation and the policy analysts are able to determine: if approximation is needed or not; how the new policy area should be regulated if such legislation did not exist before; and what are the best practices, or the ones that the European Commission recommends to be adopted by candidate countries as Macedonia. The EU is continuously assessing Macedonia's progress in the approximation process and makes this a condition for EU membership. In this way the EU is stimulating the aspiring countries to rethink existing policies and sometimes adopt ready-made policy options in order to achieve cohesion in development. This makes Macedonia a policy-taker. However, when Macedonia becomes EU member state its national preferences will be important in implementing EU rules. Through this 'preference shaping' Macedonia proves its membership capacity, a capacity of policy-maker rather than a policy-taker. Therefore the policy-making in Macedonia, as a candidate country for EU membership with an ambitious agenda for approximation of EU legislation, should be based on evidence that reveal the preferences of the country and in this manner demonstrate its policy making capacity. All EU rules can be adjusted to the specific circumstances of every aspiring country and therefore knowing the situation in your policy area, the needs and interests of the people, beneficiaries and the national economy should be your absolute priority as policy makers. The EU law can be adapted to this situation. In this respect the Situation Analysis becomes your primary tool to justify the "preference shaping" actions undertaken in the process of Macedonia's EU integration.

To summarize, the final analysis provides policy-makers with a comprehensive understanding by answering a numerous questions: where you stand on a specific issue, what is good and what is not good about the existing policies, what is preventing the solution to the problem, what is the risk of not taking any measure, how status-quo affects people, and finally what can be done to resolve it. The last part contains several recommendations to be further considered by policy-makers,

in order to enable them to arrive at the best possible decision. The recommendations should be limited at identifying policy options that will be further analyzed from a regulatory impact aspect.

This stage should have the following outputs:

Final report containing:

1. Background report on the policy problem and direct and indirect threats
2. Gap analysis report
3. Stakeholder analysis report
4. Recommendations

### **Example 5**

#### **Part of a Gap analysis of current policies**

*The Ministry of Labor and Social Policy recently promoted several active employment measures. Monitoring data presented in the table below show the target groups, the budget spent and the success of the implementation directed towards the solving of the above - analyzed problem of unemployment.*

*Table 7: Active employment measures implementation in 2007*

Type of active employment measures	Targeted number	Number of participants	Budget planned in MKD	Budget spent for the measure in MKD
Public works in the Local Self Government Units	1000	965	18.000.000	19,835.415,00
Subsides for self-employment	500	815	73.300.000	84.506.490,00
Subsides for first employment of young people (max. age 27)	?	600	?	?
Employment measures in public works for the rural unemployed	432	418	19.900.000	20.180.974

*Situation Analysis  
in the Policy Development Process*

Subsides for employment of single parents, handicapped and orphans	800	339	8.960.000	3.796.800
Training in business planning and advise for unemployed or redundant workers	3000	3866	50.000.000	52.097.796

*Source: Ministry of Labor and Social Policy based on the data base of the Agency for Employment*

*From the monitoring data presented in Table 7 one can note that the two active employment measures in support of opening own businesses have been most popular (e.g. Subsides for self-employment and Training and advice for unemployed or redundant workers). The measures promoting employment of vulnerable groups – rural people, single parents (in Macedonian society usually mothers), handicapped and orphans – are not successfully implemented. By comparing the planned budget with that executed, one can also notice that the Government overspent at almost all active employment measures implementation except for the Subsides for employment of single parents, handicapped and orphans. Only the least popular measure vaguely targeted low skilled women and none directly affected this target group. Further more none of the measures target long-term unemployed, one of the most needy target groups.*

*This gap analysis illustrates the ineffectiveness of public policy in responding to the neediest groups: the low skilled women and long term unemployed. It also supposes that public policy in this sector is not made on basis of evidence presented in Box 1, 2, 3 and 4.*

# Step 5

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## **Disseminate the report**

It is important to inform not only policy-makers about the present conditions, but also other relevant stakeholders. You should first draft a list of all the stakeholders that you have interviewed, both the respective policy-makers and other actors that you think might exercise influence on the final outcome of the policy formulation. This may include: the media, renowned academics, CSO's, business associations, IGO's, and INGO's. The list can be up-dated in accordance with the scope of the issue and the extent to which it affects the population. Nevertheless, the three main sectors are almost inevitable government structures, private sector and civil society sector. As understood by modern standards, governance encompasses much more than the government or the ministries, even though that final decision making ultimately does rest with government structures.



## **Annexes**

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Annexes

## **Annex 1**

### *Methodologies and Data collection and Analysis*

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Collecting data can be time consuming and costly; therefore, you should aim at gathering only data that is relevant for your policy analysis. Overabundance of data can be distracting and can lead to the situation of it being ignored by the policy makers because it does not: provide concrete answers, tell a coherent story, reveal trends or identify important factors influencing the policy problem under question.

To help you collect the right type and amount of data, we have isolated several steps of data collection.

#### **Step 1**

##### *Identify existing data sources*

Evidence is available now! The State Statistical Office, the State Health Institute, the Cadastre, data management systems in education, the police and the courts keep information that is useful for policy analysis in many policy areas. Before designing the gathering of original data, first identify existing data sources. Other useful data can be found in: the administrative records on the people you

employ, the number of beneficiaries you deliver public services to, the number and scope of services provided, the resources that are consumed, and the results you have achieved. This data is crucial especially when you do costing or pricing of the public services or if you want to see how efficient you are in implementing certain policy.

Also do not overlook the evidence available on internet. The internet age has brought a revolution in the availability of information and knowledge. Most, though not all, government departments in Macedonia have desktop access to the internet and some departments and even municipalities, though not all, have access to social science and political science databases such as EBSCO. However, not all of the information available *via* the internet is of equal value or quality. Many sites provide ‘evidence’ that is either scientifically or politically biased, or both. The uncertain scientific and political basis of much of the information and knowledge on the internet makes it difficult to be certain that the information obtained provides sound, valid and reliable evidence. Therefore, it is all the more important for government analysts and the wider academic community to ensure that such information is critically appraised and scientifically verified before it is used as evidence for policy making purposes.

## Step 2

### *Identify Additional Data Needs and Their Sources*

The next step is to identify the necessary data that is not part of your current research materials and that needs to be gathered in this phase of the data collection process. Collecting new data is a complicated and sometimes expensive task. So you must choose the most important data you pertaining to the research questions identified in the situation analysis.

The following Table will help you organize the identified data needs / *Table 8*

Data	Source	To be generated through research

### Step 3

#### Determine Methods for Gathering New Data

The nature of the research question(s) will determine the data collection method. Specifically the research question or questions will determine the most appropriate methodology. There are two major types of data: qualitative and quantitative. *Qualitative data* is in a narrative descriptive form and is useful for explaining reasons or collecting opinions. *Quantitative data* is numerical and can be statistically analyzed over time, or in series or with basic arithmetic tools using tables.

The box below outlines the basic strengths and weaknesses of both methods. In most cases the two methods are used together, as no policy problem can be solved only by generating statistical or narrative evidence. Combining different methods of data collection is also good to:

- Save money
- Improve geographical scope
- Overcome sample frame bias
- Improve data quality, such as response rates or item non-response
- Speed up data collection
- Overcome resource problems.

Table 9: Strengths and weaknesses of qualitative and quantitative methods of research

	Qualitative	Quantitative
Strengths	Flexible	Produces statistical data
	Enables exploration of the meaning of concepts, events	Where random probability samples are used, survey estimates can be defined within specified bounds of precision
	Produces valid data as issues explored in sufficient depth to provide clear understanding	Can measure the extent, prevalence, size and strength of observed characteristics, differences, relationships and associations

	Enables study of motivations and patterns of association between factors	Can determine the importance of factors in influencing outcomes
	Provides a detailed understanding of how individuals interact with their environment, cope with change etc.	Uses standardized procedures and questioning, enabling reproducibility of results
Limitations		Can be costly, particularly if population density is sparse or 'hard to reach'
	Need to be able to anticipate factors associated with issues to be studied, to design 'good' sampling strategy	A sampling frame may not be available
	Interviewing methods rely on respondents being able to articulate their needs reasonably well	Structured interview hinders detailed exploration of reasons underpinning decisions or views
	Analysis of data to generate findings is not always transparent or replicable	Standardized questionnaire design and administration means that there is little flexibility to be able to deal with respondents' misunderstanding the question (or its intention), leading to problems of validity
	Generalize-ability of findings can be an issue	Requires key concepts to be clearly defined and translated into meaningful survey questions. 'Fuzzy' concepts are difficult to measure

## Step 4

### *Data collection instruments*<sup>23</sup>

The choice of data collection instrument will be influenced by: the nature of the research questions, the type of information required, the level of detail re-

quired, the level of accuracy of data required, the characteristics of the target population, time and money.

There is a range of different types of data collection methods that can be employed in collecting quantitative survey data. These are outlined in Table 10 below.

*Table 10: Types of data collection methods*

Interviewer-administered methods	Self-completion methods
Face-to-face	Postal
Telephone	Web/email

In broad terms there are three sets of factors that will influence the decision over the appropriate data collection method:

- Survey administration and resource issues
- Questionnaire issues
- Data quality issues

The difference between face-to-face, telephone and postal surveys, in terms of these factors, are outlined in Table 11 below.

*Table 11: Summary of the strengths and weaknesses of different modes of data collection\**

Design parameter	Face-to-face	Telephone	Postal
Cost of data collection	Usually most expensive method	Usually around 50-70% of face-to-face cost for same interview	Relatively cheap (questionnaires need to be kept short and simple)
Amount and type of resources required	Specialized field-worker skills and field-force management resources needed	Specialized interviewer skills and management resources needed	For samples under 1,000 normal office resources suffice
Timetable considerations	May require several months unless respondents are easily accessible or 'captive'	Usually the fastest mode of data collection, but depends on respondent availability	With response reminders, may require several months

Operational control	Best for control of field sampling and data collection	Good for interviewer supervision, but respondent tolerance may be limited	Few means of controlling how questionnaires are completed
Amount/complexity of data to be collected	Best/mandatory for long and complicated questionnaires	Limitations on length and data collection complexity compared with face-to-face	Weaker for groups with poor literacy or motivation, but can be good for experts
Likely quality of the data	Best for complex topics and issues. Computer assistance improves quality. May incur interviewer effects	Good for simple factual and attitudinal questions. Computer assistance improves quality. Interviewer effects less likely	Worst for missing data, routing errors, misunderstandings
Statistical efficiency	To reduce fieldwork costs less efficient clustered samples needed for national surveys	Does not require clustered samples, but may have sampling problems	Does not require clustered samples
Expected response rate	Usually gets highest rate	Likely to be 10-40% lower than face to face	Usually lowest rate. Can be well below 50% for less literate/motivated

\* Based on Lynn & Thomas, 2003.

There are a number of different types of survey instrument, including:

- Structured questionnaires
- Diaries
- Measurements (e.g. height, weight)
- Tests (e.g. reading, memory)
- Observations (e.g. quality of house conditions).

**Questionnaires** collect information by means of pre-scripted questions. The questionnaire can be either administered by an interviewer or completed by the respondent. In the case of the former, the question order is predetermined.

Questionnaires can collect factual, behavioral and attitudinal information as well as measuring respondents' knowledge, although the latter can only be reliably collected if an interviewer administers the questionnaire or the respondent completes it in a controlled environment.

**Diaries** allow information to be collected prospectively, during the event/action. They are a form of self-completion questionnaire, with respondents recording details of their behavior over a specified time period. In this way it is hoped that details of respondents' usual behavior are captured. Diaries can capture much more detailed information about behavior than is often possible in a questionnaire and can be used alongside structured questionnaires.

**Measurements** can be taken to collect factual information, such as respondents' height, weight, blood pressure, blood iron levels etc. As with diaries, these measurements can be collected in conjunction with information obtained from a questionnaire (and diary). Protocols need to be developed to ensure these are taken in a standardized way. Ethical approval may be required.

**Tests** can be administered, as part of the survey interview process, to measure respondents' ability to perform certain tasks, such as reading or walking. Such tests are often standard assessment tools developed for a particular setting, such as a clinical or educational assessment in a hospital or school. As with the collection of measurements, protocols will need to be developed that ensure the tests are administered in a consistent way and that they can be administered (reliably) in a survey interview situation.

**Observations** can be made of factual information, such as the condition of the respondent's accommodation. Observers need to be carefully trained to record information in a consistent way. Observational data can be collected alongside other types of information, in order to provide a more detailed picture of the respondents' circumstances.

## Step 5

### *Data interpretation*

Disaggregating the data by groups (usually according to the factors identified as influential to the policy problem like: gender, rural urban, with or without

children, married or single, income levels and etc.) helps you to distinguish groups or compare groups. Breaking out data also helps: in pinpointing problems; in identifying outcomes that could be presented as “best practices”; and in assessing equity. Once the data is compiled you must determine possible trend, by presenting the data over time. Comparing the current data with a baseline or other referent reference points is also highly useful. These are the benchmarks that are most often used in policy analysis:

- Previous performance
- Pre-selected targets
- Comparison with other states (with similar size, economic performance and number of inhabitants)
- Performance of similar programs
- Different service delivery practices

## Step 6

### *Data presentation*

In policy analysis you use the data in order to make an issue or a policy problem better understood in your policy network, in the Government, among citizens. Also, as demonstrated in the many examples in this manual, data is crucial when you want to generate arguments for policy change or when you evaluate the performance of a current policy. To use the data effectively you need the skills to generate only the data relevant to your policy idea, to know how to interpret data and finally to effectively present such data to your policy community, the Prime-Minister or simply to citizens.

There are several presentation formats commonly used when doing policy analysis:

- Changes over time
- Actual outcomes versus targets
- Comparisons among different municipalities or states
- Demographic characteristics
- Graphs
- Bar charts
- Pie charts
- Maps

## Annex 2

### *Stakeholder Analysis*

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When the City of Skopje decided to improve the quality of taxi services by setting standards for the color of the vehicles, the lights, the criteria for obtaining license and the way of billing customers; the taxi drivers took to the streets, fearing that their business will suffer as the new regulations incur bigger investments in their cars: painting, installing new boards, new meters and new cash registers. The city council adopted the new legislation without much consultation with the relevant representative bodies of the taxi drivers, such as the Group of Taxi Drivers of Skopje - member of the Regional Chamber of Commerce of the City of Skopje. As a result, for several days the traffic in the capital city of Macedonia was blocked by the cars of the taxi drivers. In an effort to unblock the city, the Mayor met with the drivers and decided to prolong the enforcement of the Decision for the taxi service in Skopje.<sup>24</sup>

The Mayor's administration developed the policy for unifying the taxi service in the capital city. The project for introducing this new policy was well designed in terms of its objectives and plans for introducing a uniform look for all taxi vehicles in Skopje and did encompass the interests of the Macedonian citizens.<sup>25</sup> However, it failed to adequately take into account the stakeholders' interests and influence.

The damage the new regulation could have caused to the existing well established

taxi companies could certainly have been predicted. These companies would have lost a significant deal of money in investing in every single vehicle<sup>26</sup> - standardizing its looks, as well as increasing quality of service provided. How to better plan for dealing with such instances of direct opposition?

*“A stakeholder analysis is a method of identifying the interests and influence of the various groups affected, modifying the policy to meet the group’s needs (if possible), and planning strategies of how to engage or placate the various groups”.*<sup>27</sup> If a stakeholder analysis has been completed for the standardization of the taxi service in the city of Skopje, its implementation may have been smoother. The taxi companies would have still felt threatened by the mentioned policy measures – a crucial part of the reform – but some of their arguments may have been taken away. The individual taxi drivers could have been informed of the initiative and easily enlisted for support<sup>28</sup>, rather than leaving them unaligned as potential opposition against the new policy.

This chapter explains how to conduct a stakeholder analysis. Understanding the impact on stakeholders is an essential part of policy analysis, and in turn also critical for defining the problem and for choosing the best policy option for adoption and implementation.

The basic steps of stakeholder analysis include:

Step 1	To identify key stakeholders
Step 2	To assess stakeholder interests and the potential impact of the policy on these interests
Step 3	To assess stakeholder influence and importance
Step 4	To outline a stakeholder information strategy/storytelling
Step 5	To outline a stakeholder participation strategy

## Step 1

### *Identify key stakeholders*

A stakeholder analysis is a critical part of policy analysis and is often used to help define a problem, project the acceptance of the policy solution and foresee possible opposition to the policy. Information generated through stakeholder analysis can be beneficial in the planning of policy implementation. Through such

analysis, the policy maker identifies who is affected by the problem or the policy solution. Further on, the policy maker needs to learn about the interests of individual stakeholders and correlate them with the proposed policy, which will help to group the stakeholders as supporters or opposition of the policy change. By identifying supporters or critics to the policy, policymakers can make better policy decisions and try to mitigate opposition.

Therefore the first group of questions the lead policy actor should ask when doing a stakeholder analysis are geared at: identifying the stakeholders, assessing whether they stand to gain or lose and evaluating how they will in return behave towards the adoption and implementation of the policy:

- ***Who are potential beneficiaries of the policy change?***
- ***Who will be affected (positively and negatively) by the policy change?***
- ***Who can influence the implementation of the policy?***

When answering the above questions you should think of the following: potential beneficiaries; former beneficiaries of previous policy; association (interest group) of beneficiaries; staff members implementing the program; vulnerable groups; politicians and other officials representing the interest of the party or the state; businesses and NGOs. The last question also help the policy makers identify stakeholders that might not have an interest and ideas in the policy planning phase but could act as strong partners or critics in the policy implementation phase. These are the politicians; the non-elected government officials (such as the civil servants or independent agency directors); international organizations; interest groups; NGOs; and citizens. Who among these categories supports or opposes the implementation of the policy?

Among the stakeholders you should be able to identify those who can influence the outcome of the policy. Government officials often hold the authority to approve new policies, to determine funding levels and to make other decisions (ex. recruiting staff, purchasing equipment, assigning premises etc.). The success of the policy decision you want to make is contingent on all above mentioned decisions made by government officials. Donor agencies, interest groups, business associations, NGOs, policy institutes and citizens may also have significant influence. For example, the International Monetary Fund (IMF) and the World Bank are able to influence and even alter national policies through conditionalities attached to the adjustment programs that offer direct budget support. NATO and the European Union also have their level of conditionality directed towards changing national policies and linked with the eventual membership of Macedonia in each of these organizations. Others, such as interest groups, business associations and NGOs (especially those with sectoral expertise) can boycott the policy implementation fully or partially as it was the case with the Skopje taxi drivers at the beginning of

this chapter.

The other questions that will help you gather information relevant to the identification of stakeholders are the following:

- ***What is the relationship among these actors?***
- ***Who needs to be involved in program implementation?***

The aim of these questions is to provide you with necessary data on the likelihood that these groups will work constructively together in the course of policy implementation or that they will have competing interests and hinder cooperation. The stakeholders involved in implementation are not always as powerful as those involved in policy planning and adoption because they do not have political or business influence. In policy implementation, the staff's preparedness and capacity (as well as their readiness to cooperate with other actors responsible for the day-to-day implementation) directly influences the success or failure of implementing the new policy.

Based on the information gathered using this questionnaire you will be able to identify the relevant stakeholders; however, as these stakeholders have different stakes in the process, they should be further prioritized:

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<b>A</b> Primary stakeholders	whose permission, approval or financial support you need to make the policy and who are directly affected by the policy and/or its implementation;
<b>B</b> Secondary stakeholders	who are indirectly affected by the policy and/or its implementation;
<b>C</b> Tertiary stakeholders	who are not involved or affected, but can influence opinions either for or against the policy or its implementation.

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## Step 2

### ***Assess stakeholder interests and the potential impact of the policy on these interests***

To know the interests of all relevant stakeholders is a difficult task. Only most involved policy makers who have regular consultations with their stakeholders are able to generate information on these interests. To help you in this task we have isolated four issues you need to research in order to learn about your stakeholders interest:

#### A Expectations

First of all, you need to know the stakeholders' expectations. The expectations vary based on the information available and on how the individual or group defines the problem. For example, deinstitutionalization of mental health facilities for the individuals working in these facilities creates a problem as they suffer job losses and the municipality loses tax revenues. A policy proposal for closing mental health facilities could therefore extend unemployment benefits of the displaced workers, but will probably do nothing to replace the lost jobs and only minimally restore the municipality's tax revenue.

#### B Benefits / costs

In the first step stakeholders are identified and classified according to whether they will be positively or negatively affected. The second step takes the analysis further by describing the specific ways stakeholders may gain or lose. For example, the municipality of Veles saved money by closing one of the primary schools and transferring pupils to the other schools. This policy decision caused higher costs for parents and lost of time as they had to transport their children to more remote schools, further away from their homes. To refer back to the taxi example from the beginning of this chapter, the city's administration setting standards improved the quality of the taxi service of Skopje for the end consumer; however, but the private taxi companies were clearly at a loss (at least in the short run) as they had to make investments in their cars.

#### C Resources

Stakeholders can bring a variety of resources to be used in all phases of the policy making cycle: from policy formulation, implementation, to policy evaluation. The

stakeholders can apply their resources either in support or opposition of a particular policy and therefore they should be taken very seriously (especially during the policy formulation and implementation stages of the policy cycle). Some of the available resources include:

*Government*

- Personnel with expertise in implementing similar policies
- Information management systems, data bases, office space and other equipment
- Ability to lobby internally
- Financial resources
- Ability to reach out to various stakeholders
- Ability to coordinate all planned tasks
- Access to media

*Local self-governments*

- Personnel, office space and other equipment
- Financial resources
- Ability to reach out to various stakeholders
- Ability to coordinate all planned tasks
- Access to media

*NGOs*

- Access to potential beneficiaries
- Ability to research and generate specific analysis
- Ability to deliver services
- Access to media
- Sometimes financial resources

*Private sector*

- Sometimes financial resources
- Ability to deliver services
- Political influence

*IGOs*

- Sometimes financial resources
- Technical assistance
- Policy advice
- Political influence

## **D** Conflict

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Some conflict among stakeholders may be inevitable. As a policy-maker, you should be able to identify or even predict potential areas of conflict and develop strategies how these issues can be mitigated through the policy proposal or activities planned to implement the policy.

The information related to these four issues can be generated through interviews with stakeholders and can provide basis for further analysis, as illustrated by Table 11:

*Table 12 : Identifying stakeholder interest*

Stakeholder	Interest in relation to policy	Effect of policy on interest

## Step 3

### ***Assess Stakeholder Influence and Importance***

To analyze the influence and importance of stakeholders, policy makers should prioritize the stakeholder list depending on the level of their influence on the policy and their importance to the policy's implementation. The following table (Table 13) helps map the influence and importance of key stakeholders and informs the last two steps in the stakeholders' analysis process.

*Table 13: Mapping the influence and importance of key stakeholders*

Influence of Stakeholder	Importance of Stakeholder					
	Un-known	Little importance	Some importance	Moderate importance	Much importance	Critical stakeholder
Unknown						
Little influence						
Some influence						
Moderate influence						
Significant influence						
Very influential						

The Table 14 below provides room for further cross-analysis of stakeholder interest, influence and importance.

*Table 14: Identifying stakeholders' interest, influence, importance*

Stakeholder	Interests at stake in relation to policy	Effect of policy on interest	Importance of stakeholder over policy success	Degree of influence of stakeholder over policy
+ positive - negative		U- unknown O – neutral N - negative	U – unknown 1 – little 2 – some 3 – moderate 4 – very 5 – critical	1 – little 2 – some 3 – moderate 4 – very

## Step 4

### **Outline a stakeholder information strategy /storytelling**

The stakeholders' level of knowledge related to the policy is often of interest to policymakers and managers. This level of knowledge can be presented as a general conclusion (especially the majority of stakeholders have similar levels) or the stakeholders can be divided by their level of knowledge (1, 2, or 3). The latter option is useful for targeting a communication strategy for a specific group of stakeholders, namely those with the lowest knowledge of the policy. These stakeholders would appear in Group 1 for knowledge level.

The information found in the knowledge data can be crossed with the influence/importance analysis from above to highlight the importance level of the stakeholders with a low knowledge level. This cross-analysis will result in an even smaller priority group for targeting communication strategies.

The knowledge data also can be cross-referenced with the position of the stakeholders to determine if those opposed to the policy have a consistently low level of knowledge. This would indicate to the policymaker or manager promoting this policy that communicating or advocating the objectives and basic tenets of the policy could reduce opposition.

A good analysis can help you to develop an information/communication strategy which will increase the outreach of your policy to as many potential beneficiaries and increase stakeholder support. To achieve this aim, you should generate data which will answer several questions: what is the level of policy relevant knowledge of each stakeholder group; how they get information; what is their attitude towards the policy you want to formulate and/or implement; what are the issues they value?

All these issues are important for deciding what to tell to whom and in which manner, in order to mobilize stakeholder support in the policy formulation or policy implementation phase. Public policy practice has found an easy and simple way of communicating with various stakeholders by using methods storytelling. Every public policy issue has a story. When we try to engage the public in policy solutions – to provide health care to more children, to take steps to address climate change, to support a new job training program for the unemployed – we are trying to tell a story about why our audiences should care and why a “public” answer is needed to these challenges.

Storytelling has numerous advantages over more traditional organizational communication techniques. First of all, it enables articulation of emotional aspects as well as factual content, and thus allows expression of tacit knowledge that might otherwise be difficult to share. Secondly, in providing the broader context in which knowledge arises, storytelling can increase the potential for meaningful knowledge sharing. By grounding facts in a narrative structure, learning is more likely to take place and to be disseminated further.<sup>29</sup>

When using stories for change, whether social or institutional, you should take care of the following key factors. The story:

- Needs to be simple and powerful;
- Should be in response to demand and timed with specific opportunities;
- Should provide a solution to both immediate and broader problems;
- Should be targeted at people with the power to make decisions and change things;
- Should play to what is already in people's minds.

## Step 5

### **Outline Stakeholder Participation Strategy**

Based on the stakeholder analysis the policy maker can identify elements to be added to the policy in order to ensure its smooth adoption and successful implementation. To generate greater support for the proposed policy the policy maker should also develop a stakeholder participation strategy.

Government administrations have various levels of openness towards other the involvement of other actors in policy making. The Macedonian government, with its policy-making procedures, established an opened framework of consultation processes in the problem identification and policy formulation stages of the policy cycle. However, implementation, monitoring and evaluation are stages of the policy cycle which need to be further advanced in terms of collaboration and even in specific cases empowerment of non-state actors in policy making.



*Table 15: Formulation of Stakeholder Participation Strategy*

Stage in the policy cycle	Information sharing (one-way-flow)	Consultation (two-way-flow)	Collaboration (increasing control over decision making)	Empowerment (transfer of control over decisions and resources)
Problem identification				
Identifying policy options				
Decision making				
Implementation and monitoring				
Evaluation				

The stakeholder participation strategy should generally align with the basic culture or decision-making process of the policy making authority or the implementing agency. However, if the problem or policy is likely to spark controversy, some organizations may need to alter their practices to respond to the needs and interests of key stakeholders.<sup>30</sup>

Therefore, the final step of the analysis is to consider the kinds of things that you could do to get stakeholder support and reduce opposition. Consider how you might approach each stakeholder. What kind of information will they need? How important is it to involve the stakeholder in the planning process? Are there other groups or individuals that might influence the stakeholder to support your initiative? Record your strategies for obtaining support or reducing obstacles to your project in the last column in the matrix.

Following are some general strategies or best practices of how to involve stakeholders.<sup>31</sup>

*Stakeholders of high influence and high importance* - should be closely involved during all stages in policy making. These are the main decision makers and they or their subordinates will likely lead the policy implementation.

*Stakeholders of high influence and low importance* – should be kept informed and their views acknowledged. These persons will generally not be involved with the actual planning and implementation – but should be consulted or informed of most major decisions.

*Stakeholders of low influence and high importance* – should not be overlooked. They should be engaged to make sure their needs are met and their participation is meaningful. Staff or clients can be provided with information and opportunities to offer feedback.

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## ***Recommended reading***

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## **Endnotes**

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5. As defined in the Methodology for policy analysis and coordination of the Government of Republic of Macedonia
6. Kristin Morse, Raymond J. Struyk "Policy Analysis for effective development: strengthening transition economies", Lynne Rienner Publishers, Inc. 2006 (p.37)
7. Michael Howlett and M. Ramesh "Policy science and political science", Studying Public Policy : Policy Cycles and Policy Subsystems (Oxford University Press 1995) p. 2-17
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11. Decision for Methodology for strategic planning and preparing the annual program for work of the Government adopted on the 50-th meeting of the Government held on 22.09.2003
12. Methodology for policy analysis and coordination, Official Gazette of the Republic of Macedonia, No. 52/06
13. Methodology for regulatory impact assessment, Official Gazette of the Republic of Macedonia, No. 37/2008
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15. See definition at the beginning of this manual
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