WORKING PAPER SERIES

Managing International Development Agencies (IDAs): The Significance of External Stakeholders

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MANAGING INTERNATIONAL DEVELOPMENT AGENCIES (IDAs): THE SIGNIFICANCE OF EXTERNAL STAKEHOLDERS

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Abstract

International development agencies (IDAs) operate in a context of diverse stakeholder interests. They need to consider the significance of each category of stakeholders to determine the interest and power to influence the operations of the IDA. Using interviews and mail questionnaires, fifty-six Australian-based IDAs were examined to determine the extent to which they perceive stakeholders as influencing their work. The research showed that two categories of stakeholders – donors and governments, were considered the most influential and powerful, hence the need to give priority to their expectations and needs. However, the "weaker" stakeholders – development clients and partner agencies, legitimise the existence of IDAs, hence their needs cannot be overlooked. The challenge for the IDA is in balancing the needs of its different categories of stakeholders as ignoring some could result in undermining its credibility.

1.   Introduction

Bryson (1999, p. 5) defines a stakeholder as 'any person, group or organisation that can place a claim on an organisation's attention, resources or output, or is affected by that output.' Fockel (1999) and Hudson (1999) identify the most important stakeholders for nonprofit organisations as the target beneficiaries, partner agencies, donors, government agencies, other nonprofits, board members and staff. This paper addresses the significance of external stakeholders only, and discusses how they influence the work of one type of nonprofit agency – the non-governmental international development agencies (IDAs). As such, discussions about the role of internal stakeholders—board members and staff, and discussions about other types of nonprofit agencies are beyond the scope of this paper.

2.   The Challenge of Managing the Stakeholders of IDAs

Fowler (1997, p. 173) elaborates on the list of external stakeholders of non-governmental IDAs by categorising them in three groups. There are those to whom an organisation has a formal or legal obligation, such as the legitimising population, funders, government and other IDAs. The second category is one that helps an IDA to be more effective, such as research and study centres, collaborators and technical bodies. The third category is the people, groups or centres who have an 'imperative interest', and wish to influence the IDA. They include opponents of the overseas aid system, those whose power base may be threatened by the IDA, and other anti-IDA groups.

These multiple categories pose a challenge for the IDA manager because of the wide range of interests and influences they represent. The interests vary from mutually complementing each other to being in complete conflict. Stakeholders therefore present potential problems for the IDA.

First, by definition, stakeholders have an *interest* in the IDA. As such any and all aspects of an agency's performance are likely to be viewed in terms of self-interest by each stakeholder. Organisational performance is not likely to be viewed impartially. As managers attempt to prioritise stakeholder expectations and needs, the resulting performance is likely to benefit some stakeholders more than others, giving rise to the satisfaction of some and the dissatisfaction of others (Bedeian & Zammuto 1991, p. 69; Fowler 1997, p. 174). Decisions over prioritising of stakeholders often manifest themselves in unhealthy internal organisational conflicts over allocation of resources (Braganza & Lambert 2000, p. 181). Prioritising of stakeholders is therefore a challenging task because it results in the dissatisfaction of some, and also in internal conflicts. The alternative is to attempt to satisfy the expectations of all stakeholders. The likely outcome of such an approach would be that scarce resources become over-stretched, resulting in all stakeholders being poorly satisfied (Braganza & Lambert 2000).

Second, stakeholder satisfaction is a necessary but insufficient condition for an organisation to survive and prosper. A closer focus on what an agency needs to survive may reveal an important strategic issue. For example, how can the agency secure the

resources necessary to continue pursuing its mission if it does not already receive those resources from its existing key stakeholders (Bryson 1995, p. 75)?

Accordingly, the IDA manager has the responsibility of classifying stakeholders according to some meaningful criteria in order to guide the amount of time and resources allocated to each (Perrot 1999).

Perrot (1999, p. 225) suggests the use of a two dimensional matrix showing both the *level of interest* and *level of power* of each stakeholder. The level of interest of a stakeholder group will indicate whether an organisation needs to consider strategies such as in-depth research and custom developed communications. The level of power of a stakeholder could be important in deciding priorities for action, amount of resources allocated to dealing with the stakeholder and the type of interactive strategy adopted [Emphasis in original]. Perrot's two-dimensional model is presented in Figure 1 below:
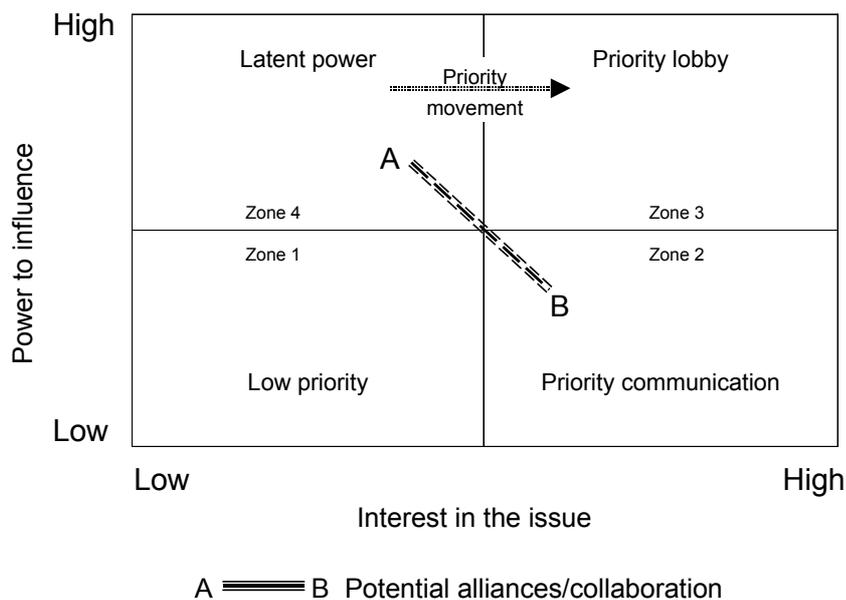
Source: Perrott 1999, p.226

Figure 1: Stakeholder action matrix

The general guidelines for action are that those stakeholders in the low priority zone (Zone 1) receive least attention because of their relatively low perceived power to influence either the organisation or an issue, and their low level of interest in the issue. Where stakeholders have a high interest but relatively low power of influence, the priority is for communication (Zone 2) to address their interests. Where both the interest

and power to influence are high (Zone 3) the stakeholders take priority for action. The combined high power and low interest (Zone 4) suggests that the stakeholders have the potential to become supporters or adversaries. They therefore ought to be handled with respect. In all zones, however, levels of interest and particular concerns need to be regularly monitored to detect changes over time and respond appropriately (Perrott 1999, pp. 226-227).

Perrott's model is useful for IDAs as they deal with their various stakeholders. According to the model, those who wield a lot of power and have a great interest such as the donors need to be given priority attention. As the nonprofit world has expanded so quickly and significantly, and competition for resources is rife, funders are having a wide range of causes to support and will only fund those who meet their accountability demands and interests (Hudson 1999). The opponents of the development assistance system (Zone 4 of the model) also need sufficient attention because their influence could hurt the existence of NGDOs (Fowler 1997).

Stakeholders are also important because they help to construct the 'bottom line' of the organisation. Fowler (1997, p. 173) defines the IDA bottom line as: '*the effective satisfaction of the rights and interests of legitimate stakeholders in keeping with its mission'* [Emphasis in original]. This, the organisation does by working with stakeholders to determine seven fundamental components that inform their work. These are identified by Hudson (1999, pp. 93-94) as:

- Philosophy (a system of values by which to live);
- Vision (a view of the desired future);
- Mission (fundamental purpose of the organisation);
- Objectives (what it wishes to achieve);
- Strategies (how resources will be applied to achieve objectives);
- Process (the value-adding activities that transform inputs into outputs);
- Performance management of all value-adding activities within the organisation management system (the feedback loop that informs the organisation of its achievements).

In addition, stakeholders determine the financial position of IDAs. For various stakeholders to continue supporting an organisation, they need to have sufficient reason to do so. In an environment of a set of complex political, economic and legal considerations, an organisation hoping to survive must take into account all stakeholders who either affect or are affected by the organisation's strategies (Perrot 1999, p. 225). However, Hudson (1999) and Perrot (1999) appreciate the fact that similar issues affect stakeholders differently. As such managers need to constantly assess stakeholder significance in the light of each issue, in order to guide the amount of time and resources allocated to them. Assessing stakeholder significance using some meaningful criteria also assists in better management of their needs and expectations.

Managing stakeholders is also important because they form the criteria that others are likely to use when judging IDA performance. The extent to which an organisation meets stakeholder requirements is used to determine effectiveness (Bedeian & Zammuto 1991; Fowler 1997; Mark & Manderson 1996). Research studies have shown that an assessment of the satisfaction of multiple stakeholder groups is an accurate reflection that an organisation is operating effectively (Tsui 1990). If an organisation is not meeting the expectations of several interest groups, it probably should not exist at all (Fombrun & Shanley 1990).

The role and significance of stakeholders in determining the IDA financial and operational bottom-line and their potential for influencing activities and outcomes, makes them particularly important to IDA work. To determine the extent to which stakeholder influence is occurring in practice, a study of Australian IDAs was conducted in 2000-01. The findings of the study are presented and discussed in the following section.

3.   *The Study of Australian IDAs*

The aim of the study was to assess the effect of the external stakeholders on the activities of IDAs. Using criteria determined by the IDAs themselves, they were examined on how they responded to three challenges – the *identification*, *prioritisation* and *satisfaction* of stakeholder expectations.

There are approximately one hundred non-governmental IDAs in Australia, all of which were targeted for the study.

3.1   Data collection

The study was conducted by gathering data from the IDAs in two steps. The first step was semi-structured telephone interviews. The aim of this step was to provide data to generate themes and categories for two purposes: to build on and enhance theory on the significance of stakeholders on IDA activities and to form a basis for developing a mail questionnaire. A sample of fifteen organisations was selected using proportionate stratified random sampling, where the strata were the six States and two Territories in Australia. Eleven agencies participated in the interviews (73 per cent response rate), with one senior staff member interviewed in each agency. The eleven interviews were labeled Interview A to Interview L, with the labeling representing the organisations.

Data were coded to generate categories, themes and patterns that were used to develop the questionnaire. The questionnaire was mailed to the eighty-nine agencies that had not participated in the interviews. Forty-five agencies responded (50 per cent response rate). The questionnaires were labeled 001 to 089, with these numbers representing the respondents.

3.2   The Findings

The external stakeholders not only had an interest in the agencies, but also a powerful influence on how the agencies were managed. Each category of stakeholders attempted to pursue its interests in the agency, and given that stakeholder interests were seldom the same, each aid agency had to prioritise them, while at the same time being accountable to all the stakeholders.

Stakeholder expectations were *identified* with regard to the forms of services they expected from aid agencies, and the level of effectiveness both in service delivery and management of the agencies. While appreciating the significance of each stakeholder and the importance of responding to the needs of each, aid agencies acknowledged the

difficulty in adequately addressing all the expectations identified and were faced with the challenge of prioritising them. *Prioritisation* was based on the influence of each stakeholder on the agency's operations. Based on the identification and prioritisation of stakeholder needs various strategies were formulated in an attempt to *satisfy* stakeholder expectations. Development agencies' responses to each of the five categories of external stakeholders – development clients, partner agencies, donors, governments and other non-governmental aid agencies – are discussed below.

3.2.1   Development Clients

Invariably, development clients were identified as the most important stakeholder, owing to the fact that their presence legitimises the existence of the aid agencies.

> We exist to serve the needs of development clients. We wish there was not such abject poverty in our world, and indeed our work aims to alleviate the poverty and injustices around the world. An ideal situation would be a world without poverty, in which case we would be without work, which I think would be a great thing. However, so long as poverty exists, our priority ought to be to take every opportunity to assist those we claim to serve, and to do so in a credible and effective manner. (National Director, Agency A).

> Without the development clients, the entire overseas aid sector would become redundant. Our agency would cease to exist. (*Progress Update 2000*, Agency E).

> We owe our existence and success to the clients we serve in developing countries. Without their numerous needs, our work would be of no consequence. Without them to encourage and reassure us, we may not have a reason to keep going. To see the impact of our work on their lives and their appreciation of our efforts makes our existence and work worthwhile. (Vice President, Agency C).

Indeed, the annual reports and progress update reports of agencies recorded numerous stories of success, hope and appreciation from development clients. These stories were also used as a justification in fundraising appeals. Hence, development clients were also important in providing rationale for raising the necessary financial resources.

The expectations of development clients were varied, but generally included the need for development agencies to respect and respond to their requests (90 per cent of survey respondents). For development clients, the implication was that they would have a voice in respect of the kinds of projects to be initiated, the location of those projects and the timing and duration of their implementation. This was important for both clients and aid agencies, and the policy implications for development agencies were clear. The support of local needs identified by and involving development clients was important, if for no other reason than the fact that projects were more likely to be sustainable.

While the IDAs considered that it was important to support development clients in their own projects, further discussions showed that the IDAs made the ultimate decision in what, where, when and how to deliver assistance. This was probably because in the light of a vast range of development clients and needs (certainly more than aid agencies could manage), the power of clients to influence the decisions of aid agencies was limited and the agencies could decidedly determine where to direct their assistance (Agencies A, E, J, K).

This contradiction in terms appeared to be common among IDAs – on the one hand development clients were considered the most important stakeholder, but on the other their needs were not necessarily given top priority as their ability to influence decision-making in aid agencies was limited, if at all existent.

> …it is an unfortunate truth … the development clients do not always take priority when it comes to meeting needs … (Programs Manager, Agency F).

Thus, regarding service delivery, development clients as stakeholders did not appear to have much influence, and their needs, though important, were not necessarily the top priority for aid agencies.

3.2.2 Partner Agencies

Partner agencies in developing countries represented the link between development clients and the IDA. This link was particularly important for IDAs that did not have

overseas offices and staff, and depended entirely on partner agencies for project implementation (Agencies C, D, F, G). Partner agency staff were also important in establishing relationships with development clients as they understood local languages, and had a better appreciation of the political, socio-cultural and economic concerns of development clients (Agencies A, B, J, K).

Additionally, credit was given to partner agencies for their role in identification and prioritisation of the needs of development clients, project design, training of development clients, monitoring, evaluation and impact assessment of projects, policy evaluation and contribution to project sustainability. By taking responsibility for projects and providing managerial and technical support to development clients, they contributed to ensuring the benefits of projects continued to flow to the community (Agencies A, B, E, K).

Consistent with their considered contributions, partner agencies expected that they would be granted increased autonomy in decision making in respect of most if not all aspects of projects, and that their contributions and feedback on the service delivery process would be respected. They also expected that IDAs would provide some assurance on the predictability and reliability of funding (Agencies A, B, C, F). Irrespective of the funding arrangements, they hoped to establish and maintain long-term partnerships with aid agencies (Agencies A, K).

Unfortunately, these expectations were not adequately addressed. This was probably because in spite of their acknowledged invaluable contribution, partner agencies were characterised as having poor managerial and governance skills, and a low capacity to make decisions regarding project implementation (Agencies B, C, F, G, K, L). They were hardly granted any autonomy in decision-making particularly in respect of funds utilization. Demands for timely reporting were sometimes too high to be adequately met by partner agencies, yet those who did not adequately meet them risked losing further financial support, as had been experienced by Agency F that had withdrawn funding for this reason. While some IDAs provided training to address some of these perceived inadequacies (such as agencies B, G and K), others provided little or no support to improve the managerial skills of their partners. Their claim was that it was not a policy

consideration for them or that they lacked the resources for capacity building (Agencies C, F and L).

It is not surprising therefore that the Program Manager of Agency F identified the existence of strained relationships with partner agencies.

> Relationships with our partner agencies have not always been smooth. Some have complained of our stringent reporting and accountability requirements. Others have complained of our short-term commitments to their work, and the fact that our financial contributions are sometimes insufficient to carry out any meaningful sustainable activities. Still others have expressed concern that they lack the skills to manage programs to meet our expectations. We have not been able to resolve these issues yet. (Program Manager, Agency F).

The apparent inability or unwillingness of IDAs to respond to the expectations of partner agencies resulted in tension that could be detrimental to project work and an ultimate benefit to development clients.

Overall, partner agencies appeared to play a vital role in contributing to effective service delivery, and the apparent problems relating to governance and management were perceived as being within the scope of aid agencies to address through the provision of technical assistance in the relevant areas. The non-response to partner agencies' expectations, such as not providing for capacity building, or having regard for their priorities, demonstrated a lack of sensitivity by the IDAs. In cases where even the IDAs had insufficient skills or other resources, the question remained as to how the needs of partners would be addressed. Other concerns such as reliability of funding and long-term commitment of aid agencies required both dialogue and policy review by the IDA.

3.2.3   Donors

Four main donors of IDAs were identified: individual donors, the Australian Government through its overseas aid arm – the Australian Agency for International Development (AusAID), international agencies and corporations. Respondents noted that each donor had certain motivations and expectations, and on-going financial

assistance was contingent on meeting specific conditions. The effect of donors on the service delivery process was determined by their expectations, and the extent to which aid agencies were able to address those expectations.

Some of the expectations from all donors included accountability on funds utilisation, communication on project work and that the integrity of the aid agency be maintained. Communication about the work of IDAs and progress made was essential for existing and potential donors. People wanted to know what their donations had done or were doing to alleviate poverty and suffering by the less fortunate. Only then could they be motivated to continue giving (National Director, Agency A). The integrity of aid agencies was crucial as a way of increasing the support of current donors and expanding the donor base. Supporters needed assurance that the agencies they supported were ethical and effective in their activities.

For all donors, but especially for individual donors, their expectations were that there could be a direct link between the donations they made, the activities of aid agencies, and the benefit to development clients, thus making their donations personal. According to Chief Executive of Agency B, it was this personalisation of donations and the apparent direct link between donations and response to needs, that made child sponsorship an effective method of fundraising. The ability to fragment seemingly insurmountable global problems to manageable tasks that individuals could contribute to not only motivated further giving, but also gave a sense of satisfaction as individual donors felt reassured and appreciated that their small donations were worthwhile.

For AusAID, the expectations ranged from effective governance, management and accountability mechanisms, to providing assurance to the Australian public that the government was funding professional and effective organisations. These expectations were addressed through a rigorous accreditation process[1] that all agencies were expected to undergo every five years. Through this process, AusAID was able to examine the various components of the aid agency and give assurance to parliament and the taxpayer that the proportion of funds appropriated to overseas aid was justified and properly utilised (Overseas Program Coordinator, Agency J).

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[1] See AusAID (2002) *NGO Package of Information – Module 2*, AusAID, Canberra, for a detailed description of this process.

The expectation of the international agencies was that aid agencies had a global presence, and that by providing financial support to an agency in Australia, for example, they would essentially be supporting a global development agenda. It is no wonder therefore, that most of the agencies that received aid from international organisations had a presence in other OECD countries and/or in developing countries as well (Agencies A, E, J, K). Additionally, they hoped to collaborate on areas of research and development, policy dialogue and development, and the establishment of international standards or best practices in various fields of development.

The key to raising financial support from corporations lay in the ability of aid agencies to match their goals to those of the corporation, and as it were, "to speak their language". An emphasis on financial growth and stability was an important clue to getting the attention and support of corporate givers (Chief Executive Officer, Agency E). Corporations were also motivated by a clear indication of the benefits they would reap from providing financial support to aid agencies. The benefits could be psychological such as recognition by the community, or economic such as an increased market share. The economic motivation made cause-related marketing especially popular (Overseas Programs Executive, Agency K).

However, some corporations were engaging in development work owing to a sense of corporate social responsibility. Agency K noted that part of the reason for forming a corporate council was to 'enlighten' corporations on why they had a responsibility to be involved. Ultimately though, the goal was to highlight the advantages to corporations for supporting overseas aid work.

Generally, even when these expectations from the various donors were met, there were no guarantees that they would necessarily financially support aid agencies. Ultimately, giving was at the donor's discretion (Programs Manager, Agency F; Chief Executive, Agency L). Although some lobby groups and agencies had been actively advocating for increased funding from AusAID or the corporate sector, it was still within the donor's right to determine how much to give, when and to whom. Yet, these institutions and individuals represented the resources base which IDAs depended on almost entirely for their funding.

Our dependence on donors for financial support coupled with their discretion to give, makes fundraising a major challenge, and donors our most influential stakeholder. (Programs Manager, Agency F).

According to Vice President of Agency C, IDAs had to be able to answer the questions asked by all donors, "Why should I give to your agency?" and "What is in it for us?" Their success in fundraising depended on satisfactorily responding to these questions. Thus, although donors were not categorised as the most important stakeholder (the most important were development clients – section 3.2.1), they were identified as the most influential, and their needs and expectations had top priority due to their significant role in providing resources.

Overall therefore, the influence of donors on the service delivery process was in their ability to set the agenda of IDAs to some extent, through determining the amounts and conditions of giving. The success of IDA operations was dependent on the extent to which they were able to meet donor expectations, and therefore draw the necessary resources for their work.

3.2.4 Governments

The significant role of governments was in establishing regulations governing the operations of IDAs. Each of the eight Australian jurisdictions (six states and two territories) had legislation governing the establishment of IDAs and their registration as charities to enable them engage in fundraising. There were additional pieces of legislation explicating the manner in which fundraising was to be conducted. In addition, the Federal Government had regulations regarding taxation and receipt of income tax deductible gifts. The Australian governments therefore influenced the operations of IDAs by influencing the legal environment in which agencies operated. An agency that was authorised to receive tax-deductible gifts, for example, provided an incentive for donors to contribute to it.

In developing countries, the role of governments was a similar one – establishing regulations regarding the operation of overseas aid agencies and local community-based development organisations. It was required of the IDAs that established offices overseas that they operate within the legislative boundaries of those countries. And these legislative requirements could vary widely, from registration of agencies, to regulations about receiving overseas funding and/or fundraising locally, to involving government officials and departments with regard to projects in a particular sector (National Director, Agency A).

For example, a health project may require the approval of the ministry of health, and disagreements between the ministry and the IDA could result in the project being cancelled altogether (Overseas Programs Executive, Agency K). The power of overseas governments to veto project implementation underscored their important role during the identification and planning phases of projects. In some cases, this meant that projects were redefined to suit government needs in which case IDAs, together with their partners and development clients would have to decide whether or not to proceed with the project.

The National Director of Agency A noted that while it was challenging to identify and abide by the regulations of the various overseas countries, the real challenge appeared to be in dealing with dictatorial governments that sometimes passed decrees that superseded existing legislation, thereby destabilising the work of IDAs. Red tape and a maze of government regulations could be instituted overnight, severely affecting or restricting the work of IDAs or their partner organisations. In some cases, changes seemed to make little room, if any for transitions. This sort of government reaction was often in response to a real or perceived threat to its hegemony.

In Indonesia, for example, government control of independent development agencies had existed for a long time, and there was a law authorising the government to seize and close any organisation 'threatening to upset domestic security'. The circumstances leading to the "threat" were often open to interpretation, but the IDAs usually did not have a mechanism through which to appeal the government's decision (Vice President, Agency C). While none of the agencies that participated in the current study indicated that they had been dismissed from an overseas country, they perceived the threat as a

real one and were often cautious on how relationships with overseas governments were interpreted.

On the other hand, there were countries such as Ghana where the government had not institutionalised very formal ways of dealing with the operations of development agencies. The Chief Executive of Agency E noted that while some partner agencies in Ghana had strong social objectives, they lacked the governance and managerial structures on which to implement them. Part of the reason was that there were minimum *ad hoc* regulations regarding registration and operations of development agencies. There was also a markedly low level of government control to ensure that regulations were adhered to.

Thus, depending on the government regulations, the operations and service delivery function of IDAs and partner agencies could be freely conducted or severely restricted. Also, depending on government regulations, IDAs may find that their partner agencies were well structured and effectively governed bodies operating under a legislative framework, or they were *ad hoc* poorly structured organisations. This may affect the choice by an IDA regarding which partners to work with, and/or a decision on whether resources needed to be engaged to streamline governance structures before any development assistance could be provided.

3.2.5 Other Aid Agencies

The role of other aid agencies appeared to be that of contributing to the establishment of the aid sector regulations in Australia (and possibly overseas). Through their operational and managerial practices, for example, Agencies E and J had provided some guidelines and suggestions that could be adopted into regulations for the sector. Agencies generally provided criteria against which 'best practice' standards could be established.

Given that 64 per cent of the agencies surveyed indicated that they did not collaborate with other Australian agencies in project implementation, the collaboration function did not appear to be particularly important for the aid agencies. This low level of collaboration also meant that they could not hold each other accountable for their actions because they appeared to know little about how other agencies conducted their

activities. In fact the Vice President of Agency C went so far as to suggest that the lack of collaboration and relative isolation of IDAs contributed to weaknesses in development work. Lack of networking and extensive information sharing or participation in broad-based multi-sectoral research activities implied that agencies probably lacked sufficient knowledge to tackle the multiple complex development challenges they often faced.

They did, however, participate in working committees established either by the Australian Council for Overseas Aid (ACFOA) which included the Code of Conduct Committee, and the Chief Executive Officers' forums. They were also involved in AusAID committees such as the Committee for Development Cooperation, the AusAID-NGO Gender and Development consultations, environmental consultative meetings, and others, which attempted to bring some cohesion to the sector.

Thus, their contribution to the management and operations of IDAs lay in their participation and contribution to the establishment of accountability, governance and management practices in the sector.

Figure 2 below summarises the stakeholder expectations showing their varied interests and expectations from IDAs.

Australian Government
- Abide by the Australian regulations/ legislation on aid agency operations (G1)
- Abide by the overseas country regulations on aid agency operations (G2)
- Respect the benefits accorded to aid agencies such as tax deductibility status, and taxation concessions and exemptions (G3)
- Agencies to be clearly identifiable as Australian (G4)

Partner agencies
- Increased autonomy (P1)
- Respect for their contributions and feedback on development process (P2)
- Establishment of long-term partnerships with aid agencies (P3)
- Predictability and reliability of funding (P4)

Development clients
- Respect and respond to their needs (C1)
- Involvement in all phases of projects (C2)
- Sustainability of projects (C3)

International Development Agency

Other aid agencies
- Contribution to establishing aid sector regulations (A1)
- Providing guidelines for best practice on accountability, governance and management practices (A2)
- Establishing some cohesion in the aid sector through participation in various working committees (A3)

Donors
- Accountability on funds utilisation (D1)
- Communication on project progress (D2)
- Integrity of aid agency (D3)
- Clear direct link between donations and benefits to clients and donors (D4)
- Match the interests of the agency to those of the donors (D5)
- Effective governance and management mechanisms (D6)
- Support both localised and global development agenda activities (D7)
- Project completion within stipulated timeframes (D8)
- Sustainability of projects (D9)

The expectations have been labeled (G1, G2…etc) to facilitate discussions. The challenge for aid agencies was that expectations were at times in conflict, in which case choices had to be made and justified as to which interests were given priority. As indicated by the respondents, for example, their most important stakeholders (development clients) were not necessarily given priority in meeting their expectations (Section 3.2.1). Other such inconsistencies, or conflicting interests could be inferred from the expectations in Figure 2 above.

For example, meeting the P1 expectation of partner agencies, that is, increasing their autonomy in decision-making (especially on funds utilisation), could conflict with the D1 expectation of donors who expected funds to be appropriated for the intended activities. The expectations of donors leave little room for any shift in priorities and changing needs of development clients.

Another example was meeting the P2 expectation of partner agencies that their contributions and feedback on the development process be respected, could conflict with donor expectations D5 and D8, if the feedback of partner agencies was a complaint about matching interests of donors, or project completion within stipulated time frames.

A more interesting observation though, was one in which the expectation of one stakeholder conflicted with another expectation of the same stakeholder. For example, D5 and D9 appeared to be in conflict. That is, for donors to continually be motivated to give, they expected the aid agency to provide services in which they (donors) had an interest. At the same time, they expected the projects that they supported to be sustainable. Given that project sustainability was often a product of among other things, community involvement and ownership, a project that served the interests of donors but was not necessarily top priority for development clients, had a low probability of being sustainable. Expectations D8 and D9 could also be in conflict. Project completion within stipulated timeframes could be a hindrance to sustainability in instances where such timeframes were not sufficient to implement the plan for sustainability. The expectation of sustainable projects was identified by development clients (C3), thus expectation D5 and D8 could be seen to be in conflict with C3 as well.

The compatibility and conflict of other stakeholder expectations as identified by respondents or inferred from their comments, is presented in Figure 3 below. The plus (+) sign in the matrix indicates compatibility of expectations while the plus/minus (+/-) sign indicates possibility of conflict.

Stakeholder expectations

	C1	C2	C3	P1	P2	P3	P4	D1	D2	D3	D4	D5	D6	D7	D8	D9	G1	G2	G3	G4	A1	A2
C2	+																					
C3	+	+																				
P1	+	+	+																			
P2	+	+	+	+																		
P3	+	+	+	+	+																	
P4	+	+	+	+	+	+																
D1	+	+	+	+/-	+	+	+															
D2	+	+	+	+	+	+	+	+														
D3	+	+	+	+	+	+	+	+	+													
D4	+	+	+	+	+	+	+	+	+	+												
D5	+/-	+/-	+/-	+/-	+/-	+/-	+/-	+	+	+	+											
D6	+	+	+	+	+	+	+	+	+	+	+	+										
D7	+	+	+	+	+	+	+	+	+	+	+	+	+									
D8	+/-	+/-	+/-	+/-	+/-	+/-	+/-	+	+	+	+	+	+	+								
D9	+	+	+	+	+	+	+	+	+	+	+	+/-	+	+	+/-							
G1	+	+	+	+	+	+	+/-	+	+	+	+	+	+	+	+	+						
G2	+/-	+	+	+/-	+	+	+	+	+	+	+	+	+	+	+	+	+					
G3	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+				
G4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+/-	+			
A1	+	+	+	+	+	+	+	+	+	+	+	+/-	+	+	+	+	+/-	+	+	+		
A2	+	+	+	+	+	+	+	+	+	+	+	+/-	+	+	+	+	+/-	+	+	+	+	
A3	+	+	+	+	+	+	+	+	+	+	+	+/-	+	+	+	+	+	+	+	+	+	+

Key:

+ Compatibility of stakeholder expectations

+/- Possible conflict of stakeholder expectations

Note: Refer to Figure 2 for an explanation of the symbols in the axis

Figure 3:   Compatibility and conflict of stakeholder expectations

Donor expectations D5 (matching the interests of the IDA with those of the donors) and D8 (project completion within stipulated timeframes) appeared to be most unpopular with development clients and partner agencies, as they appeared to present possible conflict and mismatch of expectations (they all have a +/- sign). These donor expectations could be viewed as being in conflict with development clients' expectations of respect and response to their needs (C1), involvement in all phases of projects (C2), and sustainability of projects (C3). They could also be perceived as being in conflict with partner agencies' expectations of increased autonomy (P1), respect for

their contributions and feedback on the development process (P3) and predictability and reliability of funding (P4).

Thus the IDA had a responsibility to balance between the various stakeholder expectations to provide the most satisfactory mix of services to stakeholders. This had implications for both their managerial and development activities. The choices to be made in respect of various expectations in effect had an influence on the manner in which services were delivered, and the effectiveness of the process. As most expectations were not perceived as being in conflict with each other, it may be reasonable to assume that an agency that met most expectations was probably effectively managed and delivering services adequately.

In reviewing Perrot's two-dimensional stakeholder action matrix (Figure 1), it is possible to trace where each category of stakeholders is likely to lie. Based on the findings and discussions presented in this section, Figure 4 below illustrates Perrot's model as it applies to the external stakeholders of the IDAs.
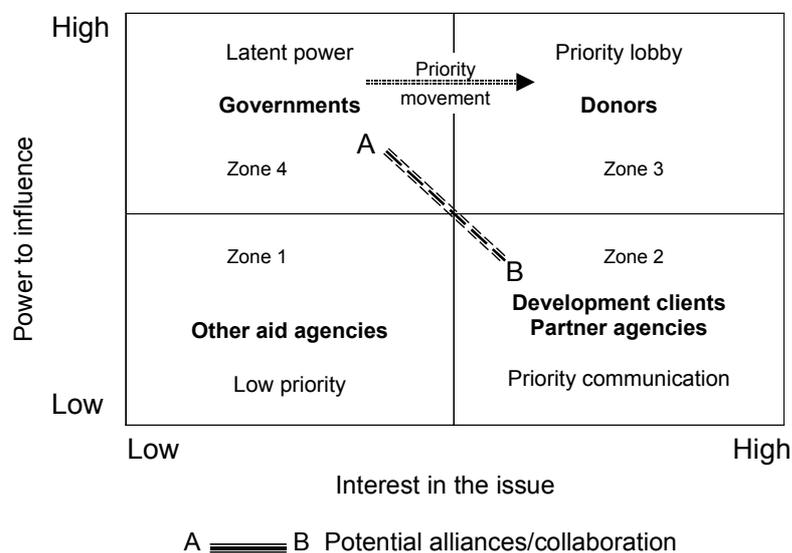
Source: Adapted from Perrott 1999, p. 226

Figure 4: Stakeholder Action Matrix of IDAs

In Figure 4 above, development clients and partner agencies are shown as having low potential for influence, but a high interest in issues (in this case the development

projects that are intended to benefit them). From this model, they ought to at least be kept well informed and IDAs should endeavour to communicate with them regularly. Donors have high potential for influence and interest thus, take priority for action. Governments may not necessarily be interested in specific projects of IDAs, but they do have the potential to influence decisions – as noted by some respondents, they can in some cases veto project implementation. As such, they have the power to become supporters or adversaries. IDAs appeared not to have much interest in what other agencies were doing, or power to influence decisions and actions, thus they were low priority for action and received little attention.

IDAs could review the model to determine if it represented how they would like to treat their stakeholders, and if not, consider ways that stakeholder positions could be shifted to more accurately reflect their rightful positions. As suggested by the National Director of Agency A, where relationships and positions of stakeholders were not as they should be, the role of IDAs ought to be one of advocacy and educating the powerful and influential stakeholders. This was especially important where their power and influence was perceived as undermining the goals of the IDA and effective service delivery.

4.   Conclusion

This paper has discussed the significance of stakeholders in influencing the operations of IDAs. Three conclusions can be drawn from this analysis.

First, stakeholders are important and cannot be ignored as IDAs engage in their work. They are critical to determining the process and outcomes of development work, and they determine the "bottom-line" against which the effectiveness of IDAs is assessed. Hence there is need to consider them in the planning phases of projects, to ensure projects remain relevant and coherent to the context in which they are being implemented.

Second, stakeholder expectations are diverse and sometimes in conflict with each other, yet overlooking them could severely restrict the work of IDAs. This is particularly so for the powerful stakeholders – donors and governments. On the other hand, the weaker but important stakeholders – development clients and partner agencies – legitimise the

existence and work of IDAs. The challenge for IDAs is in balancing the expectations and demands of the powerful stakeholders with those of the weaker ones, so that their credibility is not undermined. The irony is that overlooking the expectations of either the powerful or weaker stakeholders is likely to yield the same results – undermining the credibility of the IDA.

Third, development contexts are different. Although stakeholders have been categorised in groups, stakeholder interests of different communities are not the same (even within the same category of stakeholders), and could make a difference to how development work is perceived and approached. Thus, IDAs need to identify the expectations of their stakeholders in each context where they work, as making assumptions about their stakeholders (especially development clients and partner agencies), is likely to cause resentment, and the damage done may be difficult to repair. Using the model presented in Figure 4 or a similar one, IDAs need to carefully consider who their key stakeholders are in each circumstance, their potential for power and influence, and their interest in particular issues so that these can be met in an optimal way.

Further research in this area may include assessing the significance of other categories of stakeholders such as those who may offer technical assistance, for example, research and study centres. Other categories of external stakeholders that may be examined include anti-IDA groups and the media. The study could also be extended to examine the significance of internal stakeholders – board members and staff of IDAs.

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