



**Review of Impact and Effectiveness of
Transparency and Accountability Initiatives:**

Annex 4

Natural Resource Governance

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Impact and Effectiveness of Transparency and Accountability Initiatives¹

A review of the evidence to date

Natural Resource Governance

Andrés Mejía Acosta, October 2010

0. Introduction

This chapter offers a review of existing literature aiming to understand and measure the *Impact and Effectiveness of Transparency and Accountability Initiatives* in the Extractive Industries sector. In this chapter, I use the term of Natural Resource Governance (NRG) as the set of strategies aimed at improving the transparency and accountability of governments and private companies during the licensing, exploration, contracting, extraction, revenue generation and allocation of natural resources. The full scope of “natural resources” should include oil and gas, minerals and metals, forests, fish, land and water, but in this review, the chosen initiatives have a bias towards the governance of *non renewable* resources: oil, gas, minerals and metals. This is not to ignore the importance and controversies around the management of fisheries, land or water, which have been well documented by the specialised literature. Yet, over the past decade there has been a proliferation of “global governance” initiatives that started with the creation of the Kimberly Process Certification Scheme (KPCS) and continued with the Global Witness/Publish What You Pay Coalition (PWYP) and the Extractive Industries Transparency Initiative (EITI). Other organizations including many bilateral and multilateral donors have geared their efforts to improving the transparency and accountability in the management of oil, minerals and gas (Darby 2010). The management of forestry is perhaps a unique case of a traditional “natural resource” that has been recently viewed through the lens of global governance, and it has been incorporated as one key sector under the Liberia EITI (Blundell 2008).

This report is developed in five stages. The first part discusses what is generally understood as NRG in the extractive sector, looking at specific definitions and interpretations of what is understood as effective transparency and accountability initiatives (TAIs). A critical issue here is to distinguish whether TAIs are conceived as means to achieve a further end (ie. to disclose contract information to ensure a fair distribution of rents), or whether TAIs are ends in themselves (ie. to promote greater participation of civil society). Although the intentionality of most TAIs is to provide the means to obtain improved social outcomes, this review argues that most of the efforts and associated impact evaluations have more to say regarding the nature of the *accountability process itself* but there is less evidence to document the impact on improved development outcomes. The second part reviews and discusses existing knowledge regarding theories of change in the management of natural resource governance. The discussion is centred on two issues: which are the intervening factors that are perceived as being key to producing the desired change, and when does the change actually take place. The third part of this report looks at existing approaches and methodological challenges for measuring effective impact of TAIs, including the use of quantitative, qualitative and experimental approaches. The next section documents in greater detail, the existing evidence of how impact is brought about including the presence of negative, unexpected and inconclusive outcomes. The last part discusses some remaining

¹ I want to acknowledge, without implication, the valuable support and insightful comments of Greg Barrett, Ruth Carlitz, John Gaventa, Rosie McGee and Sefton Darby.

gaps in the literature but also in donor approaches to TAIs that deserves attention and policy change in the future.

I. Background: evolution of transparency and accountability initiatives in the extractives sector

The proliferation of global initiatives to oversee a transparent management of natural resources came about at the turn of the century as a donor effort to tackle development problems associated with the “resource curse”: government corruption, institutional erosion, civil conflicts, and economic crowding out effects (Ross 1999, Collier 2007, Karl 1997). The scholarly literature identified the paradox of resource rich countries growing at similar or lower rates than non resource rich countries (Sachs and Warner 1995, Karl 1997), and the fact that oil-rich countries had declining per capita income and displayed lower development outcomes (Ross 1999). Economic explanations also focused on the ‘Dutch Disease’ effect produced by a sharp rise in export rents, which causes an appreciation of the domestic currency that makes the non-resource sectors less competitive, undermines growth, and puts inflationary pressures on the economy (Ross 1999, Drysdale 2004). Other explanations focused on the negative impact that resource rents had on the workings of political institutions, as they created political incentives for discretionary or non-transparent management of public expenditure to support corrupt and clientelistic government practices (Moore 2004, Laserna 2007).

The challenge at hand was to devise institutional mechanisms that would make governments accountable for the extraction, allocation and use of revenues that were not extracted through taxation, yet were abundant enough to alleviate socio economic inequalities of citizens if the monies were well invested. Some of the literature focused on the political and institutional factors that may contribute to avoiding the resource curse (Mehlum & Torvik, Moore 2004, Robinson et al. 2006). The scholarly agenda helped influence global efforts to improve the transparency and accountability of natural resources, especially as developing countries benefited from a significant increase in commodity prices and a corresponding increase of government revenues since the mid-2000s (Darby 2010). In many resource rich countries, the expectations and demands of citizens to benefit from the new wealth exceeded the technical and bureaucratic capacity of states to make the best out of natural resource revenues.

Beyond the need to address this capacity gap, there were other reasons to promote global governance initiatives to regulate the extractive industries. In the context of a dramatic increase in demand for natural resources, existing international institutions such as UN, World Bank, IMF, struggled to regulate the workings of international corporations operating in poor developing countries. From the domestic side, some of these sovereign but fragile states were found unable or unwilling to monitor and regulate the activities of these companies and therefore safeguard the interests of its citizens (Darby 2010). This governance gap left a plethora of economic, environmental, security and human rights issues that lacked national or international regulation (2010: 14). This gap gave rise to some of these initiatives to improve the governance of natural resources through empowering civil society actors, fighting corruption and promoting income redistribution or poverty alleviation efforts.

One of these initiatives is the Kimberley Process Certification Scheme (KPCS), which is a joint government, industry and civil society initiative to stem the flow of “conflict diamonds” - rough diamonds used by rebel and non state movements to wage wars against the state. The KPCS seeks to establish minimum requirements so that member countries could certify the trade of diamonds as “conflict free”. As of December 2009, the KPCS has 49 members representing 75 countries. The purpose of this initiative, and although an evaluation of impact is difficult due to technical and widespread nature of diamond trade, it is argued that KPCS has had an effective impact in reducing the funding of

military activities with the sale of illicit diamonds. Yet, successful impact remains controversial, as the KPCS has failed to prevent some governments to make illicit use of diamond wealth (Global Witness 2010).

The “Publish What You Pay” (PWYP) coalition and the “Extractive Industries Transparency Initiative (EITI)” have also been formed to promote improved accountable systems for the management of natural resource revenues. The EITI was launched in 2002 as a coalition of governments, companies, civil society groups, investors and international organizations. The EITI is conceived as a standard for monitoring compliance with contract disclosure and revenue transparency to ensure that companies publish what they pay and governments disclose what they receive from the extraction and export of natural resources. Member countries voluntarily adopt the standard and seek “validation” status through compliance. As of March 2010, only 2 of 22 countries have achieved validation status and 29 countries with candidate status have requested extensions to complete the process.

These initiatives share important commonalities but also highlight important differences in their approach to promoting improved NRG. In the first place, all the schemes promote the ***voice and participation of multiple stakeholder groups*** (MSGs) that include government officials, civil society representatives and members of private companies. Depending on the country however, these actors have different capacities to effectively influence and implement the accountability and transparency agenda. For example, a recent study evaluating the effective contribution of CSOs to EITIs revealed that CSO engagement in the EITI process tended to occur during early stages of the EITI process, including the design and selection of governing bodies, but many survey respondents felt that the roles and responsibilities of CSOs in subsequent stages of EITI (such as validation) remained either unclear or inadequate (Mainhardt-Gibbs 2010). In this regard, many donors and cooperation agencies including have played a decisive role to enhance the participation and degree of influence of CSOs vis-à-vis governments and private companies.

A second common characteristic is that these initiatives are ***organised around some form of voluntary membership*** because there are no rules for compulsory association nor there are explicit sanctions for defection. However, there are important differences. Perhaps the most “open ended” scheme is the KPCS in the sense that it promotes all inclusive or *ad hoc* memberships of all relevant actors/stakeholders. The KPCS establishes a voluntary peer review process whereby members of their 75 states visit other countries to evaluate existing procedures for the trade, import and export of diamonds. Non-compliant members could in principle be expelled from the scheme but such event has not yet happened. Some have hailed the non punitive nature as one of the scheme’s strengths in the sense that CSOs have gained equal voice within the scheme as government and private-sector actors. (Global Witness 2006). The scheme will nevertheless pose some important challenges when promoting cooperation and improved in-country monitoring capacities when other countries can easily avoid expulsion despite “significant implementation lapses”.

At the other end of the spectrum, schemes like EITI and PWYP require countries to establish a series of admission requirements or “validation” steps to grant membership status. For example, countries have to meet specific validation criteria to qualify as EITI members. In addition to the formal validation process, there are other layers of “external” reviewers that ensure compliance with EITI standards; this can be done through donor conditionality, by changing investment grading on the part of pension fund managers, or setting stricter standards of corporate behaviour that make it unacceptable for companies to avoid publishing what they pay (Van Oranje and Parham 2009). While there is no empirical evidence for this, it is expected that a multi layered structure of agents with capacity to sanction non compliance

(investors, companies, donor agencies) is likely to improve the governance and compliance incentives on the part of national actors.

Looking ahead, the structure of existing governance institutions is likely to be challenged by the global shift in economic and political power from G8 nations to a wider group of diverse and influential political players represented in the G20 (Darby 2010). The economic diversity of G20 nations was also reflected in a less homogenous approach to issues of political and civil liberties that lie at the core of transparency and accountability initiatives (Darby 2010: 14).² This global shift, alongside with other trends such as the aftermath of the financial crises and efforts to mitigate climate change, is likely to reinforce the need for improved transparency and accountability initiatives in the extractive sectors, but this will take place in a context where state owned enterprises, not private ones, become the main stakeholders for contracting, extraction, production and revenue allocation of natural resources.

II. Theories of Change: What are the expected impacts and underlying assumptions about accountability and transparency initiatives?

Most of the TAIs surveyed in this report have an explicit or implicit concern with the improvement of **development outcomes**, which may come in the form of reduced corruption of government officials, a more egalitarian distribution of wealth, or poverty alleviation. While these are undeniably positive outcomes per se, TAIs face significant shortcomings when trying to provide a convincing theory of change on how to achieve these outcomes. In principle, mechanisms such as greater inclusion and participation of CSOs, public disclosure of government accounts or better stakeholder knowledge of the nature and challenges of extractive industries should be contributing factors to improved natural resource governance. In other words, project interventions are usually geared to *improve the process* through which actors and institutions can effectively bring governments to account and *effectively achieve* better quality outcomes. For example, in the case of TAIs geared to improve budget transparency, the expectation is that timely disclosure of revenue information or allocation procedures are likely to reduce discretionary government spending and thus lead to improved fiscal performance. In the case of the management of natural resources, the distinction between means and ends appears to be conflated: while most of TAIs are geared towards attaining an expected or desirable outcome such as improved economic performance or poverty reduction, most project interventions are in fact process oriented (such as the adoption and validation of EITI status) but it is less clear what are the causal mechanisms that contribute to effective development outcomes.

While there appears to be a broad convergence on what is meant by “good” natural resource governance, the TAIs surveyed for this report show wide variation on the critical aspects that define such **outcomes**. Some initiatives look at the role of civil society organisations in promoting natural resource governance, specially the presence of ideal attributes of such as inclusiveness, transparency, independence, and accountability. This is the case of a Bank Information Center’s survey of civil society participation in the Extractive Industries Transparency Initiative (EITI) in 2009 (Mainhardt-Gibbs 2010). Existing approaches geared to strengthening civil society engagement represent the large share of existing initiatives. This logic has been expanded to the Forestry sector to promote government

² Darby reports that half of the G20 members are high income countries, 7 are middle income and the remaining 3 lower middle income countries contain nearly 40% of the world’s population: China, India and Indonesia (2010).

accountability (Global Witness 2009).³ Most of the TAIs reviewed focus on process-driven outcomes such as increasing participation of CSO's, promoting disclosure of contracts and/or demanding increased revenue transparency. The underlying assumption is that such outcomes would have a direct impact on greater objectives such as reducing corruption and poverty in resource-rich countries: "Increasing transparency opens up the decision making process to public debate and moves the process towards more prudent and equitable management of extractive industry resources." (BIC and Global Witness 2008). Yet, many of these initiatives fail to address the mechanisms (and obstacles) through which these outcomes are likely to take place (or not).

The focus of attention of different TAIs is particularly relevant to understand the underlying assumptions about theories of change and how they actually work. Some of the frameworks such as RWI's value chain approach to NRG focus heavily on the role of CSOs to promote transparency and accountability along the different stages of the value chain of extractive industries, including the decision to license, disclosure of contracts, revenue extraction, revenue allocation, and quality of spending (RWI 2008). Some of the proposed activities tend to foster multi-stakeholder country dialogues through specialised workshops, some capacity building and knowledge sharing activities, and some policy advocacy (lobby) efforts to improve legislation and other legal provisions. The expectation is that such activities will mount additional pressure on elected politicians to directly respond to accountability demands or to hold governments accountable.

Consistent with existing reviews, this report finds that "the list of programme and policy proposals is biased in favour of 'demand side' interventions" such as initiatives that encourage greater citizen involvement and participation to promote transparency and accountability (Darby 2010: 6). While development of citizens' capacities remain at the core of these programmes, fewer initiatives have called for explicit donor efforts to bring about meaningful change (Mainhardt-Gibbs 2010, Global Witness 2006), or to focus attention on incentives and the role of domestic political actors including legislatures (Mejia Acosta 2010).

The remaining challenge for TAIs is to propose and empirically validate a causal link between project interventions and discernible governance improvements. The existing evidence illustrates important associations or positive correlations between greater transparency and reduce corruption (Kolstad and Wiig 2009), and budget transparency and human development (De Renzio et al. 2009). But the proposed causal links are rather indirect and usually involve additional variables such as greater CSO participation. In qualitative evaluations, the evidence also suggests that TAIs such as EITI are likely to make "indirect contributions" to good governance outcomes such as a) establishing an emerging standard that is agreed to by domestic governments and corporations, b) providing a policy platform to encourage multi-stakeholder dialogues, c) and creating international networks of civil servants, corporate executives, CSO activists and development practitioners with shared standards and commitment to good natural resource governance (Rainbow Insight 2009).

³ The Global Witness initiative "*Making the Forest Sector Transparent*" is a four year programme to strengthen civil society engagement in the forest sector in order to secure government accountability, progressively operating in eight countries, the first four of which are Liberia, Peru, Ghana and Cameroon.

III. Assessing the evidence: positive, unexpected, and inconclusive lessons on how impact takes place

A critical assessment of “how impact takes place” reveals two different trends in TAIs. One set of studies focuses on the macro level, looking at how the presence of some attributes in each country (greater CSO participation, improved budget transparency) may be associated with better development outcomes (lower perception of corruption, improved HDI indicators). Although these works have a strong empirical base, some of these works offer inconclusive evidence as they fail to illustrate the causal processes or mechanisms through which change actually takes place, or what are the necessary pre-conditions for change to take place. For example, an OECD paper finds that EITI candidate countries show no visible effect in relation to perceptions of corruption, and suggests the need for looking at broader reform processes and quality of existing institutions, including the judiciary (Olcer 2009). Echoing this concern, Kolstad and Wiig have also argued in favor of considering the broader range of policy options and institutional context in which positive impact is expected to take place (2009). For example CSO actors can have a positive impact to reduce corruption if they also have the necessary education to process information, have the motivation and resources to mobilise politically, and act in the context of stable institutions (Kolstad and Wiig 2009). Along the same lines, Tsalik has offered a useful account of how natural resource funds are likely to contribute to successful results in the context of strong democratic institutions with separation of powers (2003).

A second trend observed during this review is the focus on “micro” mechanisms of impact in the sense that these are direct or indirect effects on process-oriented results, such as creating multi stakeholder platforms for debate, empowering civil society actors to gain access to information or facilitating the lobbying efforts of elected politicians by providing them with improved legislative information. These studies tend to be country specific and as such it is doubtful that lessons can be transported to different contexts without proper adaptation. As discussed before, such studies demonstrate positive impacts on *improving the process through which greater transparency and accountability can be achieved*, but this may or may not be linked to actual improved management of natural resources.

An evaluation of effective TAI outcomes can be best understood in terms of positive, unexpected and inconclusive impacts of transparency efforts on governance outcomes. Most **successful project evaluations** tend to assess significant changes in procedures at the organizational or institutional level. For example, a survey evaluation of EITI’s multi stakeholders revealed that CSO engagement would be significantly improved if the EITI process and the reported EI revenue data were made more meaningful at the local level, especially to the extractive industry-affected communities (Global Witness 2008). In this sense, most project efforts tend to concentrate on engaging stakeholders especially outside the EITI influencing group. Other efforts concentrate on building the capacity of NGOs and local groups to monitor and analyze revenue information and generate public awareness on the need to expand the disclosure of information to include project-level revenue data, social expenditures (especially at the community-level), and contracts. These types of outcomes are often associated with the adoption of new legislation or enforcement of existing laws to allow for greater transparency and accountability. A recent 2010 EITI report on Africa entitled “stories from the ground” reported some “success stories” whereby the EITI validation process led to reducing “suspicion and distrust” between the government and CSO in Liberia, developed a spirit of “civic interrogation” of public officers in Nigeria, helped improved the monitoring and management capacities of relevant government agencies in Cameroon, and created useful platforms to encourage an active participation of CSO in Gabon and Ghana (EITI 2010). However, the evidence provided to support these claims was biased to reporting some interviews to EITI staff, but few details or objective indicators.

Some project interventions lead to *unexpected outcomes*, which can be positive or negative. Taking a less optimistic stance, Shaxson has challenged the conventional belief that the Nigeria EITI process lived up to its promise of improving transparency and fostering better governance (2009). The author acknowledges some of the achievements brought about by NEITI, including the unprecedented publication of 1999-2004 audits, and the adoption of a multi stakeholder approach that subsequently permeated the logic of Nigerian policy making. However, the author claims that the production of new and relevant information informed but not empowered key CS actors, but instead, elite groups, technocrats and policymakers became strategic consumers of this information to better understand the nature of extractive industries in Nigeria. Finally and most importantly, the report has challenged the belief that more capacity building work can overcome the fundamental isolation and weakness of civil society in Nigeria, where the abundance of natural resource revenues allowed rulers to largely ignore the preferences and demands of their citizens (Shaxson 2009). Yet, other reports document unexpected or unintended success stories including the formation of Multi stakeholder groups in EITI member countries, generating political and social dynamics that extend beyond the governance of the extractives sector. In the same manner, the proliferation of available and reliable data sources available to the public through EITI mechanisms is also a positive impact.

Finally, the literature shows an abundance of *inconclusive results*. One example is the observed performance of EITI candidate countries compared to non EITI countries when it comes to reducing perceptions of corruption, enhance voice and accountability and improving the business climate (see below). The reported evidence is not conclusive to indicate that perceptions of corruption actually decrease in EITI countries, but further research is needed to allow for sufficient time for EITI validation.

IV. Existing methods to evaluate impact of transparency and accountability initiatives

Evaluating whether ATI's have produced an effective impact on improved NR Governance is a critical condition to support and validate ongoing donor efforts to alleviate the resource curse in resource rich countries. Yet, it is also one of the most challenging tasks given the methodological difficulties discussed so far: causality, attribution, and timing. Nevertheless, in writing this review, we have identified a larger than expected number of quantitative and qualitative initiatives aimed at documenting impact; in this section we discuss those different efforts and highlight some associated challenges or pending issues for future development.

Qualitative assessments

The most recurrent way to measure impact is through expert interviews to crucial EI stakeholders such as EITI Board members, industry executives, elected and non elected public officials, and members of the local and global civil society. An advantage of this direct approach is that stakeholders can provide qualitative insights to explain whether they can identify controversial issues and identify whether a program intervention was successful or not. Some impact studies using this approach include evaluations of EITI (Rainbow Insight 2009, BIC and Global Witness 2008, Mainhardt-Gibbs 2010), the Publish What You Pay Campaign (Van Oranje and Parham 2009), and the Kimberly Process (Global Witness 2006).

While qualitative assessments allow greater detail in reporting when discussing factors that contribute to improved transparency and accountability, these evaluations are not exempt from reproducing

judgement biases of the authors or evaluating organisations. For example, in making an evaluation of the effectiveness of the Kimberly process, there is an apparent contradiction between the reported success of allowing voluntary membership into the scheme and the existence of member countries that do not receive any kind of sanction despite “significant implementation lapses” (Global Witness 2006). A related concern is the problem of “endogenous assessment” when the effective impact of ATI’s is evaluated by commissioned reports requested by donor agencies themselves. Not surprisingly, we find cases a) that show unqualified optimism around the good nature of findings (EITI 2010), b) where donor agencies or governments themselves don’t enable access to all of their project information (BIC and Global Witness 2008), and c) “negative” or unexpected lessons don’t get disseminated or properly discussed.

For example, a baseline evaluation of RWI’s Parliamentary strengthening programme revealed that most Members of Parliament in Ghana and Tanzania had a significant level of knowledge of current EI issues in their countries and ongoing transparency initiatives such as the EITI validation process, yet further questions confirmed that Tanzanian MPs had in average access to more reliable sources of information than their Ghanaian counterparts (Mejía Acosta 2009).

A more systematic evaluation mechanism consists of applying questionnaires to affected stakeholders or programme beneficiaries (Mainhardt-Gibbs 2010). A similar technique has been used in a recent Assessment of Civil Society Involvement in Liberia (LEITI 2010). This procedure is usually more expensive and time consuming, therefore it is not as common among the studies surveyed. Some of the data generated in this form can be subject to some descriptive or statistical analysis, it is important to bear in mind how representative the sample is to ensure that all interests are equally featured. Further, it is important to bear in mind the internal consistency or continuity to ensure that a similar group of survey respondents is identified at the beginning (baseline) and end (final) of the study. In practice, this is a difficult challenge to overcome since the affected population is constantly changing so that those who are the initial targets of a specific project may not necessarily be the ones benefiting from it.

Quantitative assessments

This review found an interesting proliferation of efforts seeking to document impact through quantitative means. Perhaps the simplest comparison is to look at EITI candidate countries and compared them to non EITI countries when it comes to reducing perceptions of corruption, enhance voice and accountability and improving the business climate. The reported evidence only shows positive impact for the last two questions, but it is unclear that perceptions of corruption are significantly lower in EITI candidate countries compared to those that are not (Aaronson 2008). Other studies corroborate the non finding regarding reduced perceptions of corruption, but also show that control of corruption is worse in EITI countries and in both there is an observed deterioration of World Bank Governance Indicators (Olcer 2009). This is perhaps not surprising given that we don’t have a clear understanding of the motivations that lead resource rich countries to become EITI candidates. It is possible to assume that many of these countries precisely had a problem of increased corruption when joining but given the short life of EITI efforts, it is too soon to evaluate change in perceptions. Further work is needed to establish an appropriate baseline against which to measure compliance progress.

For the case of EITI, Rainbow Insight has advocated for the construction and maintenance of Key Performance Indicators (KPIs) that would allow to link specific project interventions with outcome variables. The adoption of these benchmarks has been suggested to the EITI Board and Secretariat by a recent impact and evaluation study (Rainbow Insight 2009). According to Rainbow Insight, these

indicators should cover both organisational and marketing aspects of the EITI. The first group should include the operational aspects (such as measures like gender and country balance of staff-members, training hours, etc); the second group of indicators should include aspects related to implementation (such as country attrition, EITI validation delays, etc.).

Other studies have focused on measuring different aspects of effective impact, not as the direct product of project interventions but rather as the series of contributing factors that may lead to improved EI governance. Thus, there is some preliminary evidence that increased budget transparency is associated with a reduction of perceptions of corruption (Kolstad and Wiig 2008) and greater human development indicators (de Renzio et al 2009). Yet, none of these indicators directly reveal successful or improved outcomes as a result of specific project interventions. More recently, the Revenue Watch Institute has produced a first effort to measure and compare to what extent governments make available information about payments they receive for the exploitation of oil, gas, minerals (RWI 2010).⁴ The RWI Index surveys 41 countries including advanced industrial democracies such as Norway and the United States. The index evaluates the availability of information in seven key areas of natural resource governance, including access to resources (including data on contracts and licensing), revenue generation, institutional setting, state owned companies, the usage of natural resource funds, subnational transfers, and EITI. Some of the questions capture both the legal and de facto compliance with transparency criteria. Results are coded into a 100 point Revenue Transparency score. It finds that 75% of cases (30 out of 41) are fairly opaque as they score less than 66 points. The index offers a valuable comparative tool that would provide a valuable baseline of performance in different countries, both to guide specific project interventions but also to advance scholarly research looking at the relationship between greater NR transparency and performance or improvement of development outcomes over time.

The complexity of measuring the “impact” question requires in all cases an effort to combine different measurement strategies: the validity or reliability of empirical data needs to be complemented with in depth interviews to understand the causal processes underlying impact. Conversely, empirical observations can be a useful way to correct or adjust any biases coming from the selection of different stakeholders.

V. Factors contributing to impact

Existing evaluations of *effective impact* usually run into two different problems. The first is an *attribution* problem, that is, the difficulty of identifying which are the most relevant factors to produce policy change: can reforms be associated with successful CSO activism or are there other intervening (structural, institutional) factors that can be credibly associated with facilitating (or blocking) effective impact. The second constraint for identifying impact is a *timing* problem, or the elapsed time between project intervention and observed or meaningful change. This problem entails a recognition that exist institutions, reforms or individual motivations that remain resilient over time or require a long term influence beyond the scope of project interventions.

Regarding the issue of attribution, there is often a weak link between specific donor initiatives and actual performance of TAIs. For example, indicators of stakeholder engagement or improved knowledge

⁴ We are especially grateful to our RWI colleagues for sharing this preliminary version with us, which will be officially launched on October 7, 2010.

do not necessarily map unto effective accountability. In an evaluation of EITI's Impact on the Transparency of Natural Resource Revenues in 2009, Rainbow Insight reported that the existence of EITI as a multi-stakeholder organisation, in which transparency could now be discussed openly, was itself a success story. It was argued that the introduction of EITI has made a major impact on the capacity of the public to analyse fiscal policy in many countries where natural resource revenues were previously classified as "state secrets" and were placed "off-budgets" (Rainbow Insight 2009). While increased public debate is cited as a sign of success, there are other implicit factors (such as stakeholder ownership and leadership) or institutional constraints (lack of accountability legislation) that could be outside the scope of project interventions but could be determinant factors to explain success or failure of TAIs. Similarly, a RWI pilot programme for parliamentary strengthening to improve EI governance in Africa builds on the assumption that increased awareness and knowledge of challenges in the extractives sector, would enable Members of Parliament to become more proactive at advocating and demanding greater transparency and accountability from the central government in the management of natural resources. While this assumption is partially correct, the contrast between the political systems in Ghana and Tanzania illustrates where this assumption is likely to produce an effective impact. Specifically, MPs acting in a competitive party system have greater incentives to use their increased knowledge to advocate and hold governments to account because their own political careers may be tied to positive outcomes; conversely in single party Tanzania, MPs appear to be less likely to transform their knowledge into greater activism nor are they willing to challenge the decisions of party central when it comes to defending greater transparency in the extractives sector (Mejia Acosta 2010). Thus, the evidence put forward suggests that it is necessary to systematically disaggregate the issue of attribution before drawing conclusions about effective policy impact of project interventions.

The second problem is whether there has been sufficient time elapsed between a specific ATI and its expected impact. Often, project evaluations are keen to evaluate impact even before sufficient time has elapsed to measure observable outcomes. Since its inception for example, the published Rainbow Insight report could not cite any specific country that had undergone a successful EITI validation experience, much less an effective disclosure of NR revenues for public use (Rainbow Insight 2009). Further, an overwhelming majority of the stakeholders interviewed did not believe that validation will be rapid in coming years, thus diluting the effective impact of TAIs over time. A similar experience has been registered in cases where TAIs are being implemented in territories that have not yet benefited from the extraction and transfer of natural resource revenues, so it is very difficult to evaluate effective impact in the management of wealth when there is no observed flow of natural resource monies yet (Arellano 2009).

An assessment of the Liberia EITI confirms the presence of these two challenges in terms of attribution and duration. While the LEITI validation has confirmed that there was effective multi stakeholder engagement during the validation process, "the ability of civil society to fully engage in the initiative, and fulfill the accountability goal of LEITI in the future, remains contingent on the capacity, funding and technical ability of civil society groups available to support the response of Liberian citizens to LEITI reports" (LEITI 2009). In particular, the report highlights that civil society groups could effectively advocate or facilitate feedback on behalf of rural communities most affected by the extractive industry but this task was challenged in the future given the absence of sufficient channels of communication or alternative –and institutional- policy influencing mechanisms.

Echoing this concern, Kolstad and Wiig have also argued in favor of considering the broader range of policy options and institutional context in which positive impact is expected to take place (2009). For example CSO actors can have a positive impact to reduce corruption if they also have the necessary

education to process information, have the motivation and resources to mobilise politically, and act in the context of stable institutions (Kolstad and Wiig 2009). Along the same lines, Tsalik has offered a useful account of how natural resource funds are likely to contribute to successful results in the context of strong democratic institutions with separation of powers (2003).

For example, there are virtually no evaluation studies that can demonstrate how process-driven dynamics can actually affect development outcomes, partly because of the difficulties of attribution, and partly because of the short time periods considered. A good exception is a paper that seeks to explain the mechanisms –or intervening factors- through which transparency can reduce corruption (Kolstad and Wiig 2009). The basic argument claims that it is not sufficient to make information available, but that a higher degree of media competition can ensure the good quality of available information; likewise, improved education can have a positive impact on people's ability to process available information, and finally, the appropriate political motivation and resources may empower individuals-ability to act on that information. Kolstad and Wiig look at the impact of transparency on natural resource growth to conclude that if transparency is important to alleviate the resource curse, it is due to an indirect effect because transparency attacks the underlying mechanisms that reproduce the resource curse, namely patronage and rent seeking (2009: 527).

At a different level, others have focused on political economy explanations for successful impact of TAIs, which often times are not directly related to project interventions. These explanations consider why some elected politicians are likely to block effective change, or are keen to maintain the status quo. In Tanzania for example, the RWI's parliamentary baseline highlights that in many cases, government MP's may be sympathetic to the please and demands for greater transparency and accountability, but they are unable to challenge the political leadership in their party or the government since their own political careers (ie. district nomination and future re-election prospects) depend on cultivating loyalty with the party leadership (Mejia Acosta 2009). This analysis also considers the impact of structural constraints on the agency of political entrepreneurs, which sometimes exceed the scope of project interventions. One such case is best illustrated by the case of Ghana, where MP's and CSO's have quite actively bargained to demand greater government transparency in the allocation of natural resource revenues, even to the point of uncovering alleged corruption scandals. While project interventions may contribute in a significant manner to improving the sector specific knowledge of these actors and facilitating their lobbying efforts, there are structural constraints that would undermine these TAIs. In this concrete case, alleged corruption scandals would arrive to the Attorney General but this person lacks the financial and political autonomy from the executive to carry out an independent investigation (Mejia Acosta 2009).

VI. Remaining knowledge gaps

This sector review has illustrated at least five different gaps in terms of evaluating the effective impact of Accountability and Transparency initiatives when it comes to the management of natural resource revenues:

The review highlighted a distinction between a process-oriented and an outcome-oriented understanding of that TAIs are expected to achieve. In the first case, TAIs are understood means to achieving improved development outcomes (growth, poverty alleviation); in the second case, ATI's tend to become an end in themselves (thus focusing on greater transparency as a proxy for improved natural resource governance). The review of the existing literature on "impact" tends to find experiences that are solely focused on processes, but less so on actual outcomes. ***Greater effort needs to be invested in determining casual linkages between project interventions and actual governance outcomes.*** This is

certainly a challenging practical and methodological problem, but this review has illustrated some useful pieces that discuss *the underlying mechanisms through which* a specific initiative (to improve transparency) can have a positive impact in alleviating resource curse problems, such as reducing the scope for patronage and rent seeking, or improving people's ability to *process and act on* newly generated information (Kolstad and Wiig 2009).

1. Another observed challenge is the ***difficulty of attributing impact during short time periods***, when the process under review have just began or are simply underway. The EITI is a case in point, since there are only 2 countries that have achieved complete validation (Azerbaijan and Liberia) from a total pool of 22 countries that are EITI candidates. The importance of timing to observe impacts is particularly relevant in parliamentary arenas for example, where the process for introduction, discussion and adoption of new legislation can be quite unpredictable. The challenge is then *to develop more realistic expectations as to what can be accomplished in terms of ATI's in a relatively short period of time* since implementation, and be explicit as to what kind of outcomes can be observed in the duration of project interventions.
2. Another challenge is to shift the ***focus away from revenue generation and begin to focus on the allocation and use of government expenditures*** that come from natural resource wealth. The logic is that projects interventions on EITI for example, could also focus more concretely on social outcomes such as health, education or even the allocation of cash transfers. In the words of Rainbow Insight, "the aim of the EITI is to ensure that *citizens can reconcile what comes into their economy (the revenue side) with government accounts (the expenditure side)*, so that both industry and the state become more accountable to those who should ultimately benefit from the nation's resource endowment." (Rainbow Insight 2009)
3. An interesting "finding" of this review is to verify that there are very vague or tacit references to the importance of sanctions for ensuring effective impact of TAIs. In other words, the question that needs answering is what happens when government officials refuse to be accountable for their actions vis-à-vis the citizenry? The different schemes of global governance offer different answers to this question. At the more open ended side, there is the KPCS because it advocates for voluntary membership without enforcing any kind of reprimand to those governments that face significant implementation failures (Global Witness 2006). At the stricter end, initiatives like PWYP establish several layers of sanctioning mechanisms that range from domestic sanctions imposed by citizens, to informal industry sanctions (peer mechanisms), to donor conditionality and the challenge of individual investors and fund managers who demand greater transparency in order to invest. The future challenge is then *to identify the appropriate set of institutional and reputational sanctions that make non compliance more costly for governments*.
4. Most of the existing efforts to evaluate effective impact have sought to understand how project interventions produced –or not- the desired governance impact. Yet, from an evaluation standpoint, ***greater effort needs to be done to document and propose alternative strategies to overcome motivational, institutional and structural constraints that directly undermine project interventions***. There is a growing number of works that have accurately identify the impact of intervening factors in the fight against corruption (Kolstad and Wiig 2009), the importance of broader political institutions such as the division of powers or a stronger judiciary (Olcer 2009, Tsalik 2003).

5. The existing literature illustrates an increasing trend to use ***combined research methods to document effective impact***. The conventional approaches have tended to rely on expert open interviews with key stakeholders, but this strategy presupposes some inevitable judgment biases and unrepresentative opinions. This strategy has been complemented with the use of survey analysis to cover a wider range of stakeholders and ensure the validity and reliability of responses for statistical analysis. Additionally, there have been efforts to document hard performance indicators such as fiscal transfers, or poverty indicators in an attempt to link TAIs to development outcomes. Greater efforts are needed to *produce reliable, up to date and user friendly datasets that allow a better assessment of project interventions through quantitative and qualitative methods*. One recent effort represents the RWI's Index which surveys 39 countries to measure the transparency of government revenues from the extractive sector: oil, natural gas and minerals (RWI 2010). Assessment efforts have called for a greater need to produce sub national data, expenditure information and in general, improved criteria to develop Key Performance Indicators (KPIs).

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