

The Impact and Effectiveness of Accountability and Transparency Initiatives: The Governance of Natural Resources

Andrés Mejía Acosta*

The rapid growth in the past decade in transparency and accountability initiatives (TAIs) in the extractive industries sector reflects attempts to devise institutional mechanisms to make governments accountable for the extraction, allocation and use of revenues that, if well invested, could alleviate socio-economic inequalities among citizens. Understanding and measuring the impact and effectiveness of these initiatives is a matter of proposing and empirically validating a causal link between interventions and governance improvements. To do this requires improved data collection, reporting and analysis; a stronger focus on the allocation and use of government expenditures that come from natural-resource wealth; and a better understanding of importance of incentives and sanctions for ensuring effective impact.

Key words: Natural resources, transparency, accountability, impact, EITI, extractive industries

1 Introduction

This article offers a critical review of the existing literature aiming to understand and measure the impact and effectiveness of transparency and accountability initiatives (TAIs) in the extractive industries sector. The term Natural-Resource Governance (NRG) is used for the set of strategies for improving transparency and accountability in the management of natural resources. The range of initiatives covered includes licensing, exploration, contracting, extraction, as well as revenue generation and allocation of natural-resource revenues, and the relevant actors involved include governments, private companies, non-governmental organisations, the media and civil society in general. In this review, the range of 'natural resources' refers to the governance of non-renewable resources (oil, gas, minerals and metals). This is not to ignore the importance of and controversies around the management of fisheries, land or water, which have been well documented by the specialised literature. Yet, over the past decade, the proliferation of 'global governance' initiatives has, for the most part, focused on the former, starting with the creation of the Kimberley Process Certification Scheme (KPCS) in 2003 and continuing with the Global

*Fellow in the Governance Team at the Institute of Development Studies, University of Sussex (A.MejiaAcosta@ids.ac.uk). He wishes to acknowledge, without implication, the valuable support and insightful comments of Greg Barrett, Ruth Carlitz, John Gaventa, Rosie McGee and Sefton Darby.

Witness/Publish What You Pay (PWYP) Coalition and the Extractive Industries Transparency Initiative (EITI). Other bilateral and multilateral donor organisations have geared their efforts to improving transparency and accountability in the management of oil, minerals and gas. The transparent management of the forestry sector is perhaps a unique case of a renewable ‘natural resource’ that has attracted the attention of global governance initiatives, and it has been incorporated as one key sector under the Liberia EITI (Blundell, 2008).¹

The increasing interest in the transparency and accountability of the extractive sector forms part of a renewed governance agenda that has an effect on global and domestic arenas. At the global level, the transparency and accountability (T and A) agenda seeks to alleviate the negative impact of the global financial crises and promotes a greater balance between conventional and alternative sources of energy. The presence of emerging powers in the global economy, represented by the BRIC (Brazil, Russia, India and China) and G20 countries, is likely to shift the governance arena away from the traditional forms of economic and political power exerted by the G8 nations. The spread of a globalised movement for social change and improved government accountability will increase the demand for greater government transparency and accountability in the management of public finances and scarce resources. At the national level, the increased need for improved transparency and accountability in the extractives sector will act in a context where state-owned, not private, enterprises will be the main stakeholders for contracting, extraction, production and revenue allocation of natural resources. These global changes are likely to challenge and reshape the underlying principles and the shape of governance institutions for the management of natural resources (Darby, 2010: 14).²

This article is structured in six parts. After this introduction, Section 2 offers a brief overview of how different TAIs came into being and some common features and challenges. Section 3 discusses what is generally understood as NRG in the extractive sector, looking at specific understandings of effective TAIs. A critical issue here is the distinction between TAIs conceived of as the means to achieve a further end (i.e. to disclose contract information to ensure a fair distribution of rents), and TAIs conceived of as the ends in themselves (i.e. to promote greater participation of civil society). Although the intention 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 less about the outcomes it produces. This Section also discusses existing knowledge regarding theories of change in the management of NRG. Section 4 looks at the evidence of impact, including a brief discussion of existing approaches and challenges for measuring effective impact of TAIs, using quantitative and qualitative analysis. The next section documents in greater detail the intervening factors that are perceived as being critical to producing the desired change, and when the change actually takes place. The last part discusses some remaining gaps in the literature but also in donor approaches to TAIs that deserve policy attention in the future.

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1. Global Witness has also had a significant impact on promoting global governance initiatives in the forestry sector.
 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 which contain nearly 40% of the world’s population (China, India and Indonesia).

2 Origin and evolution of TAIs 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 (Collier and Hoeffler, 2004; Karl, 1997; Ross, 1999). The academic literature identified the paradox of resource-rich countries growing at similar or lower rates than non-resource-rich ones (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 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 (Auty, 2001; 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 rent-seeking government practices (Mehlum et al., 2006; Moore, 2004). The challenge at hand was to devise institutional mechanisms that would make governments accountable for the extraction, allocation and use of revenues that did not come from taxation. The specialised literature focused on the political and institutional mechanisms that may contribute to alleviating the curse in resource-rich countries (Humphreys et al., 2007; Mehlum et al., 2006; Robinson et al., 2006). The imperative for effective and efficient spending is greater, given that abundant natural-resource revenues are likely to be transient in time, but the needs of the most vulnerable are urgent and widespread.

The significant increase in commodity prices since the mid-2000s produced a corresponding increase of government revenues for traditional and emerging resource-rich countries. The unexpected wealth created a dramatic gap between citizens’ expectations of improved living conditions and greater economic opportunities, and the actual governance and technical and bureaucratic capacity of sovereign states to meet development challenges and get the most out of natural-resource wealth. Many of these states were found unable or unwilling to monitor and regulate the activities of extractive companies and safeguard the well-being of their citizens (Darby, 2010). Although existing international institutions such as the UN, the World Bank and the IMF recognised the need to regulate the exploitation of non-renewable natural resources, the commodities boom highlighted a plethora of economic, environmental, security and human-rights problems that lacked appropriate national or international regulation frameworks (2010: 14).

The need to improve transparency and accountability in the management of natural resources became an important part of the global governance agenda (Darby, 2010). Although some initiatives had been created much earlier, the commodities boom enhanced the relevance of these T and A efforts. These initiatives sought to improve the governance of natural resources through empowering civil-society actors, promoting greater transparency and timely disclosure of government information, and creating multi-stakeholder monitoring bodies. One of these 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 finance

the wars they wage against the state. The KPCS seeks to establish minimum requirements so that member countries can certify the trade in diamonds as ‘conflict-free’. As of December 2009, the KPCS had 49 members representing 75 countries. While a proper impact evaluation would be difficult to carry out, given the technical and widespread nature of the diamond trade, it is argued that the KPCS has had an effective impact in reducing the funding of military activities with the sale of illicit diamonds. Yet, its success remains contested, since the KPCS has failed to prevent some governments from making illicit use of diamond wealth in the past (Global Witness, 2009).

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 organisations, and is conceived of as a standard for monitoring compliance with contract-disclosure and revenue-transparency criteria 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 May 2012, 15 countries had achieved validation status and 21 have candidate status.

Although different in nature, some relevant TAIs are hosted by the International Council on Mining and Metals (ICMM), which is a private association that represents the interests of mining companies but has also developed a series of standards and reputational sanctions to effectively monitor and improve the performance of the mining and metals industry.³ Established in 2001, it convenes 20 mining and metals companies as well as 30 national and regional mining associations and global commodity associations. Council members work with a broad range of international and domestic stakeholders to address development challenges by maintaining their social and environmental responsibilities and upholding T and A commitments. The ICMM has been committed to supporting the EITI principles since 2003 and has adopted its own Resource Endowment Initiative (REI) to promote greater transparency of mineral revenues that ‘extends beyond the scope of EITI’ (International Council of Metals and Mining, 2009). Some of the alleged effectiveness of the REI comes from the fact that sanctions for compliance are explicitly stated and enforced. For example, private companies acquire membership status through a rigorous review process that takes into account business information and compliance with established ICMM standards (International Council of Metals and Mining, 2011).

These initiatives share important commonalities but also highlight important differences in their approach to promoting improved NRG. They all promote the voice and participation of multiple stakeholder groups (government officials, media and civil-society representatives and members of private companies). What these initiatives fail to recognise explicitly is that these actors have different capacities to effectively influence and implement the T and A agenda. For example, a recent study revealed that CSO engagement with the EITI process tended to occur during early stages of the process, including the design and selection of governing bodies, but survey respondents felt that CSOs had weak, unclear or inadequate involvement in subsequent stages of the EITI validation process (Mainhardt-Gibbs, 2010).

3. <http://www.icmm.com/>

A second characteristic is that most of these initiatives are organised around some form of voluntary membership, but they have different criteria for admission and not always explicit ‘sanctions’ for failing to comply with agreed standards. The most ‘open-ended’ scheme is the KPCS which establishes a voluntary peer review process, whereby members of its 75 states visit other countries to evaluate existing procedures for the trade, import and export of diamonds. Although non-compliant members could in principle be expelled from the KPCS (Global Witness, 2006), the credibility of the scheme to effectively promote co-operation and in-country monitoring is compromised by the fact that no country has yet been expelled, despite ‘significant implementation lapses’. Other initiatives like EITI and PWYP require member countries (and private companies in the case of ICMM) to meet a series of ‘validation’ requirements to acquire membership status. Finally, there are additional layers of ‘external’ validation that ensure compliance with TAI standards (in EITI, for example), that could be made effective 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). There is much need for developing empirical evidence about the factors that help explain compliance with existing TAI standards and how compliance would contribute to improved governance of the extractives sector.

The next Section explores existing expectations about effective TAIs, what they seek to achieve, what is their implicit or explicit model of change, the factors that cause the change and the remaining gaps in terms of policy and research agendas.

3 Expected impacts: underlying theories of change and prevalent assumptions

Existing TAIs in the extractives sector seek to advance to sequenced but different goals: a) to improve *the processes through which* actors and institutions can effectively bring governments to account and b) to effectively contribute to better *development outcomes*, such as a more egalitarian distribution of wealth and better socio-economic conditions or poverty alleviation. Most of the TAIs surveyed for this study have an explicit concern with improving development outcomes, and an indirect concern with improving the democratic conditions and practices that contribute to their realisation. In practice, the different TAIs are substantively directed at improving *governance processes* around natural-resources management, such as promoting the inclusion and active participation of stakeholders, demanding the public disclosure of government accounts or working to ensure the commitment of political elites. In this sense, existing TAIs are likely to produce tangible democratisation goals in addition and prior to producing favourable developmental effects.

Most assessments of the effective impact of TAIs share a common concern with understanding the final level of the causal chain, that is, the long-term benefits of improving T and A. A generous definition of impact, provided by the Evaluation Network of the OECD’s Development Assistance Committee, is the ‘positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, development or unintended’ (White, 2010: 154). Yet a rigorous definition of impact should address the issue of whether a specific intervention was critical to producing the desired impact (compared with the counterfactual case of non-intervention). In other

words, a full evaluation of impact should attempt to make a causal link between the observed changes in outcome indicators and the critical presence of an intervention (White, 2010). Applied to the extractives sector, many of the existing efforts have sought to understand the impact of project interventions on *governance processes*, but little is known about the expected impact of TAIs on improved *development outcomes*. More importantly, existing TAIs lack robust theories of change to explain how improved governance processes are causally linked to improving effective development outcomes. For example, there are multiple TAIs (including EITI) that aim to encourage the timely disclosure of revenues accrued from the extractives sector with the expectation that greater budget transparency will reduce discretionary government spending or minimise the spaces for rent-seeking (i.e. improved budget governance). And although there are multiple indicators showing a country ranking of budget transparency, when it comes to the management of natural resources, there is no conclusive evidence to show that project interventions have contributed to improved fiscal performance or better income redistribution. The following paragraphs address these two challenges: defining outcomes and attribution.

3.1 What is ‘improved natural-resource governance’?

The TAIs that were surveyed for this article suggest that there is broad convergence on what is meant by ‘good’ NRG, but there is wide variation on the factors that are perceived to contribute to such *outcomes*. Most TAIs focus on process-driven outcomes such as increasing the participation of CSOs, promoting disclosure of contracts, and demanding increased revenue transparency. The underlying assumption is that such efforts will have a positive 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). Other initiatives looking at the role of CSOs in promoting NRG have focused on the presence of ideal attributes such as inclusiveness, transparency, independence, and accountability. This is the case of a Bank Information Center survey of civil-society participation in the EITI in 2009 (Mainhardt-Gibbs, 2010). This civil-society approach has been expanded to promote government accountability in the forestry sector (Global Witness, 2009a, b).⁴ These approaches geared to strengthening civil-society engagement represent the large share of existing initiatives, a finding that is consistent with another study which claims 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 T and A (Darby, 2010: 6).

However, most TAIs fail to address the causal mechanisms (and obstacles) through which development outcomes are likely to materialise (or not). At best, some studies suggest that TAIs such as EITI are likely to make ‘indirect contributions’ to good-governance outcomes by a) establishing an emerging standard that is agreed to by domestic governments and corporations, b) providing a policy platform to encourage multi-

4. 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 8 countries, the first 4 of which are Liberia, Peru, Ghana and Cameroon.

stakeholder dialogues, and c) creating international networks of civil servants, corporate executives, CSO activists and development practitioners with shared standards and commitment to good NRG (Rainbow Insight, 2009).

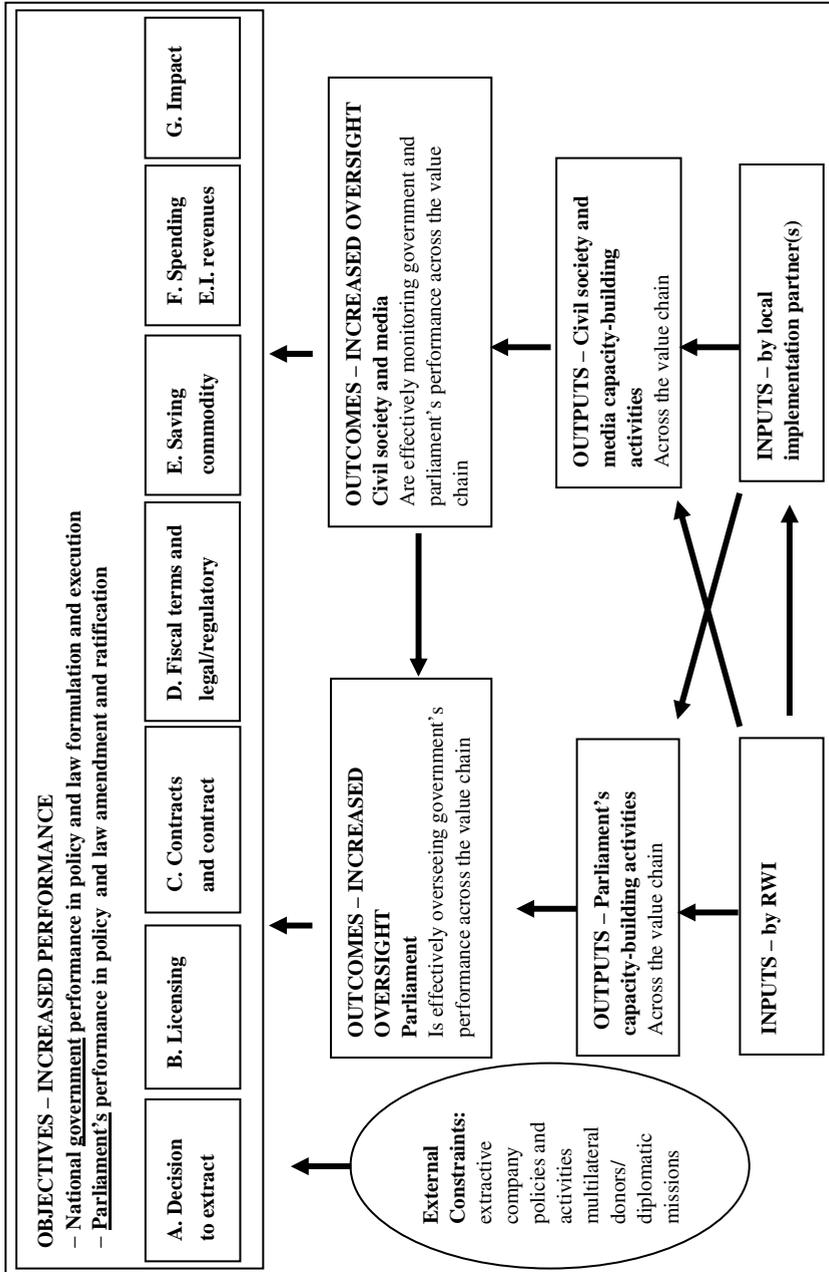
This discussion does not seek to undermine the validity and value of defining intermediate outcomes in the process of achieving natural-resource governance. Rather, it is a call for managing donor and country expectations to specify what exactly is understood as a successful project intervention (i.e. improving budget transparency) and improving the methods for measuring success (i.e. a budget transparency index).

3.2 Understanding attribution: theories of change

The second challenge is to propose and empirically validate a causal link between project interventions and discernible governance improvements. At a macro level, there are explanations of ‘how impact takes place’ by looking at cross-national large-n studies to explore how the presence of some attributes in each country (greater CSO participation, improved budget transparency) appear to be associated with better development outcomes (lower perception of corruption, improved HDI indicators). Few studies highlight the importance of key intervening variables to produce the expected or desired outcomes. For example, Kolstad and Wiig argue that CSO actors can have a positive impact of reducing corruption if they also have the necessary education to process information and the motivation and resources to mobilise politically, and act in the context of stable institutions (Kolstad and Wiig, 2009). Along the same lines, Tsalik (2003) has argued that natural-resource revenues are likely to contribute to good development outcomes when these are managed in the context of strong democratic institutions with separation of powers. Yet, even when these empirical works have identified some necessary preconditions to ensure a positive impact of transparency on development outcomes, they have not focused on the causal processes or mechanisms through which change actually takes place.

The development of an impact-evaluation assessment requires understanding the underlying causal chain that connects the inputs to outcomes and impacts. It is then feasible to understand how specific project interventions will affect the causal factors leading to good outcomes and effective impacts (White, 2010: 158). In other words, an evaluation of impact needs to specify and build on an explicit theory of change to understand how to effectively improve NRG. There are very few explicit efforts to map out the causal links leading to improved transparency and accountability of the extractives sector. A valuable exception is the Revenue Watch Institute’s ‘value chain approach’ (Figure 1). This understands that there are different stages along the value chain of extractive industries, including the decision to extract, licensing, disclosure of contracts, extraction of fiscal revenues, savings, and quality in the allocation and spending of revenues (stages A to G, c, 2008). It then acknowledges the different roles that civil-society organisations, the media and Members of Parliament can play to oversee the governments’ commitment to greater transparency and accountability in the management of natural resources (outcomes). Based on these assumptions, the proposed project interventions seek to promote multi-stakeholder country dialogues through specialised workshops, capacity-building and knowledge-sharing activities, and policy advocacy (lobbying) efforts (inputs). The expectation is that such activities will mount additional pressure on elected politicians to directly respond to accountability demands or to hold governments accountable (outputs).

Figure 1: Proposed model of change for RWI's Parliamentary pilot projects



Source: RWI (2008).

Notwithstanding its value, the proposed model of change could also discuss in more explicit terms the conditions under which the project interventions are more likely to bear fruit. For example, the model recognises a series of constraining factors that will undermine the effectiveness of interventions (including the role of extractive industries and donor agencies). However, a more thorough discussion should include the positive and negative contributions of additional stakeholders. In addition, the model could incorporate an explicit discussion of the motivations and resources that stakeholders have to hold governments to account or to remain accountable themselves to other stakeholders. This would include a discussion of how different institutional configurations are likely to facilitate (or constrain) an improved oversight in the management of natural-resource revenues, regardless of project interventions. These additional factors contributing to effective impact will be discussed in the sections below.

4 Evidence of effectiveness and impact

The previous section highlighted how few systematic attempts are made to explain how greater T and A may lead to improved governance outcomes. Yet, a far more difficult task is to demonstrate the effectiveness of such impacts. In other words, the challenge is to show that the presence of a critical project intervention was decisive in producing impact or that no impact was observed in the absence of such a variable. This type of impact evaluation would require a systematic comparison between different groups (some that received the intervention vs. those that did not), or the use of a baseline to compare the outcomes before and after the presence of an intervention (White, 2010). The use of quantitative data is, in principle, the most accurate way to assess the direction and magnitude of impact while avoiding biases inherent to the measurement process. This approach has received insufficient attention, however, in the evaluation of extractive TAIs, partly owing to the lack of clarity in determining what the impact variable is about (processes or outcomes?), and partly because of the lack of systematic data to capture project interventions (number of beneficiaries, allocation of funds, etc.).

As a result, the most recurrent way to evaluate impact is through qualitative methods, such as conducting expert interviews with key stakeholders responsible for the implementation of, or directly benefiting from, TAIs. Key stakeholders include EITI Board members, industry executives, elected and non-elected public officials, and members of the local and global civil society. 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 Kimberley Process (Global Witness, 2006). These evaluations tend to provide direct or indirect evidence of the positive effect of TAIs on improved governance outcomes, generally reflected in improvements of governance processes, such as increased participation of stakeholders or greater disclosure of data. One advantage of this direct approach is that stakeholders are the best source to provide qualitative insights into controversial issues and to identify whether a programme intervention was successful or not. These evaluations are not exempt, however, from reproducing the judgement biases of the authors or the evaluating organisations that sponsor such studies. A common concern is the problem of ‘endogenous assessment’ when the effective impact of TAIs 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 Secretariat, 2010), (b) where donor agencies or governments themselves do not enable access to all of their project information (BIC and Global Witness, 2008), or (c) where ‘negative’ or unexpected lessons do not get disseminated or properly discussed. There are also contradictory pieces of evidence when, for example, in an evaluation of the Kimberley process, there is the reported ‘success’ of allowing voluntary membership into the scheme, and the prevalence of member countries that do not receive any kind of sanction when they incur ‘significant implementation lapses’ (Global Witness, 2006).

A related but systematic format to evaluate impact is through the use of questionnaires to assess affected stakeholders or programme beneficiaries (Mainhardt-Gibbs, 2010). A recent Assessment of Civil Society Involvement in Liberia uses a similar approach to demonstrate an effective impact of TAIs on governance outcomes (LEITI, 2010). The use of systematic questionnaires is usually more expensive and time-consuming, and therefore is not as common among the studies surveyed. But the data generated in this form are usually better validated by a greater number of respondents, assuming the surveyed sample is sufficiently representative. Another challenge is the difficulty of making inferences about effective impact in the absence of a baseline evaluation, or when the group of survey respondents at the end of the project is different from those identified at the beginning.

Existing evidence of effective impact is also likely to increase as countries are exposed for longer periods to TAIs. In the case of EITI’s inception processes, evidence was scant in 2009 when the 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). By 2011, ten countries had become EITI-compliant, thus expanding the scope and time period to evaluate the impact of TAIs on observable governance outcomes. Evidence of the impact of TAIs is also limited or inconclusive in cases where territories have not yet benefited from the extraction and transfer of NR revenues (Arellano Yanguas, 2009).

There are recent valuable efforts to collect and organise large comparative datasets to document country efforts to improve the governance of natural resources. In 2010, the Revenue Watch Institute produced a first effort to measure and compare the extent to which governments make available information about the payments received for the exploitation of oil, gas and minerals (RWI, 2010). The *RWI Index* surveys 41 countries including advanced industrial democracies such as Norway and the United States, and evaluates the availability of information in seven key areas of NRG, including access to resources (including data on contracts and licensing), revenue generation, institutional setting, state-owned companies, the usage of NR funds, sub-national transfers, and EITI status. Some of the questions capture both the legal and *de facto* compliances with transparency criteria. Results are coded into a 100-point Revenue Transparency score, which finds that 75% of cases (30 out of 41) are fairly opaque, since they score less than 66 points. The index offers a valuable comparative tool that would provide a useful baseline of performance in different countries, both to guide specific project interventions and also to advance scholarly research looking at the relationship between greater NR transparency and performance or improvement of development outcomes over time. What the index does not yet do at this point is provide a comparable base to evaluate governance improvements over time, for example, in countries that are EITI-compliant against those that are not.

Aaronson has compared EITI candidate countries with non-EITI countries when it comes to reducing perceptions of corruption, enhancing voice and accountability and improving the business climate (Aaronson, 2008). The study shows a positive association between EITI candidate countries with enhanced accountability and an improved business climate, but the association between perceptions of corruption and EITI status is inconclusive. Other studies actually suggest that reduced perceptions, as well as control, of corruption are worse in EITI countries compared with non-EITI countries. Furthermore, there is an observed deterioration of World Bank Governance Indicators in all resource-rich countries (Olcer, 2009). These findings call for further research to explore existing levels of corruption in resource-rich countries, and the various countries' willingness to become EITI candidates.

As will be discussed in the concluding Section, an effective assessment of impacts requires understanding the causal processes underlying impact, by combining the reliability of comparable quantitative data with the validity of in-depth interviews.

5 Factors contributing to impact

The literature surveyed documents a multiplicity of factors associated with the effective impact of TAIs. The previous section and the concept article in this volume have discussed some of the challenges for establishing causality of impact; for that reason, this Section discusses impact factors in associational not causal terms, unless explicitly stated. The following impact factors relate to specific policy interventions or the adoption of institutional reforms; others are related to individual knowledge and motivations, and others to pre-existing institutional or structural constraints that go beyond the scope of T and A project interventions.

A recurrent factor associated with improved governance of the extractive industries sector is the relevant country's commitment and actions towards increased transparency. Kolstad and Wiig (2009) document that increased budget transparency is associated with a reduction of perceptions of corruption. The main virtue of their article is their attempt to explain the *mechanisms through which* transparency can reduce corruption. The basic argument claims that it is not sufficient to make information available to improve transparency, but rather the presence of three intervening factors is essential: a higher degree of media competition that can ensure the good quality of available information; improved education scores, which have a positive impact on people's ability to process available information; and the appropriate political motivations and resources to empower individuals' ability to act on that information. The authors conclude that, if greater transparency is key to improving the governance of NR revenues, this is due to an indirect effect because transparency undermines the underlying mechanisms that reproduce the resource curse, namely, patronage and rent-seeking incentives (Kolstad and Wiig, 2009: 527).

More recently, Williams (2011) has documented the positive effect of transparency (measured as a country's willingness to release information on fiscal transactions) in minimising the threat of a resource curse. While the long-standing relationship between resource abundance and reduced economic growth has been confirmed, Williams argues that it is the lack of transparency, rather than abundant resource revenues *per se*, that may

explain delayed economic growth. Others have documented the association between increased government transparency and improved human development indicators (de Renzio et al., 2009).

An often cited factor contributing to improved NRG refers to the active citizen engagement in the design and implementation of TAIs. Yet, existing evidence and indicators of stakeholder engagement or improved knowledge usually – but not necessarily – map on to effective accountability. In its evaluation of EITI's Impact on the Transparency of NR Revenues in 2009, Rainbow Insight reported the EITI process as an example of a success story, a multi-stakeholder initiative in which transparency issues could be openly discussed. It was argued that the introduction of EITI had made a major impact on the capacity of the public to analyse fiscal policy in many countries where NR revenues were previously classified as 'state secrets' and were placed 'off-budget' (Rainbow Insight, 2009).

While increased public debate is cited as a sign of success, there are other associated factors that could undermine the success of TAIs, such as the lack of stakeholder leadership, the exclusion of key social actors, or pre-existing institutional constraints such as weak accountability and oversight institutions. An assessment of the Liberian EITI validation process confirmed that, although it promoted the effective engagement of multiple stakeholders, '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.

An evaluation of a RWI pilot programme for parliamentary strengthening to improve EI governance in Africa also highlights the importance of structural and institutional constraints. The programme is built on the premise that increased awareness and knowledge of key stakeholders (Members of Parliament, civil-society representatives and media outlets) about the main technical issues and relevant challenges in the management of natural resources would enable them to actively advocate and demand greater T and A from the central government. While this assumption is partially correct, the contrast between party-system competition in Ghana and Tanzania is likely to affect the willingness and effectiveness of stakeholder engagement in each country. Specifically, MPs acting in a competitive (multi-) party system have greater incentives to use their increased knowledge to advocate and hold governments to account because their own electoral prospects may benefit from delivering greater transparency outcomes to voters. Conversely in CCM party-dominated Tanzania, MPs appear less inclined to transform their knowledge into greater activism, nor are they willing to challenge decisions of the government party on issues of NR transparency, if they perceive that greater activism may jeopardise the future of their own political careers (Mejía Acosta, 2009). The example simply illustrates that stakeholders' advocacy and engagement incentives not only depend on the effectiveness of TAIs but are also mediated by the institutional structure in which they operate.

Political institutions are also key to ensuring the effectiveness of TAIs. Some studies have documented the positive impact of existing political institutions such as an effective

division of powers or a stronger independent judiciary to ensure government transparency and sanction deviations from the expected rule (Olcer, 2009; Tsalik, 2003). In Ghana, for example, MPs and CSOs have worked actively to document and denounce alleged government corruption scandals in the allocation of NR revenues before the country's anti-corruption authority, the Attorney General. The alleged cases, however, are not likely to prosper if the oversight agency lacks the financial, technical and political autonomy to carry out an independent investigation on government operations (Mejia Acosta, 2009). It is recommended that these structural factors are considered in the design of future TAIs in order to maximise their expected impact or anticipate potential limitations.

6 Remaining knowledge gaps

This sector review illustrated five different knowledge gaps for evaluating the effective impact of TAIs for an improved management of natural resources. The first gap relates to the lack of explicit theories of change to understand how to improve the T and A of the extractives sector. This article discussed how evaluations of effective impact would need to spell out clearly the underlying causal links between project interventions, outcomes and impacts. At a substantive level, developing more accurate theories of change entails a thorough knowledge of the factors, motivations and institutional variables that may hinder or facilitate improved governance of the extractives sector, based on previous evaluations and existing comparative evidence. As illustrated in this review, a theory of change will not be complete if, for example, it does not take account of the different motivations of stakeholders acting in more or less democratic settings, or consider the positive intermediate effect that high literacy levels have on the ability of citizens to understand transparency indicators.

At a methodological level, developing accurate theories of change entails making clear distinctions between the improvement of governance processes (greater participation of stakeholders, greater disclosure of data, etc.) and improved outcomes (improved transparency legislation, improved income distribution). As illustrated in this review, developing a causal chain is often a useful way to map out the different stages along which desired impacts are expected. The ultimate goal of a theory of change is to help the research and subsequent project interventions to move gradually away from identifying *contributing* factors and towards being able to identify what share of the observed change (impact) can be *attributed* to the presence of a specific variable or project intervention.

The second gap has to do with the need to improve data collection, reporting and analysis to avoid inevitable judgment biases and unrepresentative opinions. There is a growing set of studies and data-collection efforts to produce reliable, up-to-date and user-friendly datasets. These efforts deserve greater attention and increased donor support. In the case of EITI, Rainbow Insight has advocated the construction and maintenance of Key Performance Indicators (KPIs) that would link specific project interventions with outcome variables. The adoption of these benchmarks has been suggested to the EITI Board and Secretariat by a 2009 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.). Recently, the Revenue Watch Institute has made a valuable effort to measure and compare the extent to which governments in 41 countries make available information about payments they receive for the exploitation of oil, gas and minerals (RWI, 2010). As discussed, the composite index evaluates the availability of information in key areas of NRG, including access to resources (including data on contracts and licensing), revenue generation, institutional setting, state-owned companies, the usage of NR funds, sub-national transfers, and EITI. The *RWI Index* is a useful comparative tool to inform the design of future TAIs, as well as to advance scholarly research on the links between transparency and development outcomes over time.

Systematic efforts in country data collection at both the national and sub-national level, also deserve greater attention. Although the method of organising systematic questionnaires for key stakeholders or beneficiary populations is expensive, time-consuming and technically demanding, it is perhaps the most effective way to generate detailed and valid data on causal processes, document impacts and areas for improvement. It is also important to collect this type of qualitative data for baseline and different points in time with the purpose of evaluating change over time.

A third knowledge gap is the need to shift the focus away from revenue generation and begin to focus on the allocation and use of government expenditures that come from NR wealth. The existing focus of TAIs such as EITI, for example, could be directed more concretely on the delivery and quality of 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). Important advances could be made in this regard by a direct linkage between natural-resource and budget transparency. The International Budget Partnership has made some progress in this regard by producing specialised reports of budget monitoring of the extractive industry.

A fourth gap relates to the need to explore, in greater detail, the importance of incentives and sanctions for ensuring effective impact of TAIs. This review has found very vague or implicit references to the question of what happens when government officials refuse to be accountable for their actions vis-à-vis the citizenry. Existing governance schemes offer different answers to this question. On the more open-ended side, the KPCS advocates 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. In the future, it would be useful to assess the comparative value of private-sector initiatives to advance T and A efforts. One such example is the International Council on Mining and Metals (ICMM), established in 2001 to act as a catalyst for performance improvement in the mining and metals industry. The ICMM convenes 20 mining and metals companies as well as 30 national and regional mining associations and global commodity associations. ICMM members work to address development and environmental challenges through upholding transparency and accountability commitments. Member compliance is ensured through a

rigorous review process that takes into account business information and past compliance with established ICMM standards. In this sense, private-sector initiatives may help inform the design of appropriate institutional and reputational sanctions that make non-compliance more costly for governments.

A fifth knowledge gap in the extractives sector is imposed by the relatively short period of time since the inception and implementation of TAIs. From an evaluation standpoint, it is difficult to assess the effective impact of TAIs when countries are in the midst of EITI validation processes, expected benefits have not yet reached local or regional beneficiaries, or revenue flows are still controlled by central-government planners. The legislative arena offers another area of uncertainty, given that the process of introduction, discussion and adoption of new legislation can be quite unpredictable, making it difficult to attain observable impacts. This challenge can be partly overcome with the passing of longer time periods and improved datasets to enhance the accuracy of evaluations. But more importantly – and this comes back to the central point of this article – it begs for greater conceptual clarity on the existing theories of change. A clearer conceptual mapping should help explain which TAIs are expected to improve governance outcomes in the extractives sector in different countries at different points in time. In the short run, TAIs can and should develop more realistic expectations as to what can be accomplished in terms of improved governance in a relatively short period of time.

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