EITI Strategy Working Group (SWG) meeting, April 11/12, 2012 Report from Working Group on Theory of Change (WGTOC)

1. **Objective of the WGTOC**\(^1\) – what will be different as a result of this work?
   - EITI will be able systematically to demonstrate **evidence of impact** and **effectiveness** globally and in implementing countries, based on common and country specific indicators and results framework(s).
   - The shape and **design** of EITI in future – based on the work of the SWG – will be informed by an explicit, evidence-based Theory of Change (ToC).
   - Implementing countries and EITI internationally will be able to select **linkages** to other initiatives based on an explicit ToC.

2. **Background on methodology and process for the WGTOC**
   To achieve the objectives stated above, the WGTOC will provide ToCs including causal links, assumptions and evidence on change, drawing on:
   - existing literature
   - an international EITI ToC deducted from the EITI principles (see section 3)
   - examples of ToCs in countries (see annex 3)

Working with the existing examples the WGTOC will identify evidence gaps and propose means to fill them. The work will be summarised into a proposals for an EITI TOC for the SWG and EITI Board to consider.

The WGTOC will coordinate its work with other processes relating to results frameworks for EITI. These include:
- MDTF work on results chains
- GIZ pilots on Impact Evaluation Schemes (IES)
- IDB work on correlation between EITI and the enabling environment for investment
- others

Definition of ToC:
A theory of change is a **results-based management tool**. It describes causal links between impact outputs and outcomes/results (see Annex 1).

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**Fig. 1 linear ToC describing causal links from inputs to impacts**

“The process through which programme inputs lead to outputs, and outputs covert to the outcome and Impact, often remains opaque (‘the black box’ of the change process)”\(^2\).

The ToC helps to articulate this process and its theoretical foundations. It provides the basis to elaborate indicators relating to outputs, outcomes and impacts to make the expected change measurable.

In reality causal paths can be multiple and complex rather than linear as above (see annex 3 for further explanation on the possibilities for illustration). EITI implementation is by nature a complex process, involving a variety of different stakeholder groups. Therefore applying an

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\(^1\) ToRs for the WGTOC including proposed methodology are at Annex 2.

EITI TOC to a specific country case is an iterative process which requires regular revisiting to refresh programme design. Whichever format is chosen to illustrate the ToC, the underlying principle of a ToC needing to understand the causal path from inputs to processes to outputs to outcomes to impact, with the underpinning assumptions, remains the same.

3. What does the history of EITI tell us about its TOC?
When EITI was established, the EITI Principles and Article of Association 2.2 encompassed a TOC: “The objective of the EITI Association is to make the EITI Principles and Criteria the internationally accepted standard for transparency in the oil, gas and mining sectors, recognising that strengthened transparency of natural resource revenues can reduce corruption, and the revenue from extractive industries can transform economies, reduce poverty, and raise the living standards of entire populations in resource-rich countries.”

Arranging the EITI principles in causal paths suggests that EITI has an implicit ToC:

**The EITI Principles: an underlying Theory of Change**

![Diagram](image)

Nevertheless, after some years of implementing the EITI in various countries, it has become clear that EITI compliance/reporting per se is not a guarantee of the outcomes and impacts as stated in the EITI principles. It is seen as necessary but not sufficient.

This was also concluded by the Scanteam evaluation 2011 which suggested, among other points, that:

- there is not any solid theory of change (ToC) behind some of the EITI aspirations;
- there is a *perception* that there are limited backward and forward linkages on the ground;
- little impact at societal level could be discerned largely due to lack of links with larger public sector reform processes and institutions;
- there is a need to identify results at national level and build results frameworks (at global and national levels) and knowledge management system around this;
- EITI activity does not currently start from logframe analysis ie. what are principles and how best to achieve these. It starts from operational consensus on revenue transparency.

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3 From the experience of the World Bank and MDTF.
This has already stimulated stakeholders in implementing countries to consider the causal paths from EITI processes to outputs, outcomes and impacts and make their underlying assumptions explicit (for example see Annexes 3). ToCs can help to make this path explicit and actively design the mechanisms through which the EITI can achieve the desired impacts, considering also linkages to other initiatives/reform processes.

4. **Towards a framework for the EITI TOC**

Building on the suggestion that EITI has an implicit ToC globally and in implementing countries, the implicit ToC can be used as a reference tool for countries to develop a TOC, considering own priorities for implementation. At the same time the ToC in figure 2 is not a “one-size-fits-all” template. Impact expectations and the underlying assumptions of the ToC might be different in specific country (or subnational) contexts. For example, the assumption that civil society involvement in the MSGs lead to greater accountability will be more likely to reflect reality in countries with strong civil society organizations than in country with weak civil society structures.

Preliminary examples of how EITI operates in individual implementing countries have been gathered by the WGTOC (see annex 3). These examples show:

- context-specific causal paths and assumptions such as structural constraints of political economy, but also.
- some **commonalities** in causal paths and assumptions.

This second point indicates the possibility that there might be enough common ground in ToCs from different countries to elaborate a **generic ToC for EITI**. The WG will continue to collate examples during 2012 to obtain a substantive evidence base of examples to enable the WG to draw conclusions as to commonalities in causal paths and assumptions and any scope for a generic ToC.

5. **Evidence gaps**: What evidence do we have/ how will we gather more?

The WGTOC is collating examples of EITI implementation and documenting causal paths and assumptions from different implementing countries. **Initial examples show first evidence for EITI contributing to change.** Still, this evidence relates mostly to the causal links between processes and outputs, and outputs and outcomes (see annex 3).

The Scanteam evaluation highlighted the difficulty of attribution between EITI processes and impact, as represented by “big-picture indicators”. The examples presented to the WGTOC suggest that **the widest evidence gaps are for the causal paths between outcomes and impacts**, which are only likely to come about if the EITI is delivered alongside other reform processes. But taking into account both EITI and other reform processes which are or could be linked with it, could make it possible to document examples which trace some causal pathways to impact.

At the June EITI Board meeting the WG will set out conclusions from further examples and literature on outcomes-impacts as to key remaining evidence gaps and its approach to fill them. This work will be completed by the October Board.

6. **Indicators** – initial thoughts

Indicators are needed for 3 principal purposes:

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5 At a workshop on March 22, 2012 the WGTOC considered examples from PWYP Tanzania, RWI Indonesia and Ghana, Nigeria EITI (NEITI). GIZ’s impact evaluation study April-June 2012 will collate further data from conduct country pilots in Cameroon, Liberia and Peru. Further examples will be sourced from EITI stakeholders including private sector, multilateral development banks, MDTF.
• to **measure progress** along causal paths,
• to **support learning processes** by showing what worked when, where and why, and
• to **demonstrate the impact** of EITI

For the sequencing of this work, therefore, it is necessary to document country-specific causal paths and commonalities in order to identify appropriate indicators.

Building on existing evaluations (Rainbow Insight, Scanteam), the choice and elaboration of indicators will focus on country/sector specific indicators rather than "big-picture indicators". A mix of qualitative and quantitative indicators will be used for outcomes and impacts as well as intermediate stages along the causal paths. **If the collation of examples provides robust evidence to support commonalities in causal paths, then this could lead to standard indicators** which could be used across implementing countries as part of a basket including specific local indicators and allow for comparability.

As part of the GIZ IES, there will be in-depth interviews and focus group discussions to understand the causal processes underlying impact and what stakeholders in country consider to be attributable outcomes for EITI and impacts of EITI linked to other reforms.

Given the need to sequence identification of indicators after identification of the ToCs, the WG anticipates presenting some initial findings by the June board meeting with more comprehensive examples of results frameworks and indicators by October. This work needs to be aligned closely with wider SWG work to review EITI rules and validation procedures.
Theory of change

A. What is it?
A theory of change is a results-based management tool. It describes causal links between impact, outputs and outcomes/results.

For a particular intervention – it describes the underlying logic and assumptions about how change will happen in that intervention, and the evidence that underpins these assumptions.

An intervention will begin with a belief about how it will work – but the process through which programme inputs lead to outputs, and outputs covert to the Outcome and Impact, often remains opaque ('the black box' of the change process). This needs to be articulated, and its theoretical foundations made explicit....

B. Why do we do it?
It facilitates assessment of the effectiveness of interventions and tracking of success over time. A theory of change enables stronger programme design, clarity on risk levels, clear communication and evaluation (by surfacing assumptions and enabling us to understand why an intervention succeeds or fails).

C. How to develop a ToC
1. Be explicit about causal links
There are often many ways to get from A to B, so it’s important to say specifically how you expect it to happen in your programme. Eg will peoples’ behaviour change because of shifts in internal factors such as knowledge or personal motivation or externals such as financial incentives or peer pressure. Specify the mechanisms through which you anticipate change will come about – give detail on how outputs will lead to outcomes and then to impact.

2. Spell out assumptions
These may be about:
- causality (eg. transparency → accountability)
- programme implementation (eg. Mining Minister supports legislative reform)
- External factors that influence programme (eg. Security conditions in programme areas are stable)

3. Indicate evidence (or lack of it) for each causal link
Examine the available evidence underpinning the theory and assumptions and its strength. If evidence is limited or weak this is not a reason not to proceed – for innovative programmes this is likely to be the case - it simply highlights the need for monitoring and evaluation.

Presentation
It’s helpful to have:
A one line snapshot of your theory of change
A simple diagram to give a visual summary of your theory of change
Narrative text which gives more detail on each of the causal links, the assumptions and evidence (or lack of it) for each causal link.
**EITI Working Group on Theory of Change (WGTOC)**

**Terms of Reference**

**Introduction**

The EITI Board agreed at the 17th Board Meeting in Amsterdam in June 2011 to establish a Strategy Working Group (SWG) which would examine options and make recommendations regarding the strategic direction of the EITI for the next 3-5 years. One of the objectives of the SWG is to respond to an evaluation of the EITI in 2011 which found, among other matters, that “there is not any solid theory of change (ToC) behind some of the EITI aspirations”. It suggested that the EITI should develop a more rigorous and realistic results framework at global and national levels.

The EITI Board held a Strategy Session at the 19th EITI Board Meeting in February 2012. At this session, an additional working group was formed more clearly to articulate the EITI’s theory of change, with these findings to be fed into the strategy process.

A roadmap is being developed for the Strategy Review with milestones towards the EITI Global Conference in 2013. The WGTOC will prepare initial proposals for consideration by the EITI SWG and Board between April and June 2012. The EITI Secretariat will inform the WGTOC of the timeline for the Strategy Review, which is an iterative process to be informed by the work of WGTOC. The WGTOC may need to reconvene later in the year as the strategy review advances.

The WGTOC will build on existing work, for example the Scanteam evaluation and IEG evaluation of the multi-donor trust fund (MDTF), initial Secretariat work on theory of change/outcome indicators in 2010, the draft MDTF results chain, a pilot of ToC and development of indicators led by GIZ, academic studies on the impact of transparency and accountability work.

**Objectives**

The objectives of the working group are to develop and refine proposals for consideration by the SWG and subsequently by the EITI Board related to:

1. A theory of change for the EITI as to how to achieve the EITI principles. This will be based on 3 levels which inform each other:
   i) ToC at country level;
   ii) international ToC;
   iii) the implications of this for an overall ToC for extractive industries to deliver development, improved governance and growth.
2. Indicators to measure;
   i) impact of the EITI given this ToC, and
   ii) progress with outputs and outcomes, and
   iii) the effectiveness of EITI processes.
3. Means to ensure that the ToC is user-friendly, easily understood and owned and used by EITI stakeholders, for example country multi-stakeholder groups (MSGs).

**Methodology**
A theory of change is a results-based management tool. It describes causal links between impact, outputs and outcomes/results. The working group will adopt the approach to theory of change outlined in the concept note at Annex 1. The WGTOC will:

1. document causal links, assumptions and evidence about how to achieve the EITI Principles, drawing on:
   - existing literature and results frameworks for the EITI in country and internationally;
   - examples of how data in EITI reports and EITI processes are used to drive change towards the EITI Principles;
   - examples of how complementary measures to EITI reporting are used to drive change towards the EITI Principles.
2. identify evidence gaps and propose means to fill them;
3. collaborate with other initiatives developing and piloting results frameworks relevant to the EITI eg, GIZ, MSGs;
4. summarise this work into a proposals for an EITI TOC for the SWG and EITI Board to consider.

Deliverables
By June 2012, the WGTOC will draft a paper for the SWG and the June 2012 Board which summarises existing work, the evidence on causal links and assumptions and evidence gaps and proposes a way forward. The paper will present a draft ToC in diagrammatic and narrative form in a format accessible to EITI stakeholders. The final deliverable, its format and approach to filling evidence gaps will be agreed following comments from the EITI Board in June 2012.

Timeline:
The SWG is developing a roadmap towards the EITI global conference in May 2013. The WGTOC will align with this timetable. The initial timeline is as follows:

February 2012
- initial meeting in margins of the 19th EITI Board meeting
- teleconference to establish ToRs for WGTOC
March-April 2012
- collation of initial data
- brainstorming workshop in London
  – drafting of outline paper and discussion by teleconference
April – May 2012
  – initial outline paper of proposals presented to the SWG for comment
  – refining of paper in response to SWG comments for circulation to EITI Board
June 2012
  – 20th EITI Board meeting reviews proposals in Lima
July 2012-May 2013 – Refine proposals in line with the overall SWG roadmap (to be updated once roadmap developed).
Annex 3: Examples for country specific ToCs and different illustration

First conclusions from the initial examples documented in this annex:

Some commonalities can be identified in the ToCs presented below. For example: *More funds available for development* (impact), *improved sector governance* (outcome / impact), *improved legislation in place* (outcome), *increased information* (output). Also for the assumptions commonalities can be found: *government capacities*, *political will*, *capacity of CSOs and legislative to use EITI reports*, as well as *linkages to other reform processes* are assumptions mentioned in some of the examples below. The small number of examples does not yet allow drawing final conclusions. The WG will continue to collate examples during 2012 to obtain a substantive evidence base of examples to draw conclusions as to commonalities in causal paths and assumptions and any scope for a generic ToC.

The ToCs presented show that the understanding of what is an outcome and what an impact was not the same in all examples, some see “better resource governance” as an impact, while some define it as an outcome. It appears that slightly different conceptualisations are used of the terms outcomes and impacts. As these are core terms to the WGTOC processes, the WG will have to consider this issue and if appropriate should decide on more concise definitions.

The different illustrations below can be used for different purposes:

- **The linear ToCs** serve well to provide a simple explanation on the basic logic of ToCs, describing the causal path from inputs to outputs to outcomes to impact, and their underpinning assumptions.
- **The complex ToC** is well suited to apply the ToC to the complexity of change processes as they occur in countries implementing the EITI. It can illustrate the interdependence and feedback loops between the different levels of the ToC and helps to show linkages to other reform processes.
- **The pyramid ToC** is helpful to illustrate diverse priorities different stakeholders may have for outcomes and impacts and can guide attention to questions on how to deal with differing interests in Multi-Stakeholder Groups.
**Linear ToCs; illustrating the causal path from inputs to outputs outcomes and impacts, with the underpinning assumptions**

**EITI Nigeria**

<table>
<thead>
<tr>
<th>INPUTS</th>
<th>PROCESSES</th>
<th>OUTPUTS</th>
<th>OUTCOMES</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustained Implementation of NEITI Funding</td>
<td>Reporting Dissemination Remediation Multi-stakeholder Platform Feedback</td>
<td>Up-to-date industry Reports and increased Use of reports for advocacy</td>
<td>More transparent extractives revenue management and improved sector governance</td>
<td>More revenue available for the provision of social infrastructure, poverty reduction and social harmony</td>
</tr>
</tbody>
</table>

**Assumption**

- **Political will**
  - Necessary institutional Support; increased information on the mismanagement of the extractives sector will increase citizens’ demand for accountability

**Challenges**

- **tbd**
  - Need of automation of audit process; Broadening CS and legislator engagement

**Assumption**

- **Ability of CSOs, Legislature to use NEITI reports; industry audits will reveal gaps in extractives sector management**

**Challenges**

- **tbd**

**causal path and evidence**

- **tbd**
  - Petroleum Industry Bill before the National Assembly; Special Task Force set up. Increasing public demands for regular reporting by NEITI; 10 years of audits reveals $2.6 billion unaccounted for; they also reveal inaccurate measurement of crude being produced hence poor accurate determination of revenue accruing to government; Audit reports also reveal that allocation of oil blocks requires openness and competitiveness to achieve effective costing.

**tbd**
**EITI Tansania**

**INPUTS**
- Funds

**PROCESSES**
- Reconciliation activities

**OUTPUTS**
- Validation of EITI

**OUTCOMES**
- EITI framework legislation in place

**IMPACT**
- Amendment of laws closely linked and with an implication to EITI legislation

**Assumption**
- Government is committed; Broad public demand for transparency and accountability in the EI

**Assumption**
- MoU reflects public demand and administrative requirements to facilitate the Implementation of EITI: Tanzania becomes EITI compliant

**Assumption**
- EITI is linked to the overall institutional backbone; national strategy exists and integrates EITI

**causal path and evidence**
- Establishment of a MSG; publishing of a fully costed work plan; MoU; Establishment of the Secretariat; Reconciliation Report produced Legal Review Report; dissemination workshops held; radio clips and news articles on EITI
- The public debate on the resource sector has gained momentum
- tbd

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**EITI Indonesia**

**INPUTS**
- CSOs
- MDTF
- Secretariat

**PROCESSES**
- Trainings for CSOs Regarding engaging in EITI process

**OUTPUTS**
- Increased CSO capacity to analyze issues regarding EI & use info in EITI reports

**OUTCOMES**
- Improved CSO participation in making broader EI policy demands on government

**IMPACT**
- Better governance

**Assumption**
- Trainings are reaching domestic CSOs

**Assumption**
- Trainings are providing domestic CSOs with greater analytical capacity

**Assumption**
- CSOs use their increased capacity to lobby the government

**Assumption**
- Changes demanded by CSOs will be made by the government & will result in better resource allocation

**causal path and evidence**
- Numerous capacity building, communications & outreach programs since 2008; over 150 participants
- Program evaluations have indicated increased capacity
- CSOs involved in EITI have lobbied government re: revisions to the oil & gas law, freedom of information act, etc.
- tbd

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**Cordaid**
INPUTS
Gov'ts, $$ & people, Companies, CSOs, MDTF

PROCESSES
Legal political backing
Building tripartite trust & capacities

OUTPUTS
EITI reports
Validation reports

OUTCOMES
Informed Monitoring Of Gov't & MNC data

IMPACT
Less corruption, Sustainable growth,
Less poverty, Less inequality,
Better governance

Assumption
Political backing, adequate institutional & legal framework, adequate Rules/Standards/Regulations, indep. monitoring & arbitration mechanisms installed, Stakeholders have access to information and capacities

Assumption
A fair, equitable & indep. MSP Transparency & accountability measures can be requested Quality of reports/data is complete and correct

Assumption
public access to reports and understanding of the results national and local government can be held accountable gradually increased support of non-OECD companies and govt's

Assumption
Multi-stakeholder monitoring installed Gov't is willing & able to improve governance Revenues used efficiently for sustainable development Stakeholders are capable to implement development programs

causal path and evidence

| tbd | tbd |
Complex ToC; illustrating interdependencies and iterative path of change processes in Ghana

- Economic Growth
  - More funds available for development
    - Further evidence gathering needed
      - Additional revenues of the improved mining & tax-collection regime will go towards development
      - Improvements to the mining regime were a result of information revealed in the report
        - Increased information re: revenues earned by the government
          - The information in reconciliation reports was reviewed & finalized
          - Ghanian CS & govt entities used info in the reports, along with production & other data, & realized many companies were not paying royalties
  - Improved mining & tax-collection regime
    - Improved templates & EITI reports
      - Increased MSG appetite for info regarding EI policy
        - The MSG is seeking info on the management of oil revenues
      - Increased MSG knowledge will lead to better templates & more usable reports
        - Oil sector included in EITI
      - Public expectation that the burgeoning oil sector would be transparent
        - Public awareness raised during EITI candidacy process
        - Experiencing the EITI candidacy process sets public expectations regarding transparency
          - Ghanaian CS & govt entities used info in the reports, along with production & other data, & realized many companies were not paying royalties
    - Creation of a transparency norm
      - Public expectations have set norms of transparency
      - Large-taxpayer unit revamped in response to companies not paying royalties
  - Better Governance
    - Norms of transparency will result in better governance
    - Further evidence gathering needed
    - The public will be able to use EITI reports to hold gov't accountable
  - Improved Investment Climate/Social cohesion
    - The MSG is seeking to integrate issues re: the management of oil revenues into the templates

- Direct impacts
- Long term impacts
- Outputs
- Processes, activities
- Assumptions
- Evidence
Complex ToC towards impact of increased funds available for development – without evidence
Complex ToC towards increased civil society capacity for advocacy (beyond EITI) – without evidence

- CSOs capable of advocacy (not just for EITI)
  - CSO staffing constant
  - Political space for CSOs to operate

- EITI MSG participation

- Linkages to accountability impacts
- CSOs use data in EITI reports
- CSOs trained to articulate needs
- EITI reports

- Sustainable financing for CSOs
  - Donor policies constant

- Processes, activities
- Assumptions

- Outputs
  - Direct impacts
  - Long term impacts

- International training of CSOs
- Financial literacy

- Regulated (for EITI and outside)
- Protection/champions (EITI and outside)
Pyramide ToC; suited for illustrating the different stakeholder aspirations

- Sustainable development
- Poverty reduction
- Social cohesion
- Economic growth
- Investment climate
- Accountability
- Anti-corruption
- Tax justice
- Civil society rights and protection
- Global recognition
- Level playing field
- EITI process: eg. reports, public debate