



german  
cooperation

DEUTSCHE ZUSAMMENARBEIT



# Assessing the Effectiveness and Impact of the Extractive Industries Transparency Initiative (EITI)

Published by

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

# **Assessing the Effectiveness and Impact of the Extractive Industries Transparency Initiative (EITI)**

# Content

<b>ABBREVIATIONS AND DEFINITIONS .....</b>	<b>4</b>
<b>1. EXECUTIVE SUMMARY .....</b>	<b>7</b>
<b>2. INTRODUCTION .....</b>	<b>13</b>
2.1 ABOUT THE EITI .....	14
2.2 THE ROLE OF GERMANY.....	18
2.3 THE CONSULTING TEAM.....	19
2.4 STRUCTURE OF THE REPORT .....	20
<b>3. METHODOLOGY .....</b>	<b>21</b>
3.1 LITERATURE REVIEW .....	23
3.2 MACRO DATA: GLOBAL STATISTICAL ANALYSIS.....	24
3.3 CASE STUDIES: COUNTRY LEVEL .....	26
3.4 INTERVIEWS, WORKSHOPS AND FOCUS GROUP DISCUSSIONS.....	26
3.5 ONLINE SURVEY.....	27
3.6 DESIGN OF THE PROCESS.....	29
<b>4. GENERIC RESULTS MODEL.....</b>	<b>31</b>
<b>5. LITERATURE REVIEW .....</b>	<b>41</b>
5.1 ASSESSING THE MONITORING AND EVALUATION (M&E) SYSTEM .....	42
5.2 THE RESULTS AREAS .....	44
5.2.1 FISCAL TRANSPARENCY .....	45
5.2.2 PUBLIC DEBATE .....	46
5.2.3 ANTI-CORRUPTION.....	47
5.2.4 TRADE AND INVESTMENT CLIMATE.....	49
<b>6. MACRO DATA: GLOBAL STATISTICAL ANALYSIS .....</b>	<b>51</b>
<b>7. OPEN ONLINE SURVEY.....</b>	<b>55</b>

<b>8.</b>	<b>CASE STUDY: DEMOCRATIC REPUBLIC OF THE CONGO (DRC)</b> .....	<b>59</b>
8.1	CONTEXT AND HISTORY OF EITI IMPLEMENTATION.....	60
8.2	RESULTS MODEL.....	63
8.3	RESULTS AREAS.....	66
8.3.1	FISCAL TRANSPARENCY.....	67
8.3.2	PUBLIC DEBATE.....	68
8.3.3	ANTI-CORRUPTION.....	70
8.3.4	TRADE AND INVESTMENT CLIMATE.....	70
8.4	CONCLUSIONS.....	71
<b>9.</b>	<b>CASE STUDY: MOZAMBIQUE</b> .....	<b>73</b>
9.1	CONTEXT AND HISTORY OF EITI IMPLEMENTATION.....	74
9.2	RESULTS MODEL.....	77
9.3	RESULTS AREAS.....	80
9.3.1	FISCAL TRANSPARENCY.....	80
9.3.2	PUBLIC DEBATE.....	81
9.3.3	ANTI-CORRUPTION.....	81
9.3.4	TRADE AND INVESTMENT CLIMATE.....	82
9.4	CONCLUSIONS.....	83
<b>10.</b>	<b>CONCLUSIONS</b> .....	<b>85</b>
<b>11.</b>	<b>RECOMMENDATIONS</b> .....	<b>91</b>
<b>12.</b>	<b>DOCUMENTS</b> .....	<b>95</b>
	<b>ANNEX I: EITI REQUIREMENT 7 – OUTCOMES AND IMPACT</b> .....	<b>101</b>
	<b>ANNEX II: GENERAL INTERVIEW GUIDELINE</b> .....	<b>105</b>
	<b>ANNEX III: QUESTIONNAIRE WWW.IMPACT-SURVEY.COM</b> .....	<b>113</b>

---

#### **DISCLAIMER**

The views expressed in this study are those of the Consultant and can in no way be taken to reflect the general views of the BMZ, GIZ, the EITI or the institutions represented in the Sounding Board.

# Abbreviations and definitions

## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank	<b>ITIE</b>	L'Initiative pour la Transparence dans les Industries Extractives
<b>AfDB</b>	African Development Bank	<b>LICS</b>	Low-Income Developing Countries
<b>ASM</b>	Artisanal and small scale mining	<b>M&amp;E</b>	Monitoring and Evaluation
<b>BMZ</b>	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / Federal Ministry for Economic Cooperation and Development, Germany	<b>MDTF</b>	Multi-Donor Trust Fund, World Bank
<b>BTI</b>	Bertelsmann Transformation Index	<b>NGO</b>	Non-Governmental Organization
<b>CW</b>	CapacityWORKS (management model of GIZ)	<b>ODA</b>	Official Development Assistance
<b>DAC</b>	Development Assistance Committee	<b>OECD</b>	Organization for Economic Co-operation and Development
<b>DeGEval</b>	Gesellschaft für Evaluation e.V., Germany	<b>PFM</b>	Public Financial Management
<b>DFID</b>	Department for International Development	<b>PWYP</b>	Publish What You Pay
<b>DRM</b>	Domestic Resource Mobilization	<b>RBM</b>	Results-Based Monitoring
<b>EGPS</b>	Extractives Global Programmatic Support, World Bank	<b>RQ</b>	Requirement (of the EITI Standard)
<b>EITI</b>	Extractive Industries Transparency Initiative	<b>SDG</b>	Sustainable Development Goals
<b>ESG</b>	Environmental, Social, Governance	<b>SECO</b>	State Secretariat for Economic Affairs, Switzerland
<b>EU</b>	European Union	<b>ToR</b>	Terms of Reference
<b>GDP</b>	Gross Domestic Product	<b>USAID</b>	United States Agency for International Development
<b>GFG</b>	Good Financial Governance	<b>WEF</b>	World Economic Forum
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	<b>WEO</b>	World Economic Outlook
<b>GPI</b>	Genuine Progress Indicator	<b>WTO</b>	World Trade Organization
<b>HIPC</b>	Heavily Indebted Poor Countries		
<b>IADB</b>	Inter-American Development Bank		
<b>IMF</b>	International Monetary Fund		

## DEFINITIONS

<b>Accountability</b>	The obligation of an individual or organization to account for its activities, to accept responsibility for them, and to disclose the results in an open manner (EITI glossary).
<b>Baseline</b>	Description of the situation prior to an intervention and that can serve as a point of reference for making before/after comparisons (RBM terminology).
<b>Compliant</b>	A country is designated as EITI compliant when the EITI Board considers that it meets all of the EITI Requirements. Compliant countries must undergo Validation every three years or upon the request from the EITI Board. To be EITI compliant does not necessarily mean a country's extractive sector is fully transparent, but that there are satisfactory levels of disclosure and openness in the management of the natural resources, as well as a functioning process to oversee and improve disclosure (EITI glossary).
<b>Corruption</b>	Abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs (Transparency International).
<b>Extortion</b>	Bribery (...) becomes extortion when this demand is accompanied by threats that endanger the personal integrity or the life of the private actors involved (in accordance to the OECD Guidelines for Multinational Enterprises).
<b>Impact</b>	Results at the highest level of the logical framework. Positive and negative, primary and secondary long-term effects produced by a [development] intervention, directly or indirectly, intended or unintended (in accordance to the OECD).
<b>Indicator</b>	States the factors in relation to which a change can be observed or measured (in line with OECD and BMZ among others).
<b>Hypotheses</b>	Assumptions about causal relationships between results (RBM terminology).
<b>Objective</b>	Description of an intended, defined result that a measure will have for the target group, public goods, structures and policies (RBM terminology).
<b>Outcome</b>	Results at the medium level of the logical framework. Direct short-term and medium-term results of a measure's outputs. Outcome includes the use of the outputs by the intermediaries and target groups. Outcomes are related to each other, influence each other and contribute towards achieving the result on impact level (in line with OECD and BMZ among others).
<b>Output</b>	Results at the lowest level of the logical framework. Description of the changes and conditions achieved by the activities, such as products, goods, services, acquired technical skills and knowledge, institutions and regulations (in line with OECD and BMZ among others).

<b>Requirements</b>	The seven requirements for reaching Compliance. The requirements can be found in the EITI Standard (EITI glossary).
<b>Results</b>	Overall term for outputs, outcomes and impacts (in line with the OECD and BMZ among others).
<b>Sustainable development</b>	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (in accordance with the OECD glossary based on the World Commission on Environment and Development / Brundtland Commission 1987 and the UN 'The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet' of 2014).
<b>Theory of Change</b>	A specific and measurable description of a social change initiative that forms the basis for strategic planning, on-going decision-making and evaluation, as well as and thinking through all the steps along a path toward a desired change, identifying the preconditions that will enable (and possibly inhibit) each step, listing the activities that will produce those conditions, and explaining why those activities are likely to work. It is often, but not always presented in a flowchart (according to Bennett, 2012).
<b>Transparency</b> ▶ <b>Fiscal transparency</b>	Openness and public disclosure of activities (EITI glossary). Clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government's fiscal policy-making process (IMF, 2012).
<b>Validation</b>	An external, independent evaluation mechanism, undertaken by a Validator procured by the International Secretariat. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the EITI Standard. The Validation report will also address the impact of the EITI, lessons learned in implementing the EITI, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI (EITI glossary).
<b>Variable</b>	Any entity that can take on different values (e.g. commodity prices, income). The dependent variable is what is affected by the independent variable (in line with the GIZ among others).

1.

# EXECUTIVE SUMMARY

This study assesses the effectiveness and impact of the Extractive Industries Transparency Initiative (EITI). It has been mandated by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) and was conducted from 01/12/2015 until 31/08/2016 in close coordination with the EITI International Secretariat and stakeholders in the global EITI community. The EITI is considered by Germany as an anchor point for engaging with partners around the world to strengthen good governance in the extractives sector.

In the second decade of its existence, the EITI is now a global movement towards greater financial transparency and better accountability in the extractives sector, implemented by more than 50 resource-driven countries including OECD and non-OECD countries. Despite this global coverage, there is a broad consensus regarding the expectations and effects of the Initiative within the EITI's 'transparency club' of the International Board, as well as among national-level Multi-Stakeholder Groups (MSGs) and Secretariats. It has emerged during the study that there is much less of a consensus regarding whether and how to measure the effects. Above all, what is missing is an overall strategic approach based on a theory of change with a log frame that can be monitored and which could have been the backbone for the evaluating effectiveness and impact of the EITI. It was difficult to establish what views are held by stakeholders outside the 'transparency club' – i.e. those already employed by the EITI or heavily engaged in EITI implementation. Supporting evidence for the EITI's impact is largely either anecdotal or based on the perception of stakeholders belonging to the above-mentioned 'in-group'.

The study intends to help the stakeholders and observers of the EITI to further explore the effects of this multi-stakeholder initiative. The Initiative is operating within a multitude of stakeholder intentions and aspirations, and it is the interest of each entity and constituency to ensure that the EITI meets their expectations. This study is an example of such efforts. As a priority, it recommends developing and applying adequate monitoring and evaluation (M&E) for in-country implementation.

The following conclusions and recommendations summarise the findings of the study. They raise several new topics and reinforce some issues that have already been part of the debate:

## 25 Conclusions

(→ see chapter 10 for more details)

### RELEVANCE

1. **Multi-dimensional:** The relevance of the EITI in tackling issues of weak governance in the extractive sector through multi-stakeholder mechanisms has local, national and international dimensions.
2. **'Initiative' in the global arena:** The EITI is of relevance to the global transparency and accountability agenda. EITI plausibly contributes to global policy frameworks such as the Sustainable Development Goal (SDG) 17 ("Partnerships for the Goals – Strengthen the means of implementation and revitalize the global partnership for sustainable development"), among others.
3. **Global ambition, but BRICS and the largest oil producers absent:** Although the EITI is directly relevant in 50 plus countries and thus implemented by the majority of resource-driven countries around the world, there continues to be a notable absence of EITI adoption amongst the BRICS and the largest oil producers globally.
4. **Self-regulating interaction of global and national implementation:** The collective action by stakeholders in a few countries and by a 'transparency club' in the global arena started the Initiative. The initial narrow focus on technical aspects of reconciliation of payments has helped to build trust and to eventually drive the development of the impact-oriented EITI Standard of 2013. Today, the unique combination of Requirements is in the process of being implemented by the majority of resource-driven countries.
5. **Identification of risks and counter-measures at national and local levels:** The EITI has contributed to identifying risks and weaknesses of extractives regulatory and fiscal regimes. It serves as a diagnostic tool for all stakeholders. It helps governments to understand their options for improving governance; it informs companies and investors about risks; it helps donors to design and steer projects; and it helps civil society to discuss key political issues openly or even overcome political taboos safely. Several new relevant topics have been taken on since 2013: beneficial ownership, the role and behavior

of state owned companies, production and consumer subsidies, secretive contracts, aggressive transfer pricing, tax non-compliance, plausibility checks to tackle bad deals, smuggling and fraud.

6. **Perceived as highly relevant for public management:** The EITI is perceived to be of high relevance for public management by more than 70% of the stakeholders (governments, companies, and civil society organizations) both at the global as well as national levels.
7. **Multi-engaged stakeholders:** In principle, it is difficult to distinguish the results of the EITI as such from the results of
  - Stakeholders that are related to the EITI, but take action in regular government or corporate processes (e.g. EU and US regulations, external and internal audits, reporting of stock-exchange listed companies) or in other initiatives (e.g. Open Government Partnership, GRI); or
  - Stakeholders and initiatives that are not directly related to the EITI (e.g. KPCS, Equator Principles), which lead to similar outcomes (e.g. informed public debate or anti-corruption).
8. **15 years of evolving norms, but stable tripartite governance model:** The EITI itself has been operating and growing for almost 15 years, which is an indication for relevance. What the EITI requires from implementing countries has been evolving over time. Related to the 2013 Standard a theory of change, results model, variables and indicators can be defined, measured and evaluated over time. Apart from the evolving norms, the tripartite governance model has been stable and can be subjected to evaluations more easily.

## EFFECTIVENESS

9. **No logframe for M&E:** There is a notable absence of an overall strategic approach based on a theory of change with a log frame that can be monitored and which could have been the backbone for evaluating the effectiveness and impact of the EITI.
10. **Three types of objectives to be differentiated:** Any assessment of the criteria of effectiveness depends upon

the objective. A broad picture can be taken which ranges from high effectiveness concerning the institutional objectives and organizational objectives to a much more blurred or less substantiated level of effectiveness when it comes to actual developmental objectives (sustainable development and the results areas of this study).

11. **High effectiveness regarding the EITI process steps:** If effectiveness is to be judged merely on the basis of EITI process steps of institutional and organizational objectives, evolving from zero to 50 plus countries within a decade is highly effective. This contribution is significant and should not be lost sight of as it relates to developmental objectives: the EITI is able to contribute to debates on the governance of extractive industries in many countries where such debates were not possible a decade ago.
12. **Strong cooperation and process orientation:** A key characteristic of the EITI is the demand-driven and flexible approach that allows it to operate and adjust according to the needs of the respective implementing country. This includes the Initiative's strong cooperation and process orientation in order to document the country's extractives sector regulatory and fiscal regime and governance processes, and the readiness to adapt implementation, when windows of opportunity for change emerge.

## IMPACT

13. **Umbrella function for accountability:** The multitude of reforms that are taking place in the extractive sector governance in EITI countries cannot be isolated from the interventions of the EITI, but can in part be attributed to the EITI. First and foremost, the obvious effect is that stakeholders are coming together under the umbrella of the Initiative within stakeholder groups (e.g. ministries and government departments start or improve coordination) and across stakeholder groups (e.g. NGOs reach out with specific concerns to companies and get institutionalized feedback).
14. **Perception based:** For the time being information about the impact of the EITI is largely limited to the measurement of perceptions.

15. **High(er) expectations of future impacts:** Over 80% of stakeholders see a positive contribution to all result areas under review of this study (fiscal transparency, public debate, anti-corruption, trade and investment climate). For the future, stakeholders expect the EITI to highly contribute to 'efficient use of revenues', where expectations show a 32% increase from 20% (today) to 52% (future). The areas of 'better management of ecological effects', 'better management of social tensions', 'fiscal transparency' and 'Ease of Doing Business' are all above a 20% increase.
16. **'Net Foreign Direct Investment (FDI) inflow' and the 'time to prepare and pay taxes':** Macro-data analysis of EITI countries in a panel of 98 countries suggests that the EITI could have a positive effect on two variables tested by this study: 'Net Foreign Direct Investment (FDI) inflow' and the 'time to prepare and pay taxes'.
17. **Less impact on both ends of the development spectrum:** In free and democratic as well as in non-free and autocratic countries people experience less impact from the EITI. The prospects for impact appear to be highest for the countries in-between: hybrid countries tend to be rather weak in many dimensions of statehood and a certain capacity level of stakeholders (e.g. ability to produce timely and meaningful reports, constituencies to understand this data along with political rights to express their informed political will, consensus-building, effective use of support, policy learning) needs to meet a trajectory of general political and economic transformation. Therefore, implementing the EITI causes more of a change in these hybrid countries in transformation compared to stable democracies and autocracies.
18. **Countries can delink increased transparency from increased accountability:** In order to safeguard civil society participation in the EITI, the Civil Society Protocol was developed by the Board and made part of the Standard in 2015. However, the study could not identify robust methodology in the Validation process as established in 2016 that would consistently detect whether there is freedom to debate the outputs of the EITI. In the validation reports of the past, there has been very little consideration of this, despite it being a part of the 2011 Rules. The "custodians" of the Standard, the EITI Board and International Secretariat, can only guarantee the production and assurance of the Requirements un-

der the EITI Standard, which is done through the Validation process. Unless the Board integrates items into the standardized EITI methodology and/or the Secretariat includes those in the guidance notes which interpret the Requirements, countries can dodge the debate and political consequences, and in doing so they are able to delink increased transparency from increased accountability.

19. **No overarching 'transparency and accountability metrics':** Given the broad range of objectives and institutional solutions observed, this study found it feasible to produce a generic results model, but not feasible to develop a single overarching indicator for EITI-induced systemic sector development or 'transparency and accountability metrics' that cover the diverse set of 50 plus country cases. The EITI is implemented by countries and indicators measuring impact need to fit to the individual country case of systemic strengthening of good governance. The theory of change and the generic EITI results model of the study is designed to cover this demand-driven and flexible approach.

## EFFICIENCY

20. **Research into its own impact neglected:** None of the officially mandated evaluations and reviews has served the purpose of producing longitudinal baseline data. In that respect, the EITI has not used its resources meaningfully to conduct research into its own impact.
21. **Accountability of remunerations:** Country case studies indicate that remunerations for EITI activities and per diems in lesser developed countries can be out of balance with poverty or income levels in those countries.

## SUSTAINABILITY

22. **Consensus to make transparency meaningful for the target groups:** The EITI is unified in the approach to make transparency meaningful for the target groups (e.g. Progress Report 2016 – From Reports to Results). It has been widely ascertained by stakeholders that more of the same (publishing reports that remain largely unread by the target audience in some countries) does not lead to better results and can at a certain point be an impediment to impact and sustainability.

**23. Decisions by consensus, not sufficiently based on evidence:** The question of whether the Standard is sustainable is a critical one. By heavily engaging the EITI in routine operations at country level implementation, it became less of an ‘initiative’ and more of an ‘organization’. An extensive strategy review was conducted by the EITI prior to the Standard and a governance review thereafter, but there was no ex ante evaluation to provide a systematic basis of evidence before the far-reaching decision to introduce the 2013 Standard was taken. Given that not all countries have reported under the Standard, let alone been validated against it, the bulk of first-time Validations will not be completed until the end of 2017 and will likely show results of rather weak national M&E systems. Furthermore, officially mandated evaluations of the Initiative have not been applied, which could be of use to guide decisions.

**24. The Initiative holds a key to change the governance dimension:** Regarding the dimensions of economic, social and environmental sustainability, the EITI has the potential to contribute to all these dimensions and to change the governance (or the politics) dimension, the latter being necessary to safeguard the three other dimensions of sustainable development.

**25. Principles durable, when integrated or mainstreamed:** Regarding sustainability defined as long-lasting impacts after the end of an EITI-specific intervention, all outcome areas that are integrated with other initiatives and standards or mainstreamed in government and corporate policies have good prospects for sustainability. This is because once the Principles of EITI have been proliferated and internalized by government and businesses it is likely that they will be maintained not least for reputational, political and commercial reasons. However, it cannot be ruled out that changes in the political economy of a country may lead to a race to the bottom. The tripartite model and collective governance approach of the EITI can serve as a protective instrument to avoid this race to the bottom.

## 8 Recommendations

(→ see chapter 11 for more details)

### STRATEGY

- 1. Focus on measurability of outcomes and impact of the EITI (Requirement 7):** Without a timely introduction of monitoring and evaluation (M&E), categories of effectiveness and impact cannot be adequately assessed in future. The generic results model of this study can be used for improving results measurement and highlighting the value of the EITI as an instrument for evidence-based reform processes that – if applied – can help the EITI to be successful in the long-term.
- 2. Measure the perception of impact:** The Initiative needs to deliver primarily in contexts of weak governance. Use of systems in implementing countries and mainstreaming monitoring of the EITI is desirable. However, in the original group of EITI countries (Sub-Saharan Africa and Central Asia) the statistical and monitoring capacities are weak. Actual impact will take a long time to get to the point at which it can be easily and systematically measured in existing data-sets of stakeholders or third parties. It was only in 2013 that the Standard with a dimension of impact measurement was introduced. The approach of the online survey of this study (Annex III) could be adapted.
- 3. Observe the logic of stakeholders who provide the funding:** There are two risks involved in pursuing (or allowing) a broad, non-measurable approach and by focusing on interventions without clearly established results models and baselines to measure progress: the means may fall short of (unmeasurable) expectations, generating the perception of failure; and shortfall of funds will ultimately require a tough prioritization of goals and processes of the entire Initiative.
- 4. Change from a numeric to a more qualitative approach of growth:** Important players like the BRICS countries and major oil producers have not (yet) joined the EITI. The case for accession could be better supported based on evidence with robust, quantitative data.

## COOPERATION

5. **Seek integration or complementarity and interoperability:** Cooperation centering on the principles of the EITI should be fostered, in order to proliferate the norms rather than the organizational structure or process steps.
6. **Transcend the ‘transparency club’ of the International Board, national-level MSGs and Secretariats:** Reaching out to stakeholders and target groups should build on the resources of entities that are not directly involved in administering or governing the EITI. Otherwise it will be too costly to set up those structures and finance activities that have realistic prospects to lead to results on outcome and impact level and that have the ability to measure those results just for the EITI.

## MANAGEMENT

7. **Introduce a comprehensive M&E system:**
  - National level: National M&E systems are only recently emerging as a consequence of the 2013 Standard at the country level (locally and nationally). It is also evident that not much can be said about their methodological quality in practice. The case studies showed weak M&E systems that focus on EITI process steps. Systematic M&E that reaches above the output level and thus covers outcomes and impacts is, however, mandated for countries by the Standard (Requirement 7). Validation is designed to check a countries’ compliance against the Standard, but the 2016 Validation methodology is soft in respect of Requirement 7. Validations would need to have a consistent evaluatory component in order to be in the position to assess impacts. In case that the forthcoming Validations running between now and the end of 2017 come to the conclusion that impacts at national and local levels have not been sufficiently evaluated, M&E aspects should be strengthened at the occasion of the next modification of the Standard, guidance notes and model Terms of Reference for the Validator. In the meantime, the Standard allows sufficient scope to improve guidance notes for national M&E.
  - International level: Wherever possible, global M&E data should be used to legitimize and to guide decisions on the overall course of the Initiative. The size

of international EITI institutions and budgets creates an obligation to establish a global standardized M&E system. There is no reason for EITI International to not be able to measure impact through reliable independent approaches. Based on the existing methodology a supra-national validation could serve as a tool, if national-level Validations are able to provide M&E data of sufficient quality.

8. **Strengthen the “I” for Initiative:** Greater incentives need to be introduced at national level to look for synergies with reform initiatives, and at the international level with other global initiatives and organizations. After all, EITI bears an “I” for Initiative in its name, which is not just a letter but a philosophy to pursue cooperation. Interests and stakeholders in the EITI are too diverse, too ambitious and too dynamic, whereas funding is too short to form a large, stand-alone Extractive Industries Transparency Organization (“EITO”), or national subsidiaries of an EITO.

2.

# INTRODUCTION

## 2.1 ABOUT THE EITI

The Extractive Industries Transparency Initiative (EITI) was launched in 2003. It is organized in a tripartite structure of governments, companies and non-governmental organizations (NGOs) at both the international and national level. The governing bodies are the ‘Board’ internationally and ‘multi-stakeholder groups’ (MSG) nationally. The legal entity of the Initiative is an Association registered in Oslo/Norway, where the Secretariat is located.

The EITI describes itself as “a standard by which information on the oil, gas and mining industry is published. The EITI is not a prescription for governance of the sector, rather a tool that informs about the way the sector is governed.” (eiti.org)

In its second decade of existence the EITI is a global movement towards greater financial transparency and accountability in the natural resource sector. The International Secretariat reports that as of July 2016:

- ▶ 51 countries are currently implementing the EITI, 31 of which are compliant with all EITI Requirements, whilst the remaining 18 hold candidate status and 2 are suspended;
- ▶ 45 countries have published EITI Reports and more than USD 1.93 trillion in government revenues from

the oil, gas and mining sectors, covering 281 fiscal years, have been disclosed, predominantly in developing and emerging nations;

- ▶ More than 300 people work in the 51 national secretariats, promoting and implementing the EITI Standard on a daily basis;
- ▶ More than 1,000 people hold mandates in the 51 national multi-stakeholder groups and the International Board;
- ▶ More than 90 companies officially support the EITI;
- ▶ More than 90 institutional investors, which manage funds amounting to over USD 19 trillion, officially support the EITI;
- ▶ More than 400 non-governmental organizations (NGO) are involved with the EITI, both on a local and international level.

The Initiative applies the Value Chain approach of the World Bank to categorize the EITI’s reporting lines in five steps.



### Overview of the EITI's reporting lines (from eiti.org)

#### 1. Legal framework, distribution of licenses and contracts

Reporting in this section sets the stage of how the sector is governed, particularly in relation to extraction rights.

#### 2. Exploration and production

This covers information on what exploration activities are under way and how much the country produces and exports.

#### 3. Revenue collection

The major companies disclose what they pay to government in tax, royalties, signature bonuses, etc. The government discloses what they receive. The figures are broken down by company, project and revenue stream.

#### 4. Revenue allocation

Once the revenues are collected from companies, they need to be recorded in the government accounts. Usually most of the revenue goes to the central government. Sometimes it goes straight to or is transferred to sub-national government or to special funds or projects.

#### 5. Social and economic spending

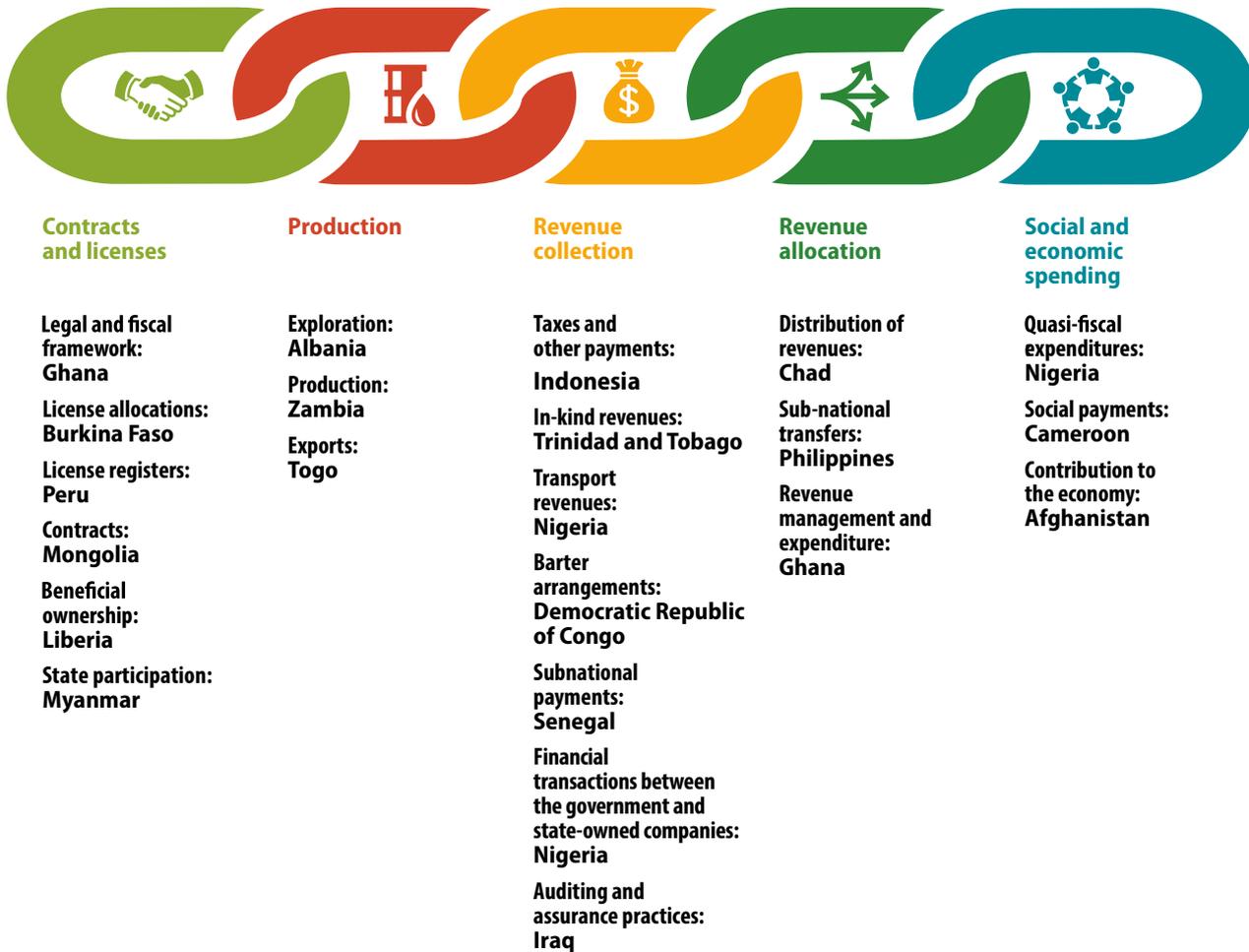
This covers some of the ways the extractives sector is contributing to social and economic development. Companies disclose where funds have been mandated to be spent on social projects. The government is asked to publish information about the role of the extractives sector in the economy. How many people are employed in the sector? How important the sector contribution is to the economy? This allows citizens to understand the importance of oil, gas and mining in their country.

In terms of evaluating the effectiveness and impact of the EITI, the year 2013 was an important watershed. A new Standard was adopted, extending the EITI's reporting requirements beyond revenue transparency. Since 2013 implementing countries need to report among other aspects (*→ see Figure 1*) on

- ▶ Sector-wide information like legal regimes, fiscal arrangements, licensing and contracts, state owned enterprises, production and export data, revenue collection and distribution (Requirements 2, 3, 4, 5 and 6), and on

- ▶ Outcome and impact in the form of a narrative account of efforts to strengthen the impact of the EITI, assessment of progress with a view to the outcome and impact indicators of the work plan and overview of the multi-stakeholder group's responses (*→ Requirement 7, see Annex I, and exemplified in the Guidance Note 20 as of March 2016*).

FIGURE 1: VISUALIZING THE POTENTIAL OF RECOMMENDATIONS FROM EITI REPORTS ALONG THE VALUE CHAIN.

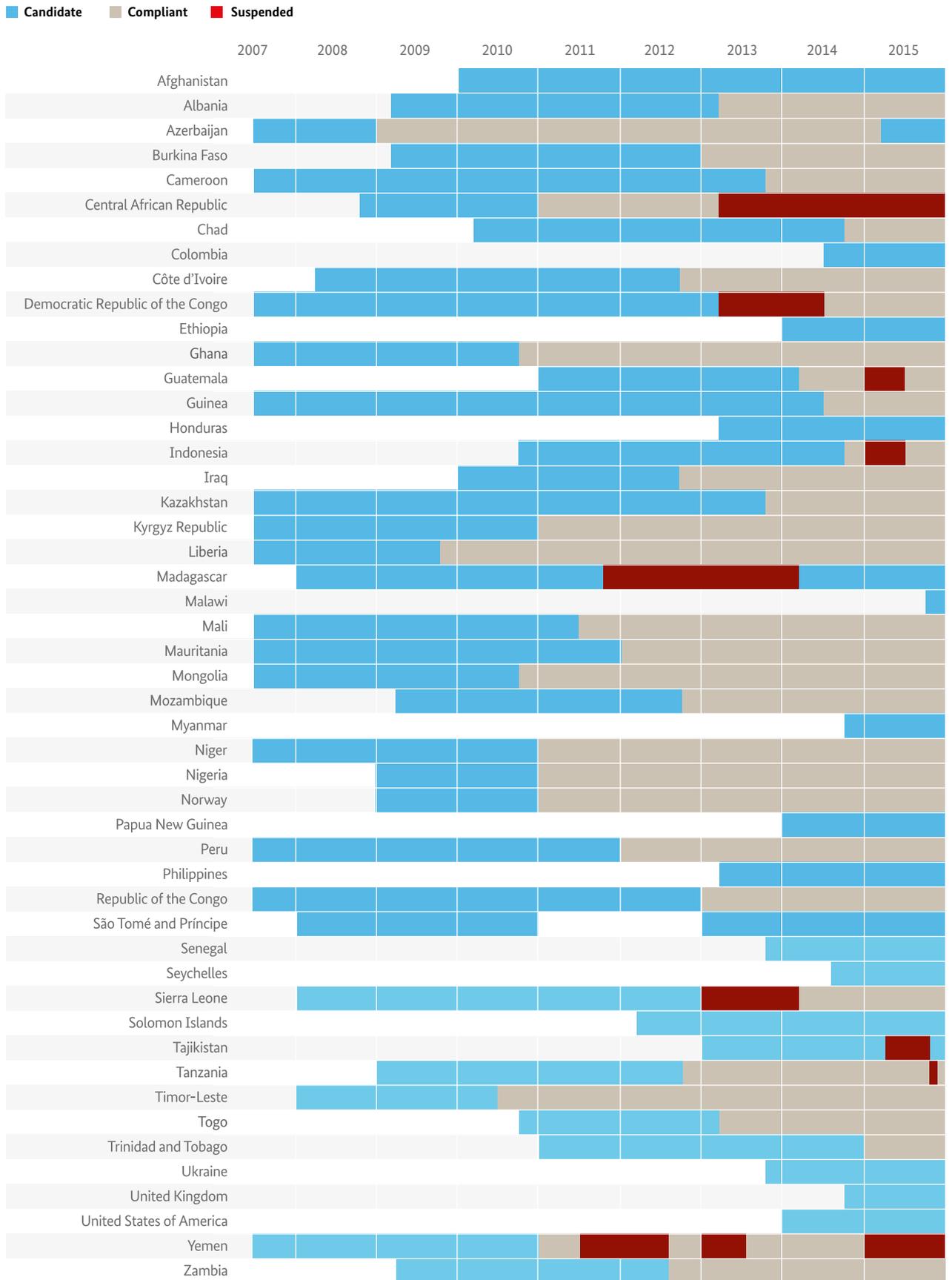


Source: EITI 2016: From reports to reform, p. 2; own adjustments.

The transition is still ongoing, and not all countries have produced comprehensive reports under the 2013 Standard yet. The EITI Standard was further strengthened in 2016, including requirements on the disclosure of beneficial ownership, and giving greater recognition to countries that make transparency a routine feature of their sector governance ('mainstreaming').

So far, 31 countries are EITI compliant based on the 'slim' and not sufficiently impact oriented 2011 rules. There are just 34 countries that implement the EITI for more than five years. Five years can be considered as a sufficient time-lag that allows results of the EITI to trickle down into data-sets and makes subsequent macro-data analysis and evaluation of the EITI reasonable.

**EITI COUNTRY STATUS 2007-2015**  
**31 COUNTRIES ARE EITI COMPLIANT\***



Source: EITI Progress Report 2016 (data as of 03/18/2016).

\*with the 2011 Rules

## 2.2 THE ROLE OF GERMANY

The German government considers the EITI as an anchor point for engaging with international partners around the world to strengthen good governance in the extractives sector. With regard to defining a strategy within the portfolio of the Federal Ministry for Economic Cooperation and Development (BMZ), it is formulated in sector (BMZ, 2010) and several country policies that partner countries use their resource endowments to foster sustainable development. Broadly this means that countries are looking to ensure that revenues benefit the population at large and that resource extraction is socially and environmentally acceptable. Furthermore, in order for the extractives sector to become a driver of broader employment and growth, linkages between major projects in the sector and the local economy must be established.

In principle, BMZ policies link the EITI transparency agenda to Good Financial Governance (GFG) and economic and social reform agendas. This means that support of the EITI is geared towards framing it in Public Financial Management (PFM), as well as more specific good governance interventions such as the Open Data Movement, the Tax Justice Movement (e.g. on transfer pricing issues), the Addis Ababa Action Agenda's Domestic Resource Mobilization (DRM) program, although the linkages vary depending on the country context. The EITI plausibly contributes to the Sustainable Development Goal (SDG) 17 ("Partnerships for the Goals – Strengthen the means of implementation and revitalize the global partnership for sustainable development") among others (CCSI 2016, p. 66-68).

In a whole-of-government-approach, the EITI was introduced to the German Government's raw materials strategy in 2012 in terms of "safeguarding of the supply of raw materials needs to be backed by a committed foreign policy, external economic policy and development co-operation policy" (BMWi, 2012: 26). German support has been broad-based from the very beginning: More than EUR 26 million have been allocated since 2006, supporting more than 20 national EITI processes through bilateral and regional co-operation, conducting training for more than 500 change agents from 44 countries (outreach and implementing countries), supporting activities under the first EITI Chair Peter Eigen (2006-2011), funding the International Secretariat as well as at the multilateral level through the World

Bank managed EITI Multi-Donor Trust Fund (MDTF) (2004 until 2015), and since then Component I of the Extractives Global Programmatic Support (EGPS).

In 2014, Germany started domestic implementation and since February 2016, Germany is an EITI candidate, aiming to become EITI compliant in 2018. This step was taken in coordination with the G7. Among the countries that make up the G7, EU and OECD, the EITI is implemented by:

- ▶ three of the G7 member states (43%)
- ▶ two of the 28 EU member states (7%)
- ▶ four of the 35 OECD member states (11%)

A growing number of industrialized nations are participating in the EITI: Great Britain since October 2014, the USA since March 2014; Norway has been a member since 2011; and other countries have announced an intention to implement the EITI, including Australia, the Netherlands, France and Italy. The BRICS countries (Brazil, Russia, India, China and the Republic of South Africa) have long been a focus of EITI advocacy and outreach, but thus far none of them have chosen to implement the EITI.

## 2.3 THE CONSULTING TEAM

The Consultant worked with a multi-disciplinary team of highly experienced, internationally known experts from various backgrounds. With regards to the case studies in DR Congo and Mozambique, the Consultant reached out to the national EITI stakeholders to combine expertise and efforts. The setup was not just aimed at issuing comprehensive recommendations with a solid methodological, technical, socio-economic and political knowledge, but also at applying a holistic approach when working on the theory of change (ToC) and the results model.

All team members that worked directly with stakeholders have well over 10 years of experience at the intersection of governmental, private and civil society sectors in OECD and non-OECD countries. Regarding the Extractive Industries Transparency Initiative (EITI), they have advised on implementation and related sectoral change and transformation processes worldwide in various assignments.

The team member leading on the approaches and methodologies was selected as someone who had not been involved with the EITI before this assignment. However, he brought in more than 15 years of practical working experience in evaluations and a strong background in developing elaborated evaluation designs, applying qualitative and quantitative methods as well as communicating research results to a broad audience. He has contributed to and led more than 40 evaluations for governmental and non-governmental organizations all over the world; for instance, in Africa, Asia and the European Union.

## 2.4 STRUCTURE OF THE REPORT

This report took orientation from a threefold rationale:

1. Research into (further) evidence for the impact of the EITI,
2. Guidance on how to implement Requirement 7 ('Outcomes and Impact') of the EITI Standard,
3. Evaluating support to the EITI by Germany – at multi-lateral, bilateral and sectoral levels.

In addition, but separately from the overall report there will be the following papers:

- ▶ Abridged version in seven EITI languages (Arabic, English, French, German, Portuguese, Russian, Spanish).
- ▶ Country case studies of the Democratic Republic of Congo (DRC) and Mozambique in extended versions of the chapters of this study. They will be made available to the two MSGs as working documents in French/Portuguese for further use.
- ▶ Notes for implementation of Requirement 7 of the EITI Standard,
- ▶ GIZ guidance on how best to support the EITI at multi-lateral, bilateral and sectoral levels.

While input for those separate products is not excluded from this overall report, emphasis was put on researching (further) evidence for the impact of the EITI.

The report is structured as follows:

- ▶ Chapter 3 outlines the methodology of the research, as well as some of the constraints of that methodology.
- ▶ The generic results model covering all 51 EITI countries is constructed in Chapter 4.
- ▶ Existing empirical research and EITI-specific documents are analyzed on the literature review in Chapter 5.

- ▶ In Chapter 6 macro-data of EITI countries in a panel of 98 countries is modeled to identify global statistical findings.
- ▶ Perceptions of stakeholders from a convenience sampled online survey are presented in Chapter 7.
- ▶ Results from case studies in DR Congo and Mozambique are discussed in Chapters 8 and 9, including country-specific results models.
- ▶ 25 conclusions categorized according to the OECD DAC criteria of relevance, effectiveness, impact, efficiency and sustainability are drawn in Chapter 10.
- ▶ Eight recommendations are issued for strategy, cooperation and management in the closing Chapter 11.

3.

# METHODOLOGY

There is a notable absence of an overall strategic approach based on a theory of change with a log frame that can be monitored and which could have been the backbone for evaluating the effectiveness and impact of the EITI. This is no surprise as the EITI managers in the International Secretariat describe themselves as proponents of the “incremental pursuit of ambition” and not of a “science of delivery” (Rich/Moberg 2015: 70). More specifically, they see ‘outcomes’ in this field as “unpredictable, intangible, non-attributable and long term”, not following “linear patterns of ... theory of change analysis” and advise that stakeholders “will have to put aside their beloved monitoring and evaluation tools and theory of change approaches” (Rich/Moberg 2015: 124-25), in order to conclude on methodological aspects that “straightforward objectives, indicators and milestones” would either have been “trite or lost the confidence of most of the stakeholders”. They promote the EITI as an “adaptive, not planned, form of programming” (Rich/Moberg 2015: 125), and steer the Initiative in that direction.

From a methodological point of view the statement can certainly be endorsed that any theory of change and results model of the EITI would go wrong if it follows a simplistic linear pattern. EITI outcomes and impacts are, however, not unique in that respect and not impossible to monitor and evaluate. Maybe a misperception has spread that theory of change and monitoring and evaluation (M&E) frameworks as such are not compatible with demand-orientation, adaptability and learning. In fact, they are compatible. Bad programming is always worse than good programming, and arguably flawed applications of a theory of change approach cannot be extended to the instrument of theory of change as such. In order to come forward with an adequate M&E, EITI stakeholders and third parties offer a lot of substantial information, probably much more than in the early days of the EITI that can inform a sound theory of change. Data-sets of international institutions (e.g. World Bank) and sustainability reporting (e.g. GRI) have evolved. The industry works with key performance indicators, investors and rating agencies with (ESG) risk indicators.

A recent study on identifying and evaluating EITI goals comes to the conclusion that “any evaluation of the EITI needs to be clear about which type of objective it is measuring; whether the EITI can achieve the goal on its own or only with help of other, simultaneous changes in the society; and that an evaluation should not deem EITI success or failure based on evaluating one or two aspects of the EITI.

Furthermore, future evaluations should thrive for multi-scalar approaches, consolidate the findings from individual countries within the three categories of goals we have identified, and build a testable theory of change both for the development goals as the final outcomes and for the ‘small wins’, leading for example to improved civil society participation in multi-stakeholder groups” (Rustad, Le Billon, Lujula 2016: 31).

Eventually, the M&E status of the EITI can be summarized: No log frame and no baseline for the Initiative could be identified. What does exist are:

- ▶ An evaluation report mandated by the Initiative based on pre-2013 data (Scanteam 2011) and an evaluation report of the technical and financial support (Scanteam 2015a).
- ▶ Evaluation reports initiated by stakeholders (such as MSI Integrity 2013) and research papers (*→ see Documents*), mainly pre-2013 data.
- ▶ Board papers and circulars with country assessments of outreach and implementation.
- ▶ Validation reports of country implementation, mainly pre-2013 data.
- ▶ Country-level work plans produced by national multi-stakeholder groups and secretariats as per EITI Requirement 7.4 iv (*→ see Annex I*).
- ▶ Log frames for country, sector or EITI project assistance from international partners such as those from
  - World Bank’s MDTF (until 2015) and EGPS,
  - Supporting governments, e.g. BMZ/GIZ, EU, DFID, and
  - International NGOs.

The World Bank’s MDTF and EGPS log frames and their adaptations for support of country-level EITI processes have been found to be the most detailed and useful ones for the purpose of this study. However, they are not fully sufficient as they are limited by nature to the country group of recipients of Official Development Aid (ODA). The EITI also currently includes non-ODA recipients. Nonetheless, those log frames as well as the work of Bennett (2011) on results chains in natural resource governance, have been primarily used.

### 3.1 LITERATURE REVIEW

This study is not a regular internal instrument of the GIZ or the EITI: neither a (super-)project evaluation of the GIZ's project cycle nor a (super-)validation of the EITI's country assessment system. In fact, by aiming at not simply measuring the EITI process steps, the study was designed to assess the development and status of the EITI from a broader perspective. The consultants took guidance from OECD DAC criteria, the Capacity WORKS (CW) management model, and the Evaluation Standards (2008 version) of the DeGEval (Evaluation Association Germany) observing the aspects of:

- ▶ **Utility:** Ensuring that an evaluation is guided by both the clarified purposes of the evaluation and the information needs of its intended users.
- ▶ **Feasibility:** Ensuring that an evaluation is planned and conducted in a realistic, thoughtful, diplomatic, and cost-effective manner.
- ▶ **Propriety:** Ensuring that in the course of the evaluation all stakeholders are treated with respect and fairness.
- ▶ **Accuracy:** Ensuring that an evaluation produces and discloses valid and useful information and findings pertaining to the evaluation questions.

The research was designed to eventually allow for reconstructing an overall theory of change (ToC) of the Initiative and testing hypotheses concerning the impacts. Five instruments were used to inform the study (each of which is explained below):

- 3.1 Literature review (→ *Chapter 5*)
- 3.2 Macro data: Global statistical analysis (→ *Chapter 6*)
- 3.3 Country level case studies covering the Democratic Republic of Congo and Mozambique (→ *Chapters 8 and 9*)
- 3.4 Interviews, workshops and focus group discussions based on a questionnaire (→ *Annex II*)
- 3.5 An online Survey (a-d basis) based on a convenience sample open to the public (→ *Chapter 7 and Annex III*)

The literature review has been the first analytical step in the inception phase of the study. The review has been conducted with the qualitative data analysis software MAXQ-DA12. Rather than giving an exhaustive overview over the literature on resources and the development path of countries, or hypotheses like 'paradox of plenty' or the 'resource curse', this report focuses on the core documents that came out as the central and most original pieces on EITI impact analysis. Those were analyzed by the software. In order to assess the validity of the findings in the literature, the analysis starts with a brief discussion of the current status of monitoring and evaluation efforts to provide evidence about the achievement of goals and selected results areas. After the initial findings, those were put to test in the macro-data analysis, in field research in DR Congo and Mozambique, for consultation with the international sounding board, in interviews and the online survey.

### 3.2 MACRO DATA: GLOBAL STATISTICAL ANALYSIS

The quantitative data analysis aims to complement the qualitative findings from the literature review and the case studies with quantitative, statistical data from all EITI countries and thus to put the assessment of its impact on a broader, more representative data basis. Combining the data from these different sources allows for minimizing bias and increases the reliability of the results. While country case studies provide in-depth information about the country specific mechanisms, i.e. answering the why- and how-questions, the statistical data analysis was applied to quantify the extent to which the EITI has contributed to the observed changes (related to its objectives) globally.

The methodological approach of the quantitative analysis is based on previous research (Schmaljohann 2013). It has then been adapted in several ways:

- ▶ The dataset was updated with recent country data covering the period from 2000 to 2014, and where available 2015.
- ▶ While Schmaljohann's analysis does not differentiate between the candidate and membership status of a country (cf. Schmaljohann 2013: 10), in this analysis this distinction is made based on the assumption that it might have an effect on the observable outcomes (i.e. dependent variables).
- ▶ Schmaljohann's study focused only on one possible effect of the EITI (Foreign Direct Investments), so to say on one impact path of the initiative; whereas here its effect on 12 potential outcomes is analyzed.
- ▶ Schmaljohann included 81 countries in her model calculation, while in this analysis 98 are considered; i.e. EITI candidate countries, EITI member countries and countries which have extractable resources and receive income from natural resources.
- ▶ Instead of applying three regression models (i.e. pooled Ordinary Least Squares (OLS), treatment regression and Generalized Method of Moments), which apparently provided very similar results, for the sake of efficiency in this analysis only OLS regression models, as described in the following section, were calculated.

The objective of the analysis is to investigate whether changes in an outcome variable of interest (e.g. business extent of disclosure) over time can be explained by changes in

the EITI status of countries (i.e. when a country becomes an EITI candidate or member). Basically, using pooled OLS regression treats every observation as independent and does not consider the panel structure of the dataset, which may not seem reasonable at first glance.

However, by including country fixed effects (i.e. including a dummy variable for each country into the regression model) and clustering standard errors within countries, the pooled OLS regression model is essentially equivalent to the classical fixed effects OLS panel regression estimator. The inclusion of country fixed effects ensures that any unobserved heterogeneity due to time-invariant characteristics of countries – variables that do not change over time such as geographic or climatic variables – is removed from the analysis. Furthermore, in order to control any unobserved time-specific effects on the outcome, year dummies were included into the regression models. Thus, any unobserved year-specific general trends across non-controlled countries in the analysis were removed.

As the independent variable of interest is the countries' EITI status, for every outcome variable two models, one for assessing the effect of being an EITI candidate and one for assessing the effect of being a member, are estimated. The variables candidate and member were operationalized as binary variables. Countries received the value zero if they were not a candidate/member in a given year and they received the value one if they were. Because the effects of becoming a candidate/member are presumably time-delayed, a one-year lag of the candidate/member status variable was used.

Besides the respective EITI status and the country and year dummies, several time-variant control variables from the economic, political, and social/cultural sphere, according to the ones used in the paper from Schmaljohann were included in the model:

- ▶ Merchandised trade (% of GDP)
- ▶ GDP per capita growth in percent
- ▶ Total population
- ▶ Country Risk Classification (CRC) from the OECD
- ▶ Control of Corruption Index of Worldwide Governance Indicators

However, as for the sum of imports and exports, the dataset contained too many missing values, and resource rents could not be calculated on the basis of the information

from the study, the model was amended with further independent variables, which are supposed to have an influence on the observable outcomes were included in the regression model:

- ▶ Received ODA
- ▶ Inflation rate
- ▶ Industry value added (in local currency units)
- ▶ Total labor force
- ▶ Average interest rate

Since these variables are presumed to affect the outcome variables under study, controlling for them allows to estimate the effect of EITI status without being biased by the covariates included into the model. As the effects of the covariates on the outcome are also temporally delayed, they are lagged by one year in order to take this circumstance into account. Finally, because the value of a given outcome variable in one year is always affected by its value on the same outcome variable one year before, the outcome variable is also lagged by one year and included into the model as a further independent variable.

To sum up, the pooled OLS regression models consist of four basic components:

- I. the EITI status as our main independent variable of interest,
- II. the time-variant control variables (as listed above),
- III. the country and year dummies, and
- IV. the one-year lag of the outcome variable.

With regard to model evaluation, the analysis focuses on the within country model fit (i.e. to which extent the independent variables of the model explain the variance of the dependent variable in each country), the signs, magnitudes and levels of significance of the regression coefficients of the independent variables.

- ▶ In total, the model design included 1,569 data points for 98 countries.

The macro data analysis at this point of time in the development of the Initiative has, to a degree, some limitations. This is common knowledge among many stakeholders. In conclusion, the management of the International Secretariat expresses, that “we must embrace quantitative assessments but also be mindful of the pitfalls with such meth-

odologies. At the EITI, our role is to make ourselves, our data and information available. We can facilitate contacts and draw attention to good case studies and solid research, whether it demonstrates impact or not.” (Moberg: 2016). In that sense, the study contributes to the availability of information, research methodologies and results:

- ▶ Upon request, the calculations can be made available through the GIZ Sector Program “Extractives for Development – X4D” for interested EITI stakeholders or researchers.

### 3.3 CASE STUDIES: COUNTRY LEVEL

The focus of the case studies for DR Congo and Mozambique has been on the same categories and variables. The methodological approach consists primarily on information gathered through interviews with relevant stakeholders, based on the interview guideline (→ *Annex II*). The online survey (→ *Annex III*) was promoted through direct mailings in both countries. Semi-structured interviews with stakeholders (including present and former MSG members, high level government officials involved in the initiative, organized civil society groups and private sector players active in the country) deepened the analysis. In addition, for instance in Mozambique, newspaper publications, radio broadcasts, road shows, articles by think tank organizations like the Center for Public Integrity (CIP), and media and civil society representatives have also been useful in determining the extent and quality of public debate generated by the M-EITI process. In DR Congo, a round table in the Katanga mining area was held to reconstruct the Theory of Change and assess the effectiveness and impact of the EITI. In Kinshasa among MSG members and in Lubumbashi there was broad agreement on the results model, but not unanimity among the participants. Impact indicators were formulated in breakout groups and discussed in plenary. Throughout the interviews and the workshops, the atmosphere was open and interest remained high. The results model for ITIE RDC (Congo) and M-EITI (Mozambique) have been discussed but not formally agreed by the respective MSG, and are considered to be works-in-progress and to be taken forward by the MSGs.

### 3.4 INTERVIEWS, WORKSHOPS AND FOCUS GROUP DISCUSSIONS

More than 50 resource persons have been interviewed and consulted on hypotheses and interim results. The most important instrument for safeguarding the overall course of the study has been an international Sounding Board consisting of representatives across all EITI constituencies, e.g. balancing perspectives, facilitating access to information within the institutions of the Sounding Board members, building consensus on process and the use of results. Criteria for membership included:

- A. Experience with impact assessments
- B. Synergies with similar work streams in the EITI community
- C. Institutional relevance for the EITI
- D. Multi-Stakeholder setting

Institution	Name
Allianz Global Investors	Mr. David Diamond (until 03/2016)
BHP Billiton Foundation	Mr. Ian Wood
D-EITI	Ms. Johanna Beate Wysluch
DFID	Mr. Jonathan Atkinson
EITI International Secretariat	Mr. Jonas Moberg
European Commission	Ms. Inma Montero-Luque
GIZ Program Extractives for Development	Ms. Lena Link
Global Witness	Ms. Rachel Owens
Natural Resource Governance Institute (NRGI)	Ms. Erica Westenberg
Ministry of Foreign Affairs of the Netherlands, Directorate General for International Cooperation	Ms. Ardi Stoios-Braken
MSI Integrity	Ms. Amelia Evans
Natural Resource Governance Institute (NRGI)	Ms. Erica Westenberg
Philippines EITI	Ms. Marie Gay Alessandra V. Ordenes
Publish What You Pay (PWYP)	Ms. Asmara Klein
SECO	Mr. Thomas Benninger
Transparency International	Ms. Robin Hoddess
World Bank	Mr. Andrew Schloeffel (until 06/2016)

The approach and interim results have been discussed at the EITI Global Conference in Lima during an Open Corner Talk on EITI impact at the National Expo on February 24, 2016.

## OPENING OF THE GERMAN STAND & OPEN CORNER TALK: ASSESSING THE IMPACT OF THE EITI

Presentation & Discussion  
of the EITI Impact Study



### Where?

German stand at the National Expo,  
2016 EITI Global Conference

### When?

Wednesday, 24<sup>th</sup> February 2016,  
12:00 – 12:50

Open invitation to EITI stakeholders and participants of the 2016 EITI Global Conference to discuss the approach and (interim) findings of the ongoing EITI Impact Study.

In close coordination with the International EITI Secretariat and stakeholders in the global EITI community, Germany has initiated a study on EITI impact. The study has been commissioned to an external consultant team by the German International Cooperation (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ). The study is conducted from 01/12/2015 until 31/08/2016.

Please participate in the online EITI impact survey: [www.impact-survey.com](http://www.impact-survey.com)

### Contact

lena.link@giz.de  
neumann@lbn-strategies.de



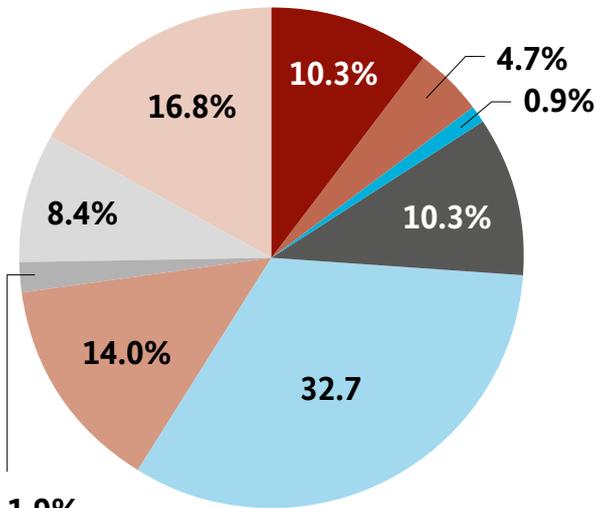
## 3.5 ONLINE SURVEY

From February 22 until May 16, 2016 EITI stakeholders and observers could participate in an open survey to assess the EITI on [www.impact-survey.com](http://www.impact-survey.com). It was promoted in a blog and newsletter on [goxi.org](http://goxi.org), direct mailing to national coordinators and through further various channels. The survey was offered in six languages. Answers were received in English (63), French (26), Russian (9), Spanish (6) and Portuguese (4), however, there were none in Arabic.

108 persons participated in the survey, with all but one stating their group affiliation (n=107). There were 90 valid answers for each question with a declining trend from the beginning to the end. The overwhelming majority of respondents were representatives of national and international civil society organizations (35 respondents of national civil society and 15 of international civil society). Government respondents included 11 national EITI coordinators, five other national EITI staff, one government representative of an implementing country, and 11 representatives of supporting governments. Nine researchers and journalists participated in the survey. Only two representatives of extractive industry companies answered the questionnaire, and no representatives from institutional investors participated. Eighteen respondents selected the category "other".

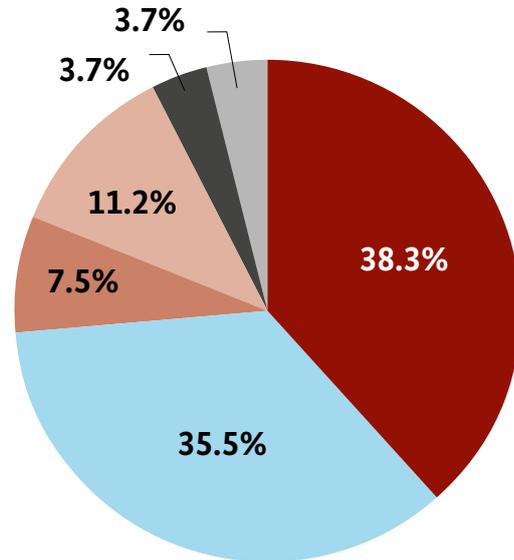
- ▶ Because of this the weight that can be given to the survey results is not very high. The explanatory power is limited by the circumstances of sampling.
- ▶ For interpretation of the results (→ *Chapter 7*), the bias in the data towards civil society perspectives, towards elites that have internet connectivity and can understand the complexities around extractive fiscal structures needs to be taken into account.
- ▶ Interpretation of data related to single countries was not intended and is not possible, due to small numbers.

**FIGURE 2: RESPONDENTS BY AFFILIATION (n=107)**



- National EITI coordinator
- National EITI coordinator
- Government of implementing country
- Supporting government
- National CSO
- International CSO
- Extractive company
- Researcher/academia/journalist
- Other

**FIGURE 3: AFFILIATION OF RESPONDENTS BY REGION (n=107)**



- Global
- Afrika
- Asia
- Europe
- Latin America
- North America

Most of the respondents started their involvement with the EITI in the years 2009 to 2011 and between 2013 and 2015. Almost a third (32.1%) of the respondents are members of a national EITI multi-stakeholder group, while a relatively small number (5.7%) are members of the EITI International Board. The respondents related their answers mainly to either the global level (38.3 %) or to implementation in African countries (35.5 %). Within Africa there was some bias towards Cameroon, Democratic Republic of Congo and Mozambique. In total, respondents logged in for 14 African countries. Eight respondents came for the perspective of Asia (Azerbaijan, Kazakhstan, Mongolia and Philippines), 12 from Europe (Germany, Norway and Ukraine), four from Latin America and four from the USA. Outside of Africa, notable country responses came from Peru (4) and Ukraine (9).

It was expressed by civil society members of the Sounding Board that although the results are illuminating it is important to note the following limitations of this methodological approach: one cannot be sure it is fully representative given the correlation between those who will feel comfortable speaking about the EITI on an online survey versus those who will not, e.g. because of fear of government monitoring or retaliation.

### 3.6 DESIGN OF THE PROCESS

The external process of the study started with a coordination meeting of the GIZ with the International EITI Secretariat and international partners in Oslo in August 2015. A request for expression of interest for country case studies was facilitated by the GIZ, and subsequently two cases were selected: DR Congo and Mozambique. From December 2015 until August 2016 the consultants carried out the research in six distinct phases:

#### TASK 1: INCEPTION PHASE

- ▶ Inception meeting with the GIZ in Bonn (December 10, 2015)
- ▶ Report/documents received from the GIZ
- ▶ 1st Sounding Board Telco on the topic: approach and methodology (January 5, 2016)
- ▶ Inception report and endorsement of approach and implementation roadmap

*Deadline: January 11, 2016*

#### TASK 2: DESK-STUDY PHASE

- ▶ Data & Literature Review (by January 31, 2016)
- ▶ Testing of 'Approaches and Methodology'
- ▶ 2nd Sounding Board Telco on the topic: desk study findings (February 5, 2016)

*Deadline: February 8, 2016*

#### TASK 3: FIELD RESEARCH PHASE IN DR CONGO AND MOZAMBIQUE

- ▶ Factfinding and consultation missions
- ▶ Draft Findings from DR Congo and Mozambique

*Deadline: March 23, 2016*

#### TASK 4: FEEDBACK PHASE

- ▶ Interim Report on Task 2 and Task 3 including draft results models with deadline March 23, 2016
- ▶ Open Corner Talk at German Booth at the National Expo EITI Global Conference (February 24, 2016)
- ▶ Debriefing workshop with Client (April 15, 2016)
- ▶ Activating the GIZ's Community of Practice and reach out to further communities, such as goxi.org
- ▶ Online Survey [www.impact-survey.com](http://www.impact-survey.com) in six EITI languages (February 22 – May 16, 2016)

*Deadline: May 16, 2016*

#### TASK 5: CONSULTING PHASE IN DR CONGO AND MOZAMBIQUE

- ▶ Country-specific results models
- ▶ Consultation and endorsement workshops

*Deadline: July 25, 2016*

#### TASK 6: REPORTING AND LAUNCHING PHASE

- ▶ Submission of draft final report (August 1, 2016)
- ▶ 3rd Sounding Board Telco on the topic: draft final report (August 15, 2016)
- ▶ Clearance by Client
- ▶ Launching of Report

*Deadline: August 31, 2016*



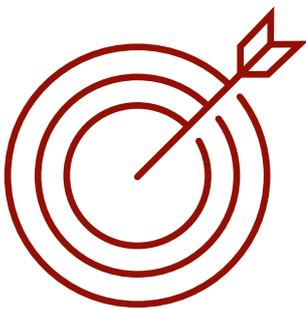
4.

# GENERIC RESULTS MODEL

## 4. GENERIC RESULTS MODEL

The following generic results model is the analytical center piece of the study. The model was constructed with the help of hypotheses as part of a theory of change analysis. Those had been derived from a literature review (→ *Chapter 5*), macro data analysis (→ *Chapter 6*) and qualitative interviews and have subsequently been tested in an open online survey (→ *Chapter 7*), country case studies (→ *Chapters 8 and 9*), qualitative interviews and reviewed by the international sounding board of the study.

The model is based on the World Bank (2014) “Multi-Donor Trust Fund (EITI MDTF) results framework”, DFID (2012) report of the Strategy Working Group on theory of change (2012) and Bennett (2011) “On the use of results chains in natural resource governance”. The preceding models have been adjusted to match the evolving EITI community which includes OECD and non-OECD countries and reflecting all degrees of EITI implementation contexts under the EITI Standard 2013/2016.



**3.5**  
Billion People

### TARGET GROUPS

From a global perspective, the target groups are wide-ranging. The EITI officially states that it intends to target 3.5 billion people living in countries, which are endowed with oil, gas and minerals.

### ATTRIBUTING EFFECTS

As in any results model outputs, outcomes and impacts need to be plausibly attributed to the interventions in question. Based on Stein/Valters (2012) it is important to identify the ‘why, what, who, when, and how’ that link each EITI element to the larger change process. This needs to take into account the individual case in a qualitative assessment. The links between the levels of the results model can be given in one country, but in another country be disjointed. Disjointedness could be because of quite different reasons. For instance, establishing an MSG and creating trust and dialogue in the MSG (activity level) does not yet lead to public debate (outcome level), in case the MSG is working in a ‘silo’, i.e. not sufficiently connected to interests and grievances of stakeholder groups and local or national reform needs. Activity and output level can or cannot link to outcome level, regardless of whether this is an OECD or non-OECD country or a country that ranks high or low in terms of democratic/autocratic regime.

There is no specific type of country context that would allow a generalization about establishing this crucial link: it may be the case that in a democratic regime, stakeholders do not push for national reform needs to be addressed through the EITI because they wish to articulate those needs elsewhere; or it may be the case that in an autocratic regime, stakeholders are directed or incentivized not to articulate national reform needs to be addressed through the EITI. In both cases the links in the results model are disjointed.

The **level of logical hierarchy** is as follows (see a detailed version of the results model below for further reference):

**Highly aggregated impact** is defined as sustainable development in the dimensions of economic, social and environmental change. The model follows recent debates on a fourth dimension: governance or also expressed as politics of change. This dimension includes subdomains such as organization and governance, law and justice, representation and negotiation, ethics and accountability (James 2013). A key aspect of the initial impetus for creating the EITI was linked to concerns that governments in resource-driven countries were too often failing to provide services that meet basic international human rights (e.g. education, health), and that extractive industry revenue was sometimes being used to fund conflict and human rights abuses. Thus, the motivation to assess improved human rights conditions is part of the EITI's debate on aggregated impact level – to varying degrees across stakeholder groups.

Impact is modeled as one results area for all: conditions are improved under which extractive industries better contribute to the development of producing countries. Depending on the context, possible aspects are:

1. Leadership for good governance
2. Open dialog is established
3. Accountability has taken grip
4. Improved living and human rights conditions
5. Increased citizen participation in decision making and conflict mitigation
6. Contractual problems regarding taxes, etc. are tackled
7. Extractive companies pay compensation for damages

**Impacts** depend on who is in charge of the intervention (change agent), their means and their intentions. Without these distinctions, the realism of (expected) results will be difficult to assess. The constellation defining the change

agent differs from country to country. The following was observed by the study:

- ▶ Governments are in all country cases required to submit the official application to become an EITI candidate country and take any official step regarding the EITI implementation. Thus, they are by definition the key change agents, even though governments in EITI countries do not necessarily show the political will for comprehensive EITI implementation. Intentions to join the EITI range from pro-active attitudes like utilizing the governance model of the EITI to driving actual and ambitious reform processes to more reactive attitudes, such as seeking international recognition, and fulfilling an EITI-related conditionality requirement from donors or international partners.
- ▶ Companies are pro-actively pursuing their business case through the EITI in taking 'collective action' to address challenges in their business environment. On a country level this is normally pursued by a core group of companies or business associations, and no evidence came to the attention of the Consultant that there is any MSG worldwide within which company or business associations take this pro-active stance. At the same time, quite a number of companies and investors seem to limit their efforts to the rather easy to fulfill EITI reporting templates or commitments, tick the box and 'white-wash' their operations, eventually maintaining a rather weak or publicly non-monitorable ESG (Environmental, Social, Governance) performance. The business case for the EITI centers around meeting Corporate Responsibility markers, improving the Ease of Doing Business and risk minimization to reduce capital costs.
- ▶ Civil society representatives are in almost all country cases key change agents (of domestic and international background). However, in least developed countries with little economic opportunity, a political economy of income generation has emerged (or has been extended from other donor-funded areas) around the EITI, which is a hindrance to change. Intentions circle around access to international funding, training, travels, recognition, etc.

It is the prerogative of each implementing country and of each constituency to ensure that the effects of the EITI meet their aspirations.



**Outcome:** The following EITI results areas, that can be considered as key thematic domains of change, have been modeled in this study:

1. Fiscal transparency,
2. Public debate,
3. Anti-corruption,
4. Trade and investment climate.

According to the logical framework approach, the four results areas at the outcome level (fiscal transparency, public debate, anti-corruption, trade and investment climate) would initiate separate results models for each outcome, but for the sake of simplicity they have been combined into a single generic results model.

None of those outcomes will lead to impact in terms of sustainable development, if the accountability principle does not get on track. The design of the EITI is very much about strengthening government systems, and transparency is not an end in itself. The Initiative is geared towards improving accountability, and indicators are to be applied that reflect this. For example, it can be observed that there are reports (i.e. fiscal transparency), launching of reports (i.e. public debate), a policy and a commission to fight abuse of funds (i.e. anti-corruption) and more efficient licensing and company registration (i.e. trade and investment climate). All of which, to varying degrees, can even be found in EITI countries with autocratic regimes as publishing reports is a pre-condition of not being suspended or delisted. However, if there are not conditions which allow for a government or company to be held accountable, the Initiative has limited meaning for sustainable development. This is, of course, part of what national EITI processes are sought to articulate and resolve in terms of their theory of change, or in fulfillment of Requirement 7 (*→ see Annex I*).

**Output** is modeled as one results area for all: stakeholders have greater capacity (in terms of expertise and means) to participate in informed and consensual decision making for public or corporate policy. Key EITI outputs:

1. EITI Reports, produced annually and available on national EITI websites and on [eiti.org](http://eiti.org).
2. EITI Annual Activity Reports, which track progress against EITI Requirements, objectives and progress in following the recommendations of EITI Reports.
3. EITI Validation Reports, evaluating country implemen-

tation against the EITI Standard.

4. EITI Secretariat Reviews, produced occasionally as interim assessments pending Validation.

EITI specific and EITI procedural aspects are found predominantly up to output level (covering inputs and activities). Key features are the:

- ▶ mandatory implementation of an international standard, which introduces innovations to national and local debates as it covers the entire decision making chain in the natural resource sector from licensing to revenue expenditure.
- ▶ multi-stakeholder governance model, which includes among other aspects:
  - ▶ consensual decision making both within stakeholder groups, e.g. between government departments and government levels like central/federal and local levels, and between stakeholder groups, e.g. companies and civil society organizations.
  - ▶ collective action, which leads to protected space for individuals and entities in government, companies and civil society in which critical issues can be addressed, e.g. political taboos, corruption concerns.

**Activities** include the following aspects:

1. MSG established.
2. Key stakeholders capacitated.
3. EI framework conditions monitored.
4. Payments reported, reconciliated and disclosed.
5. EI decision chain information disclosed (e.g. on licensing).
6. Reform processes of the state and for businesses identified, facilitated and driven by the EITI.

**Inputs** can be summarized as follows:

1. Decisions by the International EITI Board to develop, adjust and enforce the Standard.
2. Political will, services (e.g. preparing data) and financing (e.g. staff) provided by implementing governments, and key stakeholders (e.g. in MSG).
3. Services by the International EITI Secretariat (e.g. ad-

vice, training, facilitation, research, platform for access to global open data: <https://eiti.org/data>).

4. Services and financing by supporting governments, companies, NGOs, foundations, philanthropists, etc. (e.g. advice, training, facilitation, research).
5. Research results from academia.

For **indicators and variables**, and a description of the conditions that are conducive or obstructive to achieve results, please see the respective columns in the detailed version. Objectively verifiable indicators are essential to measure the benefits to EITI stakeholders. They should satisfy internationally recognized quality criteria (e.g. SMART), however, they cannot be articulated SMART on a generic level as they need to catch all contexts. In particular, the same sources of verification are not given in each country. Sources of verification of the indicators should be available at no or little cost to the the EITI stakeholders, in order not to promote a stand-alone approach of EITI, but to mainstream the initiative in governmental and industry processes.

The following **special fields of change** cannot be adequately represented in the model:

- ▶ International coordination in the field of good governance in the extractives sector in terms of the G7 lead for a global level-playing-field, with regards to supply chain security, fiscal transparency, anti-corruption, Domestic Resource Mobilization (DRM), etc. A survey of EITI implementation in G7, EU and OECD has shown that the primary objective of industrialized countries to opt for domestic implementation is to encourage “good practice in developing and emerging countries (especially in relation to good governance, anti-corruption measures and a level playing field for the private sector).” Out of this group of countries, only the USA links EITI implementation specifically with its domestic open government initiatives, the link between implementation on the one hand and domestic political objectives and reforms on the other is marginal in all other cases. Besides the USA, the EITI is also linked to the Open Government Partnership (OGP) in Germany, Norway and the United Kingdom. “For the most part, the objectives derived from the work plans are limited to technical issues concerning viability, reporting and public relations.” (D-EITI 2015: 4).
- ▶ Government internal communication and cooperation

(between ministries, government departments, central/local or federal/state).

- ▶ Communication and cooperation between company locations (headquarters/country of investment/project sites): Supporting the EITI requires a coherent, company-wide implementation. A lack of it increases the ESG risk exposure of the company (Diamond: 2014).

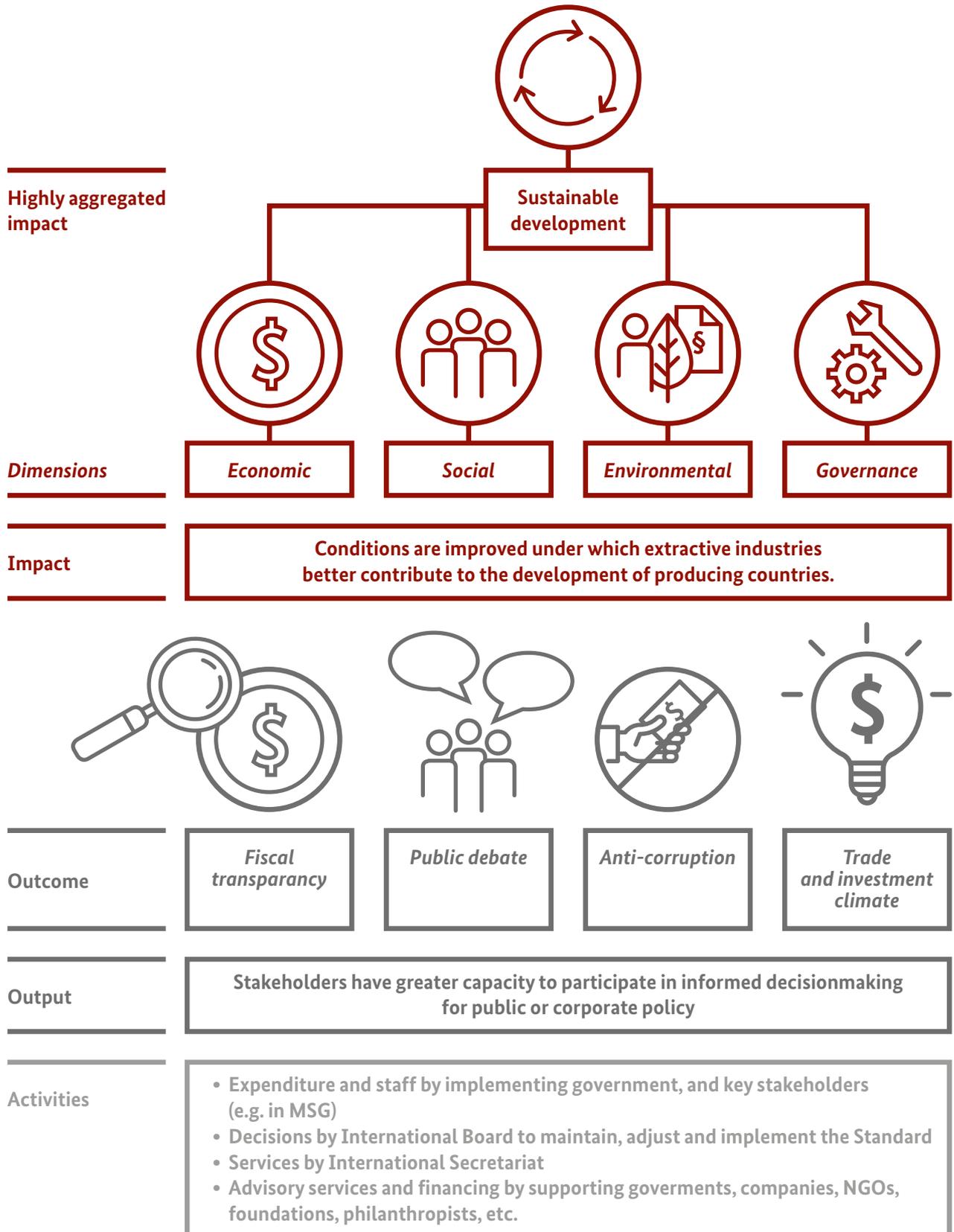
Resource persons consulted for this study perceived and described these changes as ‘impacts’ of the EITI. In the logic of the generic results model, those results are considered as inputs to country-level implementation of the EITI. However, they are plausible effects of the collective governance approach of the EITI. Their frameworks and incentive structure are – no doubt – of great interest to be researched in more depth.

In between the generic results model (global) and country-specific results models (in this study for DR Congo and Mozambique) it is possible – and recommendable – to develop category specific results models for better analytical results. The following categories of EITI implementation contexts can be established:

- I. Level of development: Categories based on IMF’s World Economic Outlook (WEO), advanced economies (in Table B of the WEO 2016), and emerging market and developing economies (in Tables D and E of the WEO 2016), furthermore heavily indebted poor countries (HIPC), and low-income developing countries (LIDCs).
- II. Level of resource-endowment: Categories based on EI share of GDP, EI revenue share of budget, EI share of exports according to IMF and World Bank data.
- III. Level of good governance: Categories based on democratic/autocratic systems according to BTI.
- IV. Analytical level for results logic: global/international, national, local.

However, the generic model needs to apply for all EITI cases. A thought experiment to test the model can be conducted in the way that the model needs to be applicable for instance in Berlin as well as in Bishkek. The following generic results model aims at covering all of the 1-4 above.

OVERVIEW VERSION OF THE GENERIC RESULTS MODEL



Levels	Areas	Variables (applicable in macro data)	Indicators	Conditions (conductive/obstructive)				
Highly aggregated impact	<p><b>Sustainable development</b></p> <p><b>Dimensions:</b></p> <ul style="list-style-type: none"> <li>• Economic</li> <li>• Social</li> <li>• Environmental</li> <li>• Governance</li> </ul>	<p><i>Independent:</i></p> <ol style="list-style-type: none"> <li>1. GDP p.c. growth in percent</li> <li>2. Total population</li> <li>3. Country Risk Classification</li> <li>4. Inflation rate</li> <li>5. Industry value added (in local currency units)</li> <li>6. Merchandized trade</li> <li>7. Total labor force</li> <li>8. Interest rate</li> <li>9. Corruption perception</li> <li>10. Received ODA</li> </ol> <p>Independent (not applied in the quantitative model because of data limitations, for example):</p> <ol style="list-style-type: none"> <li>1. Gini coefficient</li> <li>2. Export and Import</li> <li>4. Genuine Progress Indicator (GPI)</li> </ol>	<ol style="list-style-type: none"> <li>1. Situation of target group is improved by x% (in the dimensions of economic, social, environmental and governance) Source: Sustainability indices and reporting systems to identify relationships, distributions, comparison of average values, detection of patterns, e.g. Human Development Index (HDI); Bertelsmann Transformation Index (BTI); Resource Governance Index, Global Reporting Initiative (GRI).</li> <li>2. X% increase of perceived responsiveness of government to stakeholders' interests Source: own survey</li> </ol>	<ol style="list-style-type: none"> <li>1. Peace/conflict</li> <li>2. Political will</li> <li>3. Democratic/autocratic system</li> <li>4. Enforcement capacities laws and regulations</li> <li>5. Quality of investors</li> </ol>				
Impact	<p><b>Conditions are improved under which extractive industries better contribute to the development of producing countries.</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Leadership for good governance</li> <li>2. Open dialog</li> <li>3. Accountability/responsibility</li> <li>4. Improved living and human rights conditions</li> <li>4. Increased citizen participation in decision making and conflict mitigation</li> <li>6. Contractual problems regarding taxes, etc. are tackled</li> <li>7. Extractive companies pay compensation for damages</li> </ol>		<p>In addition to the above:</p> <ol style="list-style-type: none"> <li>1. X% of people in the target group express a positive opinion about EITI achieving impacts Source: own survey</li> <li>2. X policies and procedures changed (systemic milestones achieved)</li> <li>3. X% increase of pro-stakeholder budget decided and allocated</li> <li>4. X services accessible and delivered to stakeholders (male/female)</li> </ol>					
Outcome	<table border="0"> <tr> <td> <p><b>Fiscal transparency</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Freedom of information/figures and information accessible</li> <li>2. Quality assurance in government (Change processes)</li> </ol>  </td> <td> <p><b>Public debate</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Freedom of information/figures and information accessible</li> <li>2. Public understanding of government revenues and expenditure increased</li> </ol>  </td> <td> <p><b>Anti-corruption</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Corruption, extortion and bribery tackled</li> <li>2. UN Convention Against Corruption (UN-CAC) implemented</li> </ol>  </td> <td> <p><b>Trade and investment climate</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Ease of doing business</li> <li>2. Costs of financing projects</li> <li>3. Volume of investments</li> <li>4. Quality of investments</li> </ol>  </td> </tr> </table>	<p><b>Fiscal transparency</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Freedom of information/figures and information accessible</li> <li>2. Quality assurance in government (Change processes)</li> </ol> 	<p><b>Public debate</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Freedom of information/figures and information accessible</li> <li>2. Public understanding of government revenues and expenditure increased</li> </ol> 	<p><b>Anti-corruption</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Corruption, extortion and bribery tackled</li> <li>2. UN Convention Against Corruption (UN-CAC) implemented</li> </ol> 	<p><b>Trade and investment climate</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Ease of doing business</li> <li>2. Costs of financing projects</li> <li>3. Volume of investments</li> <li>4. Quality of investments</li> </ol> 	<p><i>Dependent:</i></p> <ol style="list-style-type: none"> <li>1. Business extent of disclosure</li> <li>2. Discrepancy in expenditure</li> <li>3. Foreign direct investments</li> <li>4. Time to prepare and pay taxes</li> <li>5. Business regulatory environment</li> <li>6. Equity of public resource use rating</li> <li>7. Fiscal policy</li> <li>8. Quality of public administration</li> <li>9. Trade</li> <li>10. Transparency, accountability and corruption</li> </ol> <p>(for variables in full details, see dataset in study)</p> <p><i>Dependent (not applied in the quantitative model because of data limitations, for example):</i></p> <ol style="list-style-type: none"> <li>1. Bribery incidence</li> <li>2. Informal payments to public officials</li> <li>3. Tax revenues</li> </ol>	<ol style="list-style-type: none"> <li>1. X meetings (hearings, etc.) between stakeholders and government policy and decision makers</li> <li>2. X% increase of reporting in the media by journalists on the EITI and the extractive industries compared to the previous year</li> <li>3. X increased total percentage of revenues reconciled compared to the previous year</li> <li>4. Change of x ranks in the 'Ease of doing business' (or other surveys).</li> <li>5. USD X million higher volume or higher quality investments</li> <li>6. X% of stakeholders show change of perceptions of EITI-induced changes</li> </ol>	<ol style="list-style-type: none"> <li>1. Political will</li> <li>2. Legal regime</li> <li>3. Relation of media as party with government or companies</li> <li>4. (EI) Literacy</li> <li>5. Quality of investors</li> </ol>
<p><b>Fiscal transparency</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Freedom of information/figures and information accessible</li> <li>2. Quality assurance in government (Change processes)</li> </ol> 	<p><b>Public debate</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Freedom of information/figures and information accessible</li> <li>2. Public understanding of government revenues and expenditure increased</li> </ol> 	<p><b>Anti-corruption</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Corruption, extortion and bribery tackled</li> <li>2. UN Convention Against Corruption (UN-CAC) implemented</li> </ol> 	<p><b>Trade and investment climate</b></p> <p>Possible aspects:</p> <ol style="list-style-type: none"> <li>1. Ease of doing business</li> <li>2. Costs of financing projects</li> <li>3. Volume of investments</li> <li>4. Quality of investments</li> </ol> 					
Output	<p><b>Stakeholders have greater capacity (in terms of expertise and means) to participate in informed and consensual decision making for public or corporate policy.</b></p> <p>Key EITI outputs:</p> <ol style="list-style-type: none"> <li>1. EITI Reports, produced annually and available on national EITI websites and on eiti.org.</li> <li>2. EITI Annual Activity Reports, which track progress against EITI Requirements, objectives and progress in following the recommendations of EITI Reports.</li> <li>3. EITI Validation Reports, evaluating country implementation against the EITI Standard.</li> <li>4. EITI Secretariat Reviews, produced occasionally as interim assessments pending Validation.</li> </ol>		<ol style="list-style-type: none"> <li>1. EITI Reports published in a timely manner (yes/no)</li> <li>2. Level of knowledge of sector policy and budget issues</li> <li>3. Level of awareness of rights of stakeholders and roles of duty-bearers</li> <li>4. Level of skills for sustainable financial management</li> <li>5. Level and quality of participation in stakeholder groups</li> <li>6. Level and quality of interaction between stakeholder groups</li> <li>7. Level and quality of information available for M&amp;E</li> </ol>	<ol style="list-style-type: none"> <li>1. Financing</li> <li>2. Expertise</li> <li>3. Relevance of stakeholders</li> <li>4. Accessibility and comprehensiveness of report</li> <li>5. Insecurity (conflict &amp; crime)</li> <li>6. Legal restrictions</li> </ol>				
Activities/ Processes	<ol style="list-style-type: none"> <li>1. MSG established</li> <li>2. Key stakeholders capacitated</li> <li>3. EI framework conditions monitored</li> <li>4. Payments reported, reconciliated and disclosed</li> <li>5. EI decision chain information disclosed (e.g. on licensing)</li> <li>6. Reform processes of the state and for businesses identified, facilitated and driven by the EITI)</li> </ol>		<ol style="list-style-type: none"> <li>1. EITI training plan for MSG members, Secretariat staff, and stakeholders adopted and implemented (yes/no)</li> <li>2. Follow up action plans and strategies to address EITI reports recommendations are developed and agreed by MSG annually (yes/no)</li> <li>3. X persons trained who confirm a knowledge and competency gain through the training measure</li> <li>4. X sensitization (awareness building) events conducted</li> <li>5. X persons sensitized</li> <li>6. X% scored</li> </ol>					
Inputs	<ol style="list-style-type: none"> <li>1. Decisions by the International EITI Board to develop, adjust and enforce the Standard</li> <li>2. Political will, services (e.g. preparing data) and financing (e.g. staff) provided by implementing governments, and key stakeholders (e.g. in MSG)</li> <li>3. Services by the International EITI Secretariat (e.g. advice, training, facilitation, research)</li> <li>4. Services and financing by supporting governments, companies, NGOs, foundations, philanthropists, etc. (e.g. advice, training, facilitation, research)</li> <li>5. Research results from academia</li> </ol>							



5.

# LITERATURE REVIEW

## 5.1 ASSESSING THE MONITORING AND EVALUATION (M&E) SYSTEM

In order to assess the validity of the available Monitoring and Evaluation (M&E) system, to what extent the goals of the EITI have been formulated and monitored needs to first be established, i.e. if the documents reveal information about country-specific or transnational goals, if these definitions are comprehensible, and if they comply with established quality standards. It further has to be determined if monitoring and evaluation systems exist, have been applied and of what quality they are.

- ▶ It makes a huge difference whether the time before or after the introduction of the 2013 EITI Standard is considered. The EITI Standard has several Requirements (in particular Requirement 7) and mechanisms (e.g. work plans, annual EITI reports, annual activity reports, validations) to measure effectiveness and impact. An overview of these mechanisms is offered by the EITI (2015) in the chapter 'Focusing on impact throughout EITI implementation'.
- ▶ Moreover, it was only in May 2016, that the EITI agreed on the Validation Guide and more detailed Validation procedures, including standardized terms of reference for the Validator. A standardized procedure for data collection had existed since 2011 with the EITI Rules including a Validation guide. Whereas, it is criticized by MSI Integrity among others that the revisions in 2016 do not address the major problems with the standardized validation procedures that existed before. In particular, validation does little to actually make sure EITI countries are debating or discussing the disclosed data of a report (Requirement 7.4) or other non-reporting Requirements. This is, however, considered as the heart of the EITI's potential to have success on impact level. It has been elaborated in the external evaluation (MSI Integrity 2013) and "Protecting the Cornerstone" (MSI Integrity 2015: xiii, 65-70): "Revise the validation process to ensure it can reliably detect non-compliance with all requirements of the EITI Standard. The current and proposed validation methodologies are very focused on ensuring technical compliance regarding reporting procedures, however, additional procedures are required for validating the internal governance, independence of civil society, effective liaising and outreach, and wide dissemination of EITI reports. This revision should explicitly seek public and expert input, and draw on good practices for monitoring and evaluation." From an M&E point of view the systemic problem continues even after the 2016 revisions.

So far, there have been two evaluations commissioned by EITI International. Both are pre-2013 and do not allow for their use as a basis for (longitudinal) evaluations to assess effectiveness and impact: Rainbow Insight (2009) and EITI Scanteam (2011). Results were used to path the way for the 2011 Rules and the 2013 Standard.

The EITI goals have been analyzed by researchers and categorized into three types: Institutional, operational and developmental. It was found that "in many ways the EITI has succeeded in terms of reaching its institutional goals and some of its operational goals, in particular when it comes to producing annual reports. The EITI has through several measures engaged the civil society groups, particularly through the MSG, but seems to have failed to empower the public to hold the governments and companies into account." (Rustad, Le Billon, Lujula 2016: 29).

Thus far only one report (on Ghana) looks at the post-2013 period and analyses country-specific goals in detail (Scanteam 2015: 9), while a journal article (on Liberia) (Sovacool/Andrews 2015: 189) and a briefing report (on Madagascar) (Westenberg/George-Wagner 2015: 4) refer to them. Accordingly, several authors come to the conclusion that more attention should be paid to defining "consistent results frameworks for achievements on national level" (Scanteam 2011: 3) and developing "work plans that set 'EITI implementation objectives that are linked to the EITI Principles and reflect national priorities for the extractive industries.'" (Westenberg/George-Wagner 2015: 3, quoting EITI standard Section 1.4(a)). Such work plans again should comprise "the goals of the national EITI process and specific measures and targets to reach it" (ibid: 22) in order to make their achievement assessable. When taking a closer look at the country-specific strategic goals and objectives reported in the three documents mentioned above, it appears that they are formulated in rather generic ways.

In the case of the Ghana EITI, the Scanteam report (Scanteam, 2015) finds that on the underlying level of the objectives the "demand-side of social accountability" should be enhanced, that a "platform for public debate on the spending efficiency of extractive sector revenues" should be created, that the "communication efficiency of GHEITI" should be enhanced, and that the "sustainability of Ghana's EITI" should be guaranteed by backing it with legislation.

Although the report explains who should demand social accountability (citizens, financial institutions, investors, etc.),

the report leaves unclear what kind of platform should be established, what should be considered as efficient communication or what kind of legislation might be beneficial for Ghana's EITI. To some extent the work-plan provides further details about what exactly needs to be achieved. Still, the definition leaves the reader with some questions regarding what changes to expect from the activities of the Initiative in the country. The confusion even increases when connecting the objectives with the intended impacts at national level (ibid: 13), whose relation to the goal achievement remains rather broad (e.g. poverty reduction).

The tabular listing of the country goals for Madagascar (in the report by Westenberg/George-Wagner) poses a similar problem, leaving open what should be considered as an "improved management and redistribution of income from extractive industries" or "of public spending in the light of volatility of revenues from the extractive sector".

The EITI in Liberia (in the report by Sovacool/Andrews) is more precise by defining the payment, accounting and utilization of revenues from extractive industries as the country's objective. Nevertheless, Sovacool/Andrews observe that empirically verifiable indicators are missing, as are explanations on how the achievement of the objectives should be assessed.

- ▶ Definitions that were found in the above mentioned documents do not comply with established quality standards. Quality standards are often linked to indicators rather than goal formulations as such. None of the goals defined are backed by SMART indicators, which makes it difficult to assess their achievement, in particular from a far-distance position.
- ▶ Sample checks of current work plans were conducted by the consultant, showing a mixed picture of proficiently SMART frameworks in some recently admitted candidate countries (however data of implementations results forthcoming) and rather activity centered action plans limited to the output level or lower.

It is therefore not surprising that a number of authors deplore the lack of results-based monitoring and evaluation systems and/or demand their improvement (e.g. EITI 2004a: 33; Scanteam 2011: 26, 49; Acosta 2013: 97f; MSI Integrity 2013: 38; Etter 2014: 2ff; Scanteam 2015: 48; Westenberg 2015: 11; The World Bank n.s.: 78). Others claim, however, that such systems are in place (Rich/Moberg 2015: 80), albe-

it those evaluation systems tend to focus more on processes than impacts.

As M&E systems are only recently emerging as a consequence of the 2013 EITI Standard at the country level (locally and nationally), it is also evident that not much can yet be said about their methodological quality. Earlier studies have paved the way to discuss measurements of goal achievement. For instance, Acosta (2013: 97f) argues that while the "most recurrent way to evaluate impact is through qualitative methods", the analysis of quantitative data would be the method of choice as it is allegedly less prone to be biased. However, while quantitative data might be useful for assessing the direction or magnitude of an observable change, qualitative data is still required in order to decide the extent to which observed changes can be attributed to an EITI intervention or rather to external factors, i.e. to identify the causal links.

Studies like that from the Revenue Watch Institute in 2010 show that available data can be used to provide evidence about country specific achievements in fields such as "access to resources [...], revenue generation, institutional setting, state-owned companies, the usage of NR funds, sub-national transfers, and EITI status". Furthermore, as outlined by IADB (2013: 3), statistical analyses also "suffer from a number of weaknesses due to measurement and methodological challenges" such as missing consensus about definitions, poor measures or weak proxies. Other authors also question the use of quantitative "Big Picture" indicators as they neither provide meaningful differences between EITI and non-EITI countries, nor allow statements about causality if correlations are detected (Scanteam 2011: 35).

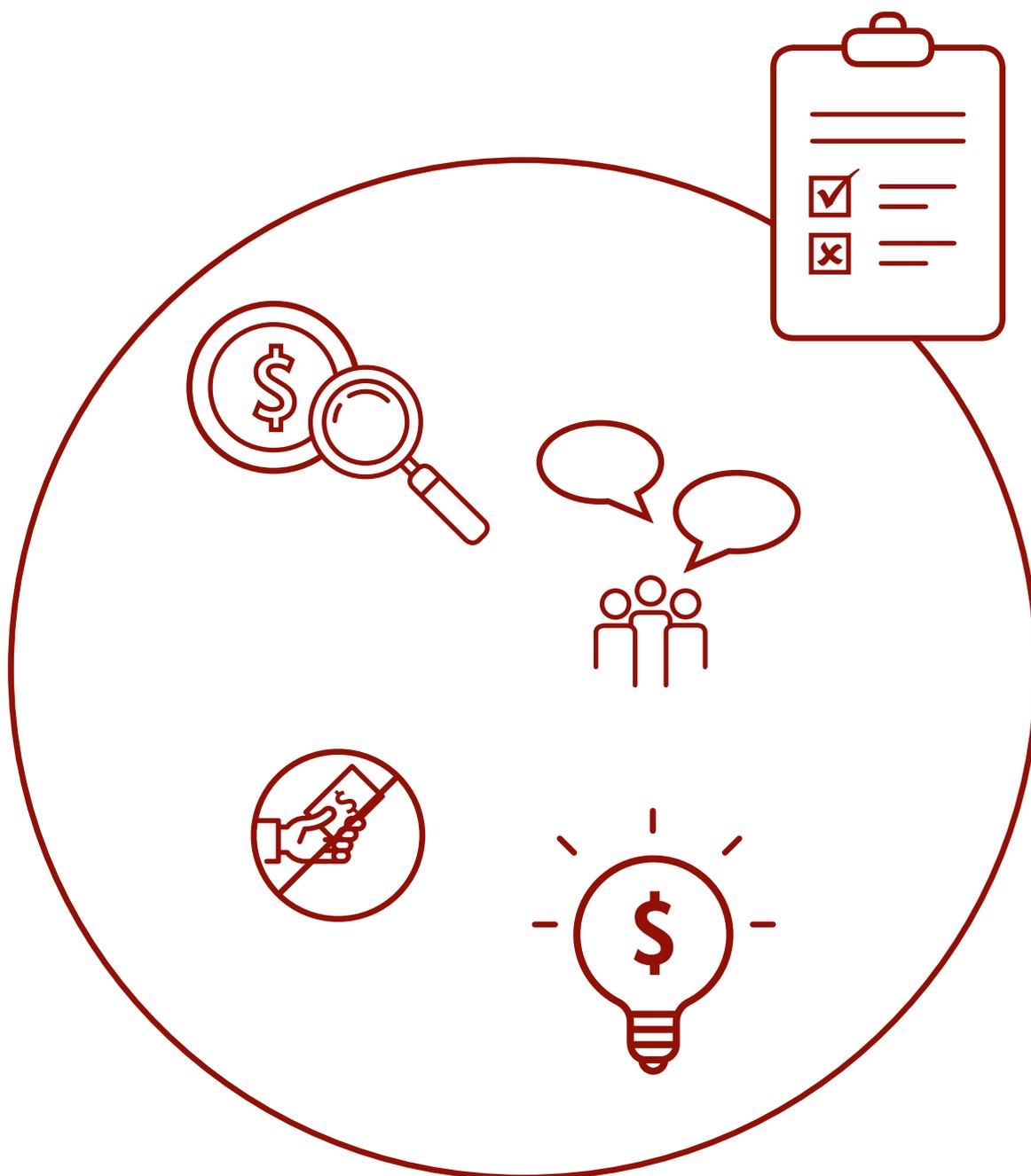
One of the recommendations of this report is that an evaluation of forthcoming validation reports, which could take into account post-2013 data, would be useful and might produce meaningful results. The "findings from these Validations will no doubt lead to wider discussions about the development of the EITI" (Jonas Moberg, Head of the International EITI Secretariat in June 2016).

A recent study poses the question whether evaluations of the EITI have thus far used the right criteria to measure the success of the EITI (Rustad, Le Billon, Lujula 2016: 30). The same study comes to the conclusion that assessing broad developmental goals of the EITI remains a worthy enterprise, but in doing so, this would require a clear, detailed theory of change that can be tested and potentially validated or falsified.

## 5.2 THE RESULTS AREAS

The findings from the literature are structured in relation to the results areas of the generic results model:

- ▶ Fiscal transparency
- ▶ Public debate
- ▶ Anti-corruption
- ▶ Trade and investment climate



### 5.2.1 FISCAL TRANSPARENCY



- ▶ A number of examples for the contribution of national EITI processes to improved fiscal transparency and accountability are given, though often with weak empirical evidence.

#### COVERING THE STANDARD 2013:

The study of Rich/Moberg (2015: 73) concludes when referring to government (in the case of Nigeria) or company data (in the case of Iraq) that “governments’ capacities to assess and improve their revenue collection processes have increased”.

Bickham (2015) assesses the contribution of the EITI to transparency and accountability from the perspective of the extractive industry itself. The study states that mining companies rate the impact of the EITI in their countries as predominantly positive, particularly due to its efforts of “increased cooperation” and “lifting of the mystery’ around revenue flows” (p. 22), which, for instance in the case of Indonesia, allegedly led to more willingness “to share information around payments and production volumes”. Bickham concludes that the EITI “has played a significant part in changing attitudes towards transparency and accountability in the management of resource revenues” and thus has “helped build dialogue and increase trust” between companies and governments (p. 29). Two issues that need to be added from the private sector perspective are on the one hand its interest not only to publish more and more data, but to disclose adequately contextualized and presented data in order to provide for sufficient understanding by all stakeholders (RCS Global 2015: 18). On the other hand, as concluded in the Scanteam report from 2015 (p. 28), governments rather than extractive industries show resistance to disclose information, as “the public is usually not aware of the sums [they] pay to the state – and what happens to these amounts in corrupt environments”.

Scanteam (2015: 34) comes to the conclusion that in Ghana “improved transparency and timeliness of royalty disbursements are clearly due to GHEITI’s RRs [ann.: Reconciliation Reports], and the reduced opportunities for waste and corruption are also due to RRs documenting the systemic weaknesses regarding royalty revenues directed to local level”. However, the report does not explain how it came to that conclusion. Moreover, the statement that “GHEITI itself does not generate data that can be used to track changes to transparency” (p. 50) makes the finding questionable.

#### BEFORE THE STANDARD 2013:

Regarding Ghana some evidence can be found elsewhere, as in the study from Wilson/van Alstine (2014: 32) that mentions the enactment of the Petroleum and Revenue Management Bill in 2011 as a major achievement since the civil society appeared to be intensely involved in its formulation.

Similar findings can be found in the Scanteam report from 2011 (p. 10), which is based on case studies in Nigeria, Gabon and Mongolia. For the case of Nigeria, EITI reports are highlighted to be an important instrument for providing “detailed data and considerable insights in a sector”. However, their use and validity is challenged as they are considered to be too “sporadic and late”, and furthermore are only based on audited company statements (p. 15). Also in the case of Gabon, timeliness and regularity of reconciliation reporting is rated unsatisfactory. Still the fact alone that information, regardless of its timing and reliability, was made available for the public is rated as a step towards more transparency (p. 16f). In the case of Mongolia eventually, while the data is assessed to be sufficiently reliable, the distribution and dissemination of information is considered to be insufficient, due to limited capacities of the National Secretariat (p. 20). Given these results, the report summarizes that EITI reports provide substantial information about tax payment and government revenues. However, their scope is yet too limited to contribute to more transparency about the governments’ public financial system in general.

A rather critical assessment of the EITI’s contribution to transparency can be found in Sovacool/Andrews (2015: 186, referring to Shaxson 2008 and Le Billon 2011) who assert that since the EITI “focuses only on revenues from the extractive industries” it only “takes a narrow view of transparency, as it is only a small part of public sector revenues”. Furthermore, it is unable to “monitor or track illicit financial flows”, which makes it impossible to “influence resource revenue that is pocketed or illegitimately transferred for peoples’ private benefit”. Finally, since the EITI follows a voluntary approach, governments may not adhere to its principles of transparency. The EITI briefing from Westenberg/George-Wagner (2015: 13) supports this assumption by declaring that only six of 22 reports, prepared under the EITI Standard provided links to contracts between the government and the private sector that provide the terms of the exploitation of oil, gas and minerals, which is an explicit recommendation in the EITI Standards (3.12).



## 5.2.2 PUBLIC DEBATE

The assessments documented in the earlier EITI progress reports (EITI 2009, 2011) endorse these critical assessments insofar as they do not provide ‘hard facts’ about the progress towards more transparency and accountability but anecdotal references to activities and measures, which rarely prove any concrete achievements. By most of these ‘success stories’ it is hard to tell which difference was made in practice, not only in relation to transparency and accountability. However, the more recent reports (2013, 2014) now also contain exemplary facts and figures that enable assessing observable changes in EITI countries over the years and, at least in some cases, furthermore even provide plausible assumptions how the EITI has contributed to these changes (e.g. cf. EITI 2013: 21 for DRC). Even more to the point is the tabular overview compiled in the EITI handbook (Ravat/Kannan n.y.: 55ff) that summarizes corrective measures taken by the national EITI secretariats, which at least in the case of Azerbaijan and Yemen eventually led to a change in the regulatory framework.

### NON-SPECIFICALLY ON THE EITI:

IMF (2012: 5, 6) has assessed that empirical research points to a

- ▶ “positive relationship between the degree of fiscal transparency and measures of fiscal sustainability (such as government deficits and debts), with a stronger correlation among low and middle income countries than among high income countries.”
- ▶ “positive relationship between the degree of fiscal transparency and market perceptions of fiscal solvency (such as credit default swap spreads on sovereign debt, credit ratings, and foreign equity investment), this time with a stronger correlation among high-income than middle-income countries.”
- ▶ “positive relationship between fiscal obfuscation (such as the use of accounting stratagems to hide deficits and debts) and perceptions of sovereign default risk.”
- ▶ and that a “loss of market confidence in governments with underestimated or hidden deficits underlines the link between fiscal credibility and openness.”

- ▶ In some countries, but not all, the EITI contributed a great deal in creating awareness, encouraging and empowering citizens, and intensifying and informing public debates.

### COVERING THE STANDARD 2013:

Contextualizing revenue information from the extractives and offering evidence-based advice is a key area of the EITI (e.g. Rich/Moberg 2015: 6; EITI 2013: 21, both for DRC; EITI 2013: 24, for Mozambique; Wilson/van Alstine 2014: 38 for Nigeria; Sovacool/Andrews 2015: 185f; EITI International Secretariat 2015; Mouan 2014: 3ff, all in general). Such debates are assumed to have influenced civil society movements, policy-making, legislation, taxation and even the allocation of public funds. Another important contribution of the EITI to intensify public debate about extractive industries that is documented is that it empowers stakeholder groups at local level, which did not have a leverage before, to participate in a national discourse as for instance in Ghana (Scanteam 2015: 34).

As Rich/Moberg (2015: 93) observe by referring to the case of Mongolia, the information needs to be formatted so that it can be adequately analyzed and subsequently refined, disseminated and used by the target audiences.

Neumann (2014: 7) identified a further positive side-effect of the EITI related to the intensification of public debate, namely the substantial reduction of the workload of industry external relations & communications staff by up to 50% in EITI countries to be allocated to reactive and defensive measures as the EITI provides to companies an efficient platform for pro-active and strategic dialogue with NGOs, media and civil society in general.

### BEFORE THE STANDARD 2013:

Etter (2014: 6) points to an earlier study from Haufler (2010), which provides a number of examples “where the EITI has led to the discovery of lacking payments to governments which has caused public outcry in member countries”, which apparently even led to the conviction of firms, e.g. in Nigeria and Liberia.

As described for the case of Mongolia (Scanteam 2011: 21) significant progress can even occur before a country reach-



### 5.2.3 ANTI-CORRUPTION

es membership status when such data is being made available. The report indicates that government and non-governmental stakeholders use mining sector revenues for their purposes such as forecasts, budget planning or advocacy activities.

In contrast, Acosta emphasises that a “lack of stakeholder leadership, the exclusion of key social actors, or pre-existing institutional constraints such as weak accountability and oversight institutions” or “the absence of sufficient channels of communication” might endanger public debate (Acosta 2013: 100). The Scanteam 2011 report also points out, using the example of Nigeria, that just the provision of information is not sufficient for public discourse (p.24). While media and civil society organizations might forward key messages to the public, particularly CSOs appear to miss a viable strategy “for holding the public sector accountable for the use of the revenues”.

Another obstacle for public debate, reported from Azerbaijan, is the lack of interest of the population in the information offered by the EITI as it does not recognize the “direct and positive links between the EITI and the living standards”, which makes it difficult to engage people in discussions or motivate them to disseminate information even on a local level (Wilson 2014: 26, referring to Ahmadov/Wilson 2012). It can be noticed that in recent years the crack-down on civil society in the very case of Azerbaijan and an overall global shrinking of civic space in autocratic regimes and deficient democracies has led to the introduction of the EITI Civil Society Protocol in 2015, in order to safeguard NGOs and civil society participation in the EITI.

#### NON-SPECIFICALLY ON THE EITI:

In contexts, where freedom of expression and assembly is restricted, it may be even harder to engage the general public. Mildner/Lauster (2011: 100) refer to Shaxon (2009), who points out that “direct pressure can be counter-productive and rejected” particularly under politically fragile and autocratic framework conditions such as in Angola (which is not an EITI implementing country).

- ▶ Limited evidence to which extent the EITI contributes to anti-corruption and improved public financial management. A number of anecdotal references and hints are offered.

#### COVERING THE STANDARD 2013:

The only study, which concretely focuses on the connection between transparency and corruption and provides evidence on that issue, is the one from Etter (2014), which is based on two in-depth case studies in Peru and Mali. The study indicates “a robust reduction of corruption in Peru, where corruption has been reduced by as much as 14 percentage points [perceived as a business obstacle by surveyed companies] since the introduction of the EITI, while no such effect [was] found in Mali.” Thereby, Etter ascribes this controversial finding to the differences of the countries’ civil societies, whose functionality is regarded as an essential prerequisite for the effectiveness of the initiative in that regard.

Bickham (2015), based on recent empirical findings from interviews and surveys with the industry, MSGs, implementing and supporting governments and further stakeholders, provides a rather scattered picture. In conclusion (p. 29ff), there is still room for improving the effectiveness of the initiative regarding its contribution to better public financial management, e.g. by intensified involvement of the industry or strengthening public administration capacities.

Neumann (2014: 9) summarizes literature and documents on the basis of three country case studies from Nigeria, DRC and Sierra Leone. He finds that the EITI appears to be related to increasing governmental revenues through revealing discrepancies of tax payments. He however also states that the data does not allow conclusions about the contribution of the EITI to the developments in these countries, as they might be confounded or even vice-versa related.

Furthermore, at least anecdotal references can be found in the EITI progress reports, which contain a number of examples that EITI reports have revealed cases of fraud and corruption as for instance in Nigeria (EITI 2014: 25; 2013: 25, 32), Liberia (EITI 2014: 27; 2011: 14) or the DRC (2014: 21).

#### BEFORE THE STANDARD 2013:

Using the example of Nigeria, the Scanteam 2011 (p. 12) report also rates the “lack of a systemic link between NEITI activities and approaches to larger PFM [Public Finance

Management] reforms [as] a serious weakness". Referring to the study from Shaxson (2009), it concludes that despite observable improvements at federal level, the contribution of NEITI remains vague as the introduction of audit standards and controls are not considered as sufficient given the volumes of revenues involved. However, for the case of Mongolia the report indicates that harmonizing reporting and audit standards as well as improving inter-ministerial collaboration "has helped Government and stakeholders target and design actions to improve performance".

Wilson/van Alstine (2014: 32) also highlight positive developments in the case of Ghana between 2010 and 2011, which they ascribe to the GHEITI, yet missing to prove this assumption with solid empirical data. They point out potentially confounding factors such as the start of new oil production sites or the increase of the gold price during the same period. In contrast to Neumann (2014, see above) they also attribute the developments in Nigeria to NEITI by claiming that the Nigerian government has launched a value-for-money audit due to the revelations made in the 2012 NEITI report (p. 34). However, again the report fails to provide information how the authors came to this conclusion. Moreover, they quote (p. 38) a study from Wilson (2012), which states that the linkage between the creation of awareness (which apparently can be attributed plausibly to the initiative) and increased government capacity and performance is not yet clear.

Papyrakis/Rieger/Gilberthorpe (2016) use panel data of the 2002-2011 period to explore how EITI membership links to changes in corruption levels. Findings are such, that EITI membership offers a shielding mechanism against the general tendency of mineral-rich countries to experience increases in corruption over time. This study is based on perception level as captured by the Corruption Perception Index (CPI) and has its merits by adding mineral dependency as a variable, however endogeneity issues are not treated.

Concerning the contribution of the EITI to the enhancement of voice and accountability as well as the perception of corruption in candidate countries Acosta (2013: 99) summarizes recent studies, which differ in their assessment to some extent. The author suggests to consider external factors such as a countries' richness of resources or willingness to participate in the initiative as explanatory factors for the different findings, which might need to be investigated further. Schmaljohann (2013: 19) confirms that other recent

studies "were not yet able to show a significant effect of the EITI on fighting corruption". However, it has to be added that corruption is very difficult to measure and that proxies such as the Corruption Perception Index (CPI) may not be suitable as they are highly subjective, as also Valverde (2014: 1f) declares. At least a hint in that direction could be found in the study of Sovacool/Andrews (2015), referring to an independent assessment of the EITI from Gillies/Heuty from 2011, who apparently found out that EITI countries feature "less leakage in public expenditures". Yet the empirical basis for this assessment remains unclear.

Occasionally references to anti-corruption examples can also be found in other studies, such as the one from Mildner/Lauster (2011: 100) for the case of Ghana.

## 5.2.4 TRADE AND INVESTMENT CLIMATE



- ▶ There is methodologically robust, however rather out-dated evidence regarding the contribution of the EITI to the improvement of the environment for foreign direct investments (FDI).

### COVERING THE STANDARD 2013:

n/a

### BEFORE THE STANDARD 2013:

Schmaljohann (2013) used a panel of 81 countries, aimed at analyzing the effect of implementing the EITI on FDI by means of regression analyses, including not only the outcome variable of interest (i.e. FDI in-flows/GDP) but also a number of independent co-variables for controlling confounding factors and selection bias (i.e. voluntariness). The findings from the data analysis show an average increase of the ratio of FDI inflows to GDP of about two percentage points, which equals an average absolute increase of about 40%.

Similar positive results can be found in the IADB report (2013: 23) that states a positive association between EITI implementation and the business freedom index of the World Economic Forum. It concludes that “Since higher values of this index indicates better investment climate, the positive relationship between business freedom index and EITI membership suggests that fiscal transparency tends to improve investment climate.”

The results of the quantitative analysis of Schmaljohann and the IADB are backed by further findings from qualitative studies such as Neumann (2014: 6) that declares that according to informal statements from banking industry experts, the interest rate for capital is up to 0.5 percentage points lower for projects that are financed in EITI implementing countries compared to non-EITI countries. Furthermore, it indicates implicit incentives for investments based on expert assessments (p.7).

In contrast, the Scanteam 2011 report draws a rather sobering picture. As for the case of Nigeria it concludes that “The larger business environment appears not sensitive to NEITI activities.” (p. 13). It reasons this finding with the results of the analysis of indicators of the quality of business environment that did not show any significant

response to NEITI but rather to macro-economic data like political stability or world market prices for raw materials. Also for Gabon (p. 17) and Mongolia (p. 22) it states that there is no clear evidence due to the number and magnitude of intervening socio-economic and political factors. According to the study even the quantitative analysis of global data does not prove any causality between the initiative and the business environment in the participating countries (p. 32ff).



6.

# MACRO DATA: GLOBAL STATISTICAL ANALYSIS

The statistical analysis is based on a selection of World Development Indicators (WDI) for both dependent and independent intervening variables, which are regularly compiled and published by the World Bank and EITI data on country candidature and membership (as the independent variables of interest), as published on its website.

Furthermore, the following datasets were considered to be included:

- ▶ Corruption Perceptions Index (CPI)
- ▶ Resource Governance Index (NRGI)
- ▶ Bertelsmann Transformation Index (BTI)
- ▶ International Center for Tax and Development – ICTD (Sussex) database on public revenue
- ▶ Public Expenditure and Financial Accountability (PEFA) Program

However, due to either

- ▶ too many missing values for the 51 EITI countries and the sample of 98 countries, and/or
- ▶ the need to cover a time period of at least 10 years for the regression model, and
- ▶ in some cases, like PEFA, outdated data (e.g. for Afghanistan most recent data from 2008)

those options needed to be discarded.

Eventually, a total of 13 variables from the World Bank database were analyzed, which were considered as potentially depending on a country's EITI candidature or membership status. All definitions are taken from the World Bank (<http://data.worldbank.org/indicator>):

1. Bribery incidence: Bribery incidence is the percentage of firms experiencing at least one bribe payment request across 6 public transactions dealing with utilities access, permits, licenses, and taxes.
2. Business extent of disclosure index: Disclosure index measures the extent to which investors are protected through disclosure of ownership and financial information. The index ranges from 0 to 10, with higher values indicating more disclosure.
3. Discrepancy in expenditure estimate of GDP in local currency units

4. Foreign direct investments (net inflows) in percentage of GDP
5. Informal payments to public officials: Informal payments to public officials are the percentage of firms expected to make informal payments to public officials to "get things done" with regard to customs, taxes, licenses, regulations, services, and the like.
6. Time to prepare and pay taxes
7. Tax revenues in percentage of GDP

World Bank Country Policy and Institutional Assessments (CPIA) for (all indexes range from 1 = low to 6 = high):

8. Business regulatory environment
9. Equity of public resource use rating
10. Fiscal policy rating
11. Quality of public administration rating
12. Trade rating
13. Transparency, accountability and corruption rating

Unfortunately, as for some of the independent variables also for three of the assumed dependent variables, i.e. bribery incidence, tax revenues and informal payments to public officials, the database was too fragmented to provide meaningful results. For reasons of limitations of data sources, major explanatory variables are not included in the model.

As a complement to GDP as an outcome variable, an alternative wealth and well-being measurement such as the Genuine Progress Indicator (GPI) would be desirable, if data is adequate. In addition to factoring in non-financial measures of societal and environmental aspects, GPI also assesses the depletion of natural resources as a factor in national wealth, which is especially relevant in light of the EITI's focus on natural resource governance.

As the following tables show, the key issue is the absence of significant results – and, of course, endogeneity. The results

from the analysis are quite sobering, given that in most cases the model has a poor fit. While there is no general rule of thumb what a 'good model fit' is, a minimum of 0.4 (i.e. 40%) explained variance is assumed as a minimum here. For the variables for which the model meets this requirement, the cells are highlighted in green. Only for these indicators does it make sense to interpret the effect strengths, indicated by the effect coefficient (in units of the variable) and its significance. With regard to the level of significance a maximum of 0.2 for the two-sided test may be acceptable, the lagged dependent variables are influenced by the non-lagged independent variables and not the other way around (highlighted cells in the fourth column). However, the (one-year) time lags does not solve the causality issue.

Going by these assumptions, the analysis shows a significant effect for a country's EITI candidate status on the Foreign Direct Investment (FDI) inflows, on the time to prepare and pay taxes and on CPIA fiscal policy rating if a candidate of the EITI (*→ cf. Table 1*), while its membership appears to further affect FDI flows and the time to prepare and pay taxes, and additionally the CPIA equity of public resource use rating (*→ cf. Table 2*). However, the rather low significance levels suggest to assess the relationships rather carefully.

According to these results, the macro-economic data serves solely to provide evidence on the influence of EITI candidature and membership only for two indicators respectively: while EITI candidature and membership both seem to cause the private sector to spend more time on preparing and paying their taxes, the CPIA fiscal policy rating seems to improve when a country becomes an EITI candidate as does the CEPIA equity of public resource use when it finally becomes a member.

With regard to the effect sizes (highlighted in yellow) the change of the time required for preparing and paying taxes can be considered as relevant. Given a sample average of about 377 hours per year, the changes equal an increase of about 5.9% for candidature and 5.1% for membership. Considering the fact that the required time tends to decrease over the observation period, the increase is even more noteworthy. It is also plausible as it can be assumed that making a proper tax declaration takes more time than bribing a tax authority official.

In contrast the changes in the country policy and institutional (CPIA) ratings suggest a rather small influence of the

EITI on the assessments. Since the ratings are based on a 6 step-scale (with 6 being the best value), the changes correspond with a decrease of 1.6% for candidature and 1.5% for membership respectively. Thereby, the fact that the effect is negative, meaning that candidatedship and membership of a country comes along with a lower rating, could indicate that the involvement of a country increases its awareness concerning these issues.

At least, it is interesting to note that the results for the impact of the EITI candidate status of a country on its net FDI inflows are in line with the findings from Schmaljohann with regard to its size and significance.

#### **In conclusion,**

- ▶ Effects are suggested for the 'net FDI inflow' and the 'time to prepare and pay taxes'. These two are the main findings from macro-data analyses.
- ▶ These findings are very indicative. Considering the effort put into the data processing and analysis, the data only provides little evidence on the broad bandwidth of potential impacts of the Initiative. In that respect, findings support the indeterminate results of previous statistical analysis of large-N datasets as summarized in Brockmyer 2015: 27-28.
- ▶ This fact is mostly due to the complex intervention logic of the Initiative that aims to establish effects on a systemic policy level, which is influenced by a multitude of factors.

TABLE 1: ESTIMATED IMPACT OF EITI CANDIDATURE

Dependent variable	Model fit (R <sup>2</sup> within)	Coefficient	Level of significance	Number of observations
Business extent of disclosure index	0.685	-0.145	0.361	340
Discrepancy in expenditure estimate of GDP	0.709	0.000	0.333	422
Foreign direct investments (net inflows)	0.173	2.7630	0.068	528
Time to prepare and pay taxes	0.750	22.317	0.135	340
CPIA business regulatory environment rating	0.430	0.046	0.945	268
CPIA equity of public resource use rating	0.499	0.053	0.321	268
CPIA fiscal policy rating	0.467	-0.098	0.186	268
CPIA quality of public administration rating	0.468	0.014	0.839	268
CPIA trade rating	0.444	0.021	0.668	268
CPIA transparency, accountability, and corruption in the public sector rating	0.429	-0.064	0.345	268

TABLE 2: ESTIMATED IMPACT OF EITI MEMBERSHIP

Dependent variable	Model fit (R <sup>2</sup> within)	Coefficient	Level of significance	Number of observations
Business extent of disclosure index	0.684	0.094	0.358	340
Discrepancy in expenditure estimate of GDP	0.710	0.000	0.349	422
Foreign direct investments (net inflows)	0.174	3.754	0.188	528
Time to prepare and pay taxes	0.750	19.101	0.085	340
CPIA business regulatory environment rating	0.430	-0.015	0.676	268
CPIA equity of public resource use rating	0.503	-0.089	0.122	268
CPIA fiscal policy rating	0.468	-0.067	0.391	268
CPIA quality of public administration rating	0.468	-0.020	0.723	268
CPIA trade rating	0.446	-0.049	0.314	268
CPIA transparency, accountability, and corruption in the public sector rating	0.425	0.026	0.710	268

7.

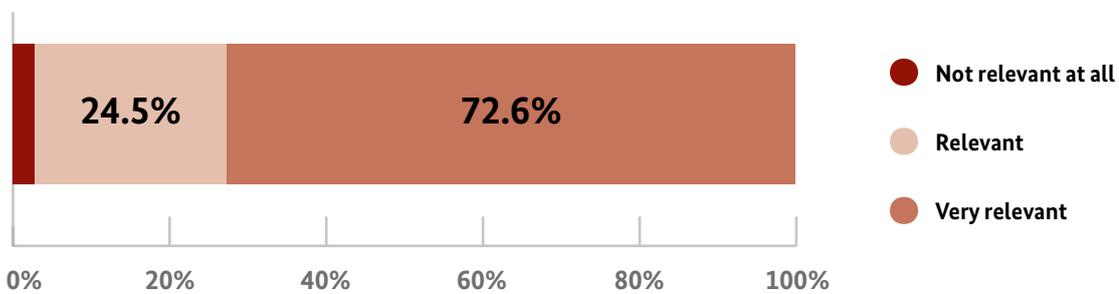
## OPEN ONLINE SURVEY

## 7. OPEN ONLINE SURVEY

The results (selected) of the open online survey are that the EITI is perceived by:

1. 73% of high relevance to the public management of the natural resource sector, which is especially true for CSO representatives with 84%.

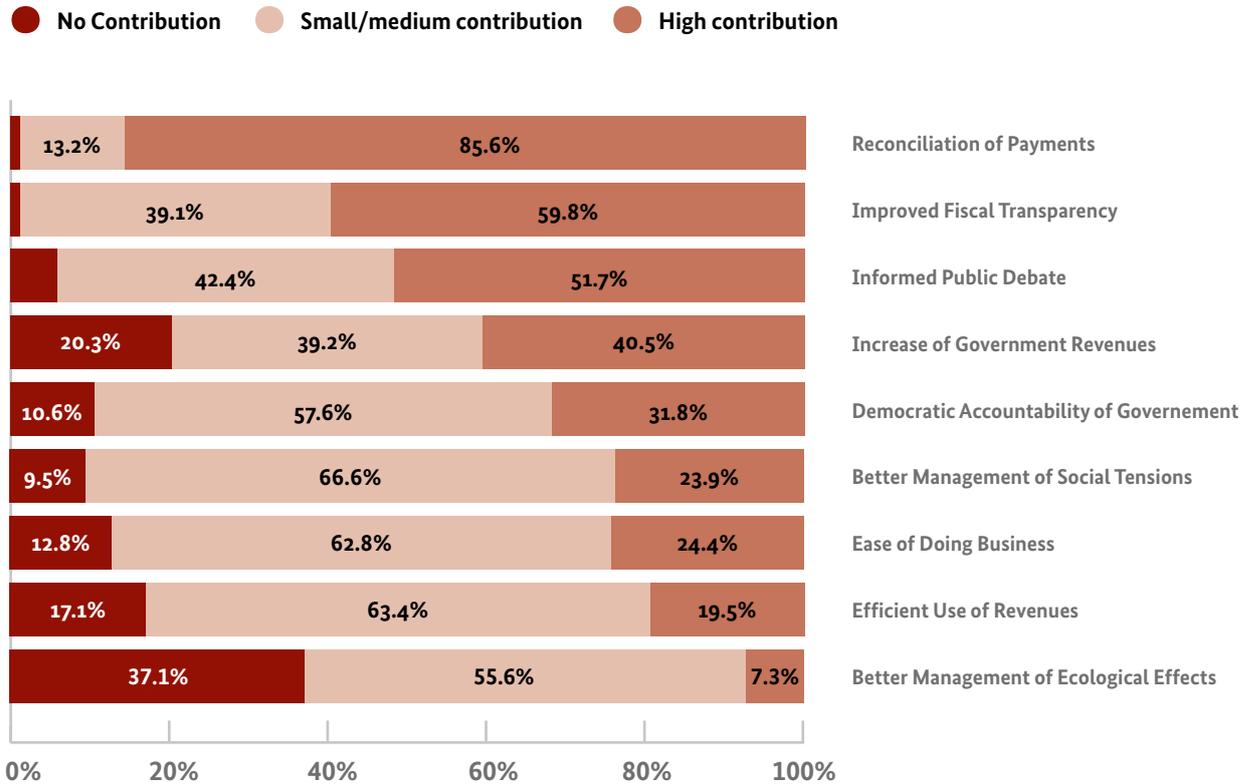
**FIGURE 4: RELEVANCE FOR PUBLIC MANAGEMENT**



Moreover, the EITI is perceived to contribute to:

2. Higher fiscal transparency (by 60% respondents) and an informed public debate (by 52% respondents).
3. Lower impact in the fields of ease of doing business, better management of social tensions, efficient use of resources, and better management of ecological effects with only 7% of affirmation.

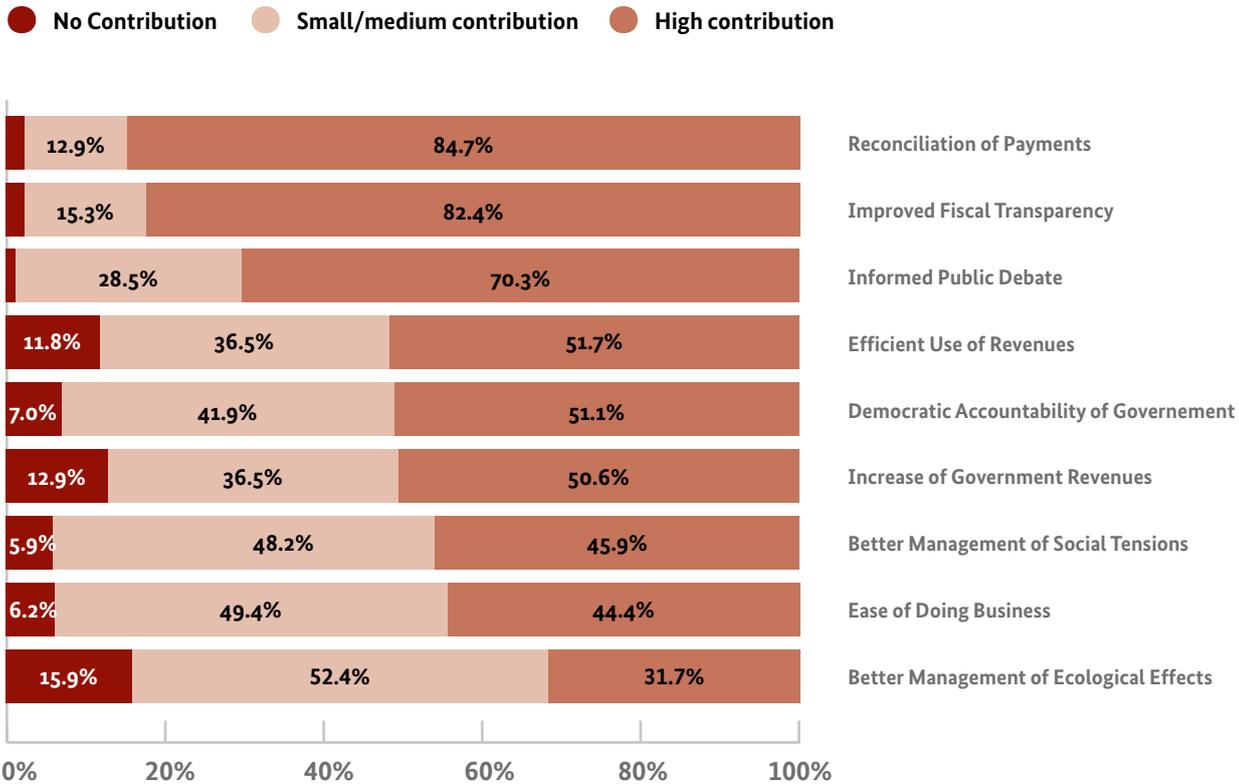
FIGURE 5: IMPACTS OF EITI



In interpreting Figure 5:

4. Only around half of the EITI countries have even produced a report under the 2013 Standard, and even for those it has only been one report (output level). It cannot be deduced that the 2013 Standard has not had the broader impact which it sought to achieve.
  5. Confidence responses on the EITI's contribution to transparency are higher than to its contribution to improving governance (efficient use of revenues, 'Ease of Doing Business', increased revenues, better democratic accountability, etc.).
  6. African countries score on average in almost all impact categories lower than the whole sample and the global perspective.
  7. The comparison between the African and the global perspective shows a significant difference regarding informed public debate. This impact is perceived significantly lower for Africa.
  8. Government officials see significantly less impact on the increase in government revenues than EITI coordinators.
  9. EITI coordinators and CSO representatives rate the impact on ecological effects significantly higher than government officials.
- With regards to Figure 6:
10. Over 80% of the respondents see a positive contribution (small/medium or high) to all impact areas in the future, often even more than 90%.
  11. Over 80% of the respondents expect a high contribution of the EITI in the future for the reconciliation of payments and improved fiscal transparency.
  12. In all results areas the respondents see a higher future contribution of the Initiative when compared to today.
  13. Respondents are optimistic that the EITI will be material in the future in several fields where they have lower levels of confidence in the past, e.g. in the section 'high contribution' the biggest leaps are led by 'efficient use of revenues' with a 32% increase from 20% (today) to 52% (future), and 'better management of ecological effects', 'better management of social tensions', 'fiscal transparency' and 'Ease of Doing Business' are all above a 20% increase.

FIGURE 6: FUTURE EXPECTATIONS OF IMPACTS



OPEN QUESTIONS

- 14. Respondents named as the most important result of the EITI that there is higher transparency between companies, governments and civil society. The dialogue between these three parties and the inclusion of the civil society is underlined as especially important.
- 15. Respondents named as the most negative result that they do not see a palpable impact on country level, even though they think it is a good initiative. This answer was often given by CSO representatives and academia. In contrast, government officials rather claim the too high expectations in the initiative as the most negative impact. Further, several respondents think that the initiative is not well-known among citizens and thus not widely discussed in public. Some see the additional work for companies of reporting the figures as a burden as well as the costs accruing while there are no visible positive results. Other responses rather relate to the improvement of the initiative and criticize missing environmental or corporate social responsibility standards. In connection to this, many participants think that data and reports are not widely understood by the public and that information needs to be more easily accessible and understandable.
- 16. The importance of the Civil Society Protocol was pointed out. The CSO Protocol – which sets out guidelines for freedom of expression and assembly – was made part of the EITI Standard in 2015.
- 17. It was expressed that there is a need for research about the EITI to assess its impacts and effectiveness and that information is collected as standardized as possible to make inter-country comparisons.
- 18. Several respondents wished for a stable system, in which requirements of the EITI standard will not change too often.

8.

CASE STUDY:  
DEMOCRATIC  
REPUBLIC OF THE  
CONGO (DRC)

## 8.1 CONTEXT AND HISTORY OF EITI IMPLEMENTATION

The Democratic Republic of the Congo (DRC) is assessed as a “failing state” (BTI 2016 among others) and as “not free” (Freedom House 2016: 22). Those assessments highlight on the one hand the need for collective action as it is pursued with the multi-stakeholder mechanism of the EITI, on the other hand they show the quite limited prospects of the Initiative. This DRC context severely reduces the opportunities to address governance issues through the EITI, and without guaranteeing basic political rights and civil liberties the principle of accountability cannot get on track in a way that the EITI contributes broadly to impact level results.

For the last 150 years, natural resources have dominated the DRC’s political economy. The country’s copper, cobalt, diamonds and gold to tin, tantalum, tungsten and zinc constitute 95% of total exports, 28% of government revenues, 22% of GDP. The extractive sector makes up 11% of formal employment. The south-eastern region of Katanga was dubbed a “geological scandal” because of the immensity of minerals found within its borders and currently produces over half of the country’s minerals.

The country holds almost half of the world’s cobalt reserves and in 2012 cobalt produced in the DRC covered 55% of global production according to the 2012 EITI report. In 2012, 20% of the world’s industrial diamonds and 12% of tantalum came from the DRC.

Natural resources have fueled conflict and led to mass inequality over the DRC’s lifetime. In the post-Mobutu era, conflict minerals bankrolled rebel groups in the east of the country, who smuggled minerals to the black market. This led to pressure from international NGOs like Global Witness for the international community to address the issue, and particularly to those companies working in the region to understand their impacts in contributing to the conflict.

While large-scale development of oil, gas and minerals play an important role, significant, but still unknown, economic activity also exists in the artisanal mining sector (ASM) as well as that of forestry. Several interviewees detailed the importance of ASM and forestry in the process to understand not only the revenue, but also to curtail the illegal export to Uganda and Rwanda.

Much of the reported revenues in 2007 came largely from oil and gas companies producing less than 20,000 barrels per day, while the mining sector accounted for less than

USD 70 million of revenues. Apart from a slight decrease in 2009, due to falling commodity prices, the following seven EITI Reports have shown a steady increase in government revenues and a shift from oil and gas to mining. The mining sector surpassed the oil and gas sector in 2010 when 63% of the revenue came from mining companies. The number of companies reporting has grown from 26 (in 2007) to 117 (in 2014).

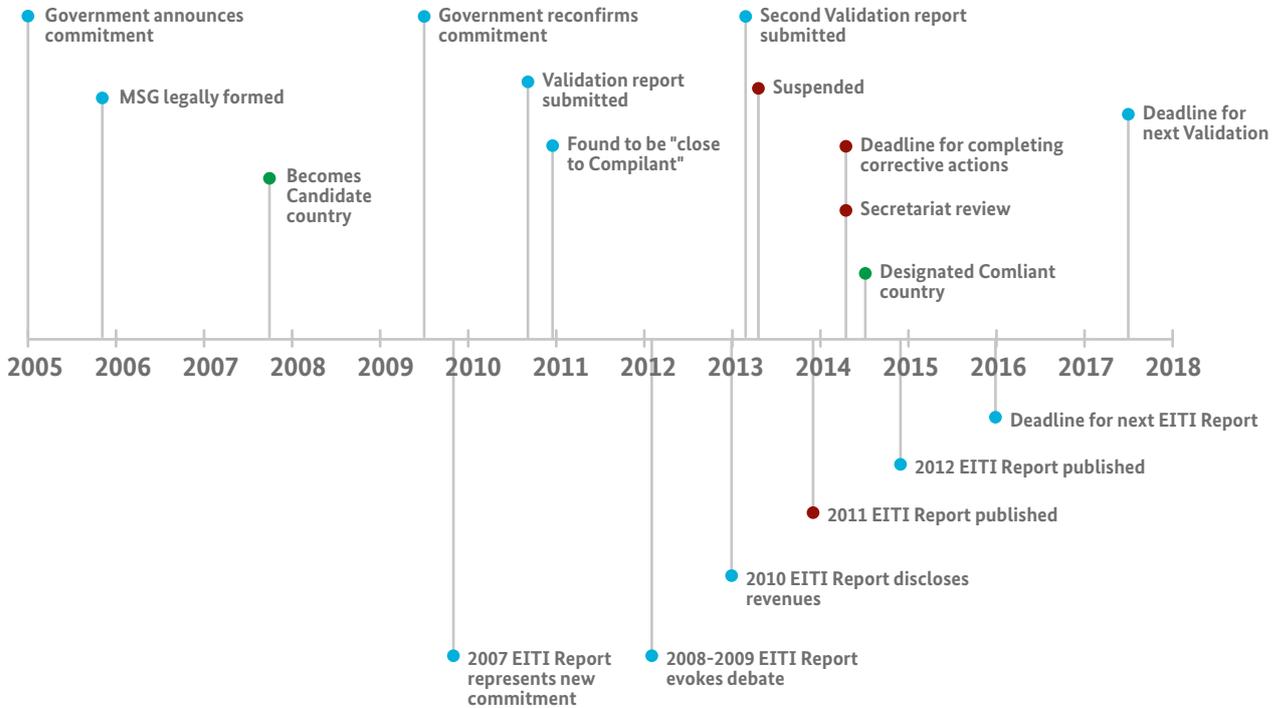
After significant pushing from civil society starting in 2004, the DRC government committed to EITI implementation in 2005. From 2005-2009, the process stalled considerably, with little progress made, except for the MSG’s legal constitution. After the publication of the 2007 EITI Report, DRC was found to be close to compliant status at the end of 2010. After two Validation reports, a brief suspension and a Secretariat Review in early 2014, the DRC was designated an EITI Compliant Country in July 2014.

DRC’s EITI process has now produced reports for the period 2007-2014, with the 2015 Report currently in progress. The EITI sees DRC as one of the leading countries implementing the EITI, having just recently won an EITI Chair Award at the February 2016 Global Conference for its work in the beneficial ownership pilot.

**FIGURE 7: DRC'S PATH TO EITI COMPLIANCY – AFTER INITIAL BUMPS, SUBSTANTIAL PROGRESS THE LAST FIVE YEARS**

## DEMOCRATIC REPUBLIC OF CONGO

Last updated February 2015



Source: [eti.org](http://eti.org)

### DAILY FUNCTIONING

The Minister of Planning is the focal point for the DRC's EITI process. Other ministries in the MSG include: Ministry of Mines, Ministry of Environment, Ministry of Hydrocarbons, Ministry of Finance, Ministry of Budget, the President's office and the Prime Minister's office. Prime Minister Matata has been particularly supportive of the process, largely through core financial contributions for the National Secretariat.

The National Secretariat has 21 staff, five on the communications team, five on the technical group. Mr. Mack DUMBA Jérémy is the DRC's fourth National Coordinator.

In the view of some interviewees the National Secretariat plays too large a role and is less an implementer of the MSG's decisions and more a leader of the entire process. Some observers expressed the view that the National Secre-

tariat could be better in coordination issues among donors and throughout the government.

Before the 2014 reporting cycle, EITI Reports were exclusively produced nearly two years after the fact – e.g. the 2012 Report was published in December 2014. However, the 2013 Report was published in July 2015 and the 2014 Report was published in December 2015. The 2015 Report is intended to be published in late 2016, the first time that it could be used as an input into the budgeting process for the 2017 budget.

From 2007-2014, the reporting process took up to 12 months, but has now been reduced to 3-4 months as the government and the companies better understand the process, are more familiar with the forms and do not need to re-create any systems or obtain approval from various authorities about the publishing of figures. In particular it is the Federation des Entreprises du Congo, which played an

active role, as well as civil society, which commented extensively on scoping studies.

The MSG has gone further than many other EITI Implementing countries and voluntarily participated in the beneficial ownership pilot, revealing the ownership of company shares over 3%. The grand majority of companies participated, which has helped to partially dispel the much-held assumption that many government officials hold minority shares in companies. The MSG has also commissioned scoping studies for the forestry sector and artisanal mining. These two sectors may be included in the 2015 EITI Report.

Given the process's willingness to take on non-mandatory aspects of the EITI (ASM, beneficial ownership and forestry), the MSG and the National Secretariat may want to consolidate the current undertakings and ensure that they are carried out properly. Creating a true public debate for these additional sectors will take a substantial amount of time, effort and funding.

The MSG has drafted a 2015-2017 work plan, the majority of which relies on government funding. Large portions of the budget include ASM and forestry (sensitizing local and national stakeholders to the ITIE process) as well as the hiring of an Independent Administrator to reconcile the two sectors for the subsequent EITI Reports.

The work plan entails significant activity, however it is unclear what the "goal" is for all of that activity and how to understand if it has been accomplished. The work plan contains 25 major outputs from 2015-2017, with general objectives like "promote good governance in the MSG" or "make the ITIE reports indispensable". How is the term "indispensable" defined and for which audience? With some exceptions, the objectives are largely not specific, measurable, achievable, relevant and time-bound (SMART). In August 2016, the NGO Plateforme des Organisations de la société civile intervenant dans la Secteur Minier (POM) released a study on the DRC's EITI workplan "Rapport d'évaluation de plan du travail ITIE 2015-2017", in French only. The study provides quantitative information and is critical of the workplan's implementation.

Where does ITIE RDC want to be in 2018? 2020? With all of this work, real on-the-ground results are not yet evident. One interviewee said that the "ITIE means nothing because there is no change in the population's extreme poverty."

While ITIE is just one process in a very complicated landscape full of political, economic and social actors, it could improve its strategy to make the process more relevant in the country.

**Budget:** The DRC government provides USD 285,000 (in cash) of monthly support to the National Secretariat. However, there has been (to the consultant's knowledge) neither an audit of these accounts nor a justification/detailed budget as to how it is spent, and a general budget does exist in the 2015-2017 work plan. In early 2015, the Congolese government wanted to carry out an impact study of the National Secretariat's work, but that study stalled in mid-2015. The 2015-2017 budget totals USD 12.3 million.

Workshops with 50 participants for 2-3 days can cost up to USD 60,000 (travel, hotel, DSA, etc.). While travel is challenging, costs seem too exorbitant. If the seminars are that expensive, then a discussion should take place about how to make the most out of the little money that there is, particularly given the enormous task of communicating natural resource governance in the DRC. For those trained in workshops, there appears to be no effective "network" of alumni or "continuing education" for them.

## 8.2 RESULTS MODEL

Given the increasing discussion about the theory of change and its applicability to the EITI, a possible hypothesis around change in the Democratic Republic of the Congo could be formulated. The initial thoughts here are provided given the DRC's context, with some progress made (significant when considering the situation one decade ago), but with little tangible change in the lives of the population.

While half of the DRC's economy is agriculture, the extractive industries have played and will continue to play an important role in the economy. Although just USD 400 million were reported in the first 2007 Report, the trajectory of revenue has enjoyed a steep increase, jumping 500% to USD 2 billion in the 2014 EITI Report, despite falling commodity prices. Although the extractives sector will not contribute as much to the economy as agriculture, the sector, particularly if it is broadened to include forestry and ASM, can play an increasingly positive role for the development path of the country. It is large swathes of formalized money in a very informal economy. Since the EITI's inception in DRC, the government has paid attention to the sector, put increasing resources (in cash and in kind through ministerial participation) and attention into it, which should lead to reforms. Crucially, the limited number of government stakeholders involved places the extractive sector at a significant risk for corruption. However, a single illegal transaction in the extractive sector not only prevents investment in a public good, it dramatically increases inequality. A transparent and increasingly accountable extractive sector should have a positive ripple effect into other parts of the economy. This theory of change was consulted in Kinshasa and Lubumbashi workshops in course of the study, where there was broad agreement to its approach, but was not approved unanimously.

### STATISTICS – VIRTUALLY NON-EXISTENT

No meaningful survey statistics about the EITI process exists in the country. In 2014, through the GIZ, Germany financed a study on the impact and evaluation of the ITIE process. Publish What You Pay (PWYP) carried out the work. The study "L'impact de l'ITIE en République Démocratique du Congo: Neuf ans après, à quoi a-t-elle servi? (The Impact of EITI in the Democratic Republic of the Congo: "Nine years after, to what has it served?"), published in August 2015, was based on interviews with government, civil society and private sector actors and had good geographical coverage. Unfortunately, there was no quantita-

tive survey with closed questions in which all interviewees participated, which would have allowed a good quantitative baseline.

A systematic survey, not only about EITI, but the wider extractive sector, does not exist, which would provide answers among the general population's knowledge to the following general themes:

- ▶ The level of understanding of the extractive industry value chain;
- ▶ The contribution to the national budget and a comprehensive understanding of social payments;
- ▶ Communication channels, e.g. what radio programmes the target group listen to, and if religious, their frequency of attending which religious services.

Significant transparency has been achieved as indicated in interviews, but what has been done with that transparency and the tangible results of transforming that transparency into a more accountable government is unclear and unmeasurable quantitatively.

### MEASURING ANECDOTES

The rigor of "quantifying change" in ITIE RDC's context is very difficult. The interviewees may have different expectations and or simply a different system of measuring. "Improved relations", as seen from the three different stakeholder groups, have many different degrees. Below are some examples of anecdotes demonstrating results:

- ▶ When the NGO involved in the EITI like Global Witness carry out an investigation for a report, normally the Federation of Mines is informed and depending on the situation, the cooperation will involve at least a meeting, potentially a site visit, but always a feedback loop before anything will be published. Before the EITI and the relations built from the process, NGOs would "rarely" consult a company (according to a private company).
- ▶ DRC government efficiency gains mean that a better understanding of mineral revenues is now possible. The government knows which companies have paid what and to which department. Before the EITI in 2004, it was described as "disastrous" (by both private sector and government).

- ▶ On improving the process, a very senior government official stated that the process is run slightly parallel to the budget process – “they are not really stuck together”. If EITI Reports played a role in the budget, then the impact would be substantially larger.
- ▶ Only two MPs are involved in the EITI process and thus there is little impact in “mainstreaming the EITI” through the introduction of legislation.
- ▶ Creating synergies – the UN Environment Programme (Geneva) is now working with the Ministry of Environment, Nature Conservation and Sustainable Development on creating a database (Map X) with layers based on ITIE data with other activities, such as logging, location of endangered species, and national parks. The conversation between Oslo (EITI Secretariat), Kinshasa and Geneva could lead to the first real mapping on economic and environmental aspects of the DRC’s vast mineral and environmental assets and act as a reference point going forward.

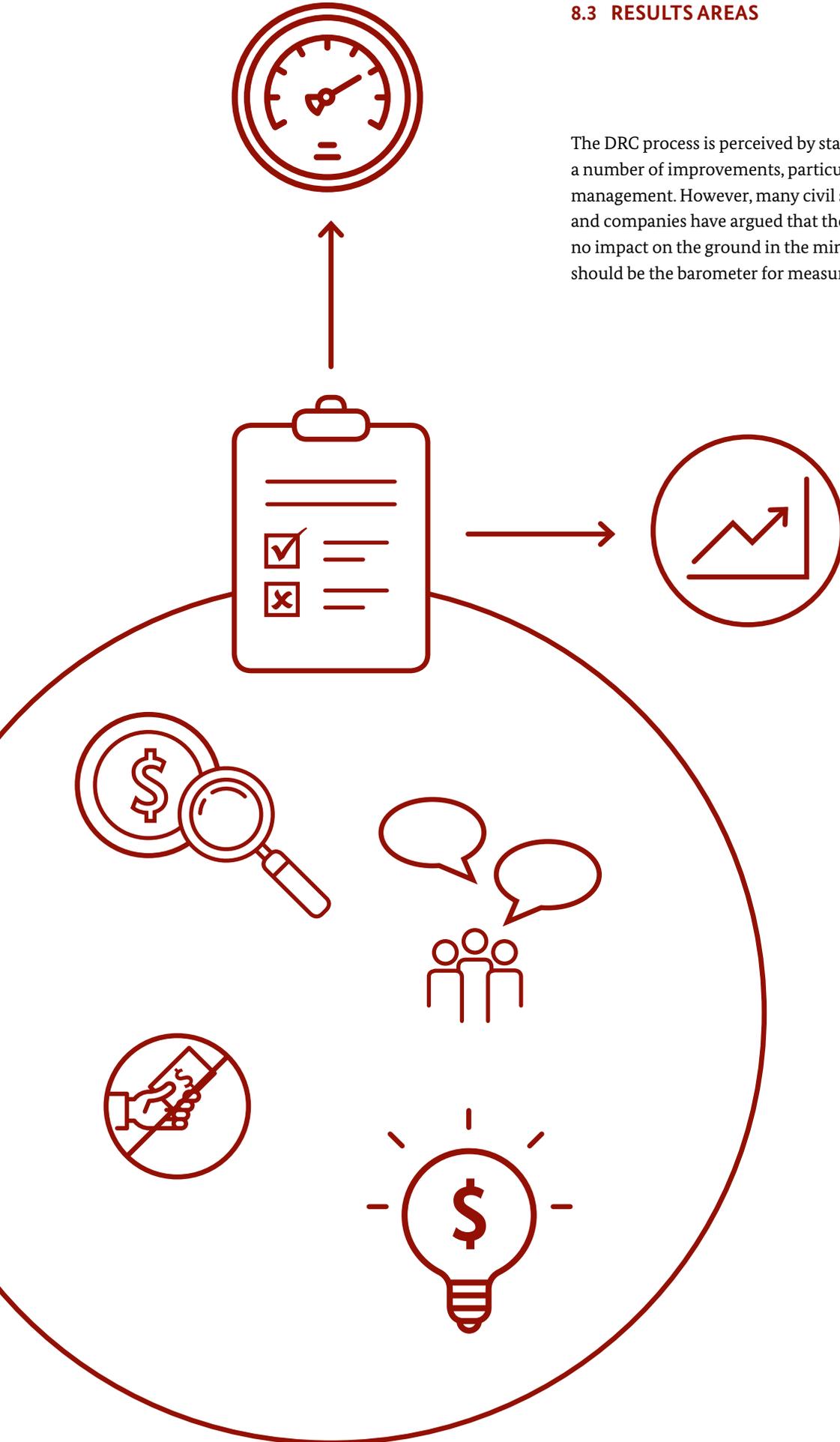
**COUNTRY-SPECIFIC RESULTS MODEL (DRAFT IN PROGRESS AS DISCUSSED WITH MSG MEMBERS IN JUNE 2016)**

Levels	Areas	Indicators (in addition to the ones listed in the generic model)	Conditions (conducive/obstructive)
Highly aggregated impact	Poverty reduction in DRC	Same as in generic model	Same as in generic model
Impact	Improved level of health Higher educational level	<ol style="list-style-type: none"> <li>1. (X% increase of perception in the target group concerning the provision of key public services (health, education, infrastructure).  Source: Robust sample would include at least 6 regions totaling 800 persons) in producing and non-producing states to be carried out annually or biannually.</li> <li>2. X% increase of compliance of companies with regards to the contributions of their social projects.  Source: own study.</li> </ol>	Same as in generic model
Outcome	Stakeholders hold a true, informed public debate.	<ol style="list-style-type: none"> <li>1. X% change of perception by stakeholders concerning features of a ‘true, informed public debate’.  Source: Survey based on robust sample of MSG and non-MSG members.</li> </ol>	Same as in generic model

Levels	Areas	Indicators (in addition to the ones listed in the generic model)	Conditions (conducive/obstructive)
<b>Output</b>	The movement in key constituencies is institutionalized for permanent public debate.	<ol style="list-style-type: none"> <li>1. The MSG has a parliamentary engagement strategy. (yes/no)</li> <li>2. The EITI process is an integral part of Parliamentary debate including discussions regarding the national budget. (yes/no)</li> <li>3. Parliament uses EITI Reports to draft legislation. (yes/no)</li> <li>4. Contract transparency is part of the debate. (yes/no)</li> <li>5. Beneficial ownership is part of the debate. (yes/no)</li> <li>6. Information about the EITI is regularly disseminated in the Chamber of Mines, and throughout the various private sector associations. (yes/no)</li> <li>7. X permanent fora have been created in which dialogue is promoted between the three constituencies (such as the Investissement Durable Au Katanga, located in the region of Katanga)</li> <li>8. X non-traditional constituents and stakeholders have entered the debate over natural resource governance (i.e. universities and churches).</li> </ol>	Same as in generic model
<b>Impact</b>	Same as in generic model	<ol style="list-style-type: none"> <li>1. Baseline survey conducted to understand the public's knowledge of the sector. (yes/no)</li> <li>2. Time for the gathering of data and publication was reduced by x days.</li> <li>3. Discrepancies between paid and received amounts reduced by x%.</li> <li>4. Financial reports of the National Secretariat are annually published and available online. (yes/no)</li> <li>5. MSG meetings are held with regular frequency, without significant immediate financial incentives for MSG members. (yes/no)</li> <li>6. Online statistics differentiate between interest inside the country and outside the country (donors, think tanks, etc. as this is crucial to understand there is national debate in the country itself and not just among international elites)</li> </ol>	Same as in generic model
<b>Activities/ Processes</b>	Same as in generic model	<ol style="list-style-type: none"> <li>1. USD X of government funding of the National Secretariat, and percentage of Secretariat's budget.</li> <li>2. Each relevant ministry has an EITI focal point, provides them with the mandate to perform their duties and provide sufficient time to accomplish those tasks. (yes/no)</li> </ol>	Same as in generic model

### 8.3 RESULTS AREAS

The DRC process is perceived by stakeholders to have led to a number of improvements, particularly in public financial management. However, many civil society organizations and companies have argued that there has been little or no impact on the ground in the mining areas and that this should be the barometer for measuring any change.



### 8.3.1 FISCAL TRANSPARENCY



The EITI process in DRC has dramatically improved its fiscal transparency, largely following the EITI Standard and its requirements. As one interviewee said “la machine est en marche”, meaning that the process is now underway and improving with each Report, not only in content, but also in process.

The initial EITI Reports took up to one year to prepare, with significant time spent in explaining the entire process and justifying it to a skeptical audience among companies and the government. The country’s 2014 EITI Report, its most recent, took approximately four months to complete, demonstrating a significant improvement in time. Indeed, the 2012, 2013 and 2014 EITI Reports took little more than one year to produce in TOTAL.

**Data credibility and availability:** The 2015 Report should be completed by Fall 2016, which will allow it to play a role in the budgetary debate. This could be the first time that it is not published at the end of the calendar year and within 12 months of the fiscal year. In addition, data can be confirmed and released in shorter amounts of time. Several members of the government shared that data is now compiled and confirmed within three months of receiving preliminary data. With every year, the EITI process is cutting down the “confirmation” time, which makes data more relevant for constituencies, notably civil society organizations and the government.

**Following the money:** A watershed moment for the EITI process in Congo occurred in the publication of the 2010 EITI Report in which a USD 88 million sum was unaccounted. The Auditor General systematically went through and found that indeed the money should have been deposited into government accounts, but was instead transferred to a commercial bank to assist with its liquidity issue.

With small victories like this, the country’s institutions are challenged and increasingly seen competent to deal with them. This provides them also with the much-needed confidence to carry out their duties.

**Other Sectors and Beneficial Ownership:** ASM and Forestry will cover the DRC’s two great unknown sectors. This would be a very positive sign that the government is serious about fiscal transparency in other sectors of the economy. Civil society organizations still continue to point out irregularities and transparency challenges in both sectors.

A similar result of improved fiscal transparency and a better understanding of the sectors can be expected if these are both introduced in the 2015 EITI Report. The point of “impact” in forestry and ASM should also be shorter than that of the oil, gas and mining sectors because the MSG, the National Secretariat and the government should be more efficient in incorporating both sectors into the EITI process.

Several years ago, “it would have been impossible to think that the DRC would publish beneficial information”, quipped one interviewee. Despite that, the DRC participated in the beneficial ownership pilot and even garnered an award for it at the 2016 Lima Conference. This is a big step in erasing some of the questions around the link between politics and business. Please note that it publishes the beneficial owners on record with shares of more than 3%. Civil society organizations noted that a number of companies had their bases in the Virgin Islands and so it was impossible to know for sure who owned what, without further examination of those companies.

**Transparency (and Credibility) on the Page:** The EITI Report is increasingly being seen as the most authoritative and creditworthy document published in the DRC. Examples such as the actual split (60% – central government, 25% – regional government and 15% – producing communities) of which level of government receives what percentage of revenue builds further legitimacy into the process. Nothing breeds success like success. Many stakeholders know that the information is received from several agencies, but that the authoritativeness of the information receives a boost because it is seen to have the necessary quality assurance built into it, which comes directly from the EITI Standard’s Requirement 5.

### 8.3.2 PUBLIC DEBATE



Requirement 6 of the EITI Standard states that Reports should be “comprehensible, actively promoted, publicly accessible and contribute to public debate.” In the DRC, significant work is required for the EITI process to contribute to a public debate.

Statistical information regarding the public debate virtually does not exist. Obtaining web statistics was difficult and made available only for a portion of 2015 and 2016. The EITI has been mentioned in upwards of 1,000 newspaper articles, however because of the culture of paying for stories (up to USD 250 for coverage), any newspaper articles have more the feel of advertising than an important story affecting the country’s future. The National Secretariat had not carried out any survey work, regarding how widely the EITI Reports are read or how much results are known. Dozens of trainings have taken place, but there are no hard statistics around what these trainings have accomplished.

While the International Secretariat in Oslo has concentrated on the nuts and bolts and the technical aspects of the Reports, it has been less vocal with regards to how these reports look and how they are used in the country. A discussion should begin in Oslo to help National Secretariats understand the nuts and bolts of successful campaigns that lead to change in a country. Of the twenty guidance notes that Oslo has published, not one discusses how to make EITI Reports more comprehensible to not only elites (those with minutes and not hours to understand a report – i.e. MPs) or to a wider public (universities, local governments and local communities). Indeed, most reports are plagued with poor design, multiple and small fonts, with poor executive summaries and recommendations at the end of the document. Exchanges between Oslo and National Secretariats do take place (including the DRC Communications lead in Oslo for two weeks in February 2016), but demonstrable change and positive results will be slow. The problem is far too acute for exchanges only.

The DRC’s infrastructure challenges both hardware in the form of roads, and software such as the population’s internet penetration make communicating the EITI one of the process’s overarching challenges.

The EITI International Secretariat has for some time advocated the placing of EITI Reports online, which would allow stakeholders to use the data for change.

While this may qualify for some elites who have internet connectivity and can understand the complexities around extractive fiscal structures, it is insufficient for the situation on the ground, predominantly those who could use EITI information to positively impact their daily lives with the publication of financial information on company social projects. To provide an example, the 2013 and 2014 EITI Reports are 5.2 MB each. The 2014 EITI Report is only available online and was never produced in a paper version. Several civil society organizations expressed frustration that the very expensive EITI Report was largely not available to its target audience, the Congolese population.

Whose role? Several in the National Secretariat questioned “who should do what”, particularly regarding the public debate. A significant number of workshops (50+) have taken place over the last number of years. Debate exists, but it is still at a nascent stage given the complexities of the country and the over-whelming infrastructure challenges. Some in the Secretariat have the feeling that their job is completed once the Reports are finalized, published, press conferences are called and workshops carried out. The expectation among EITI elites (donors, international secretariat, etc.) is that the public debate will begin on its own. However, the “grout between the tiles” does not exist to join up the very revealing and important information in EITI Reports with the elites in the media and across Congolese society to turn that information into sustainable reform. Exceptions do exist, notably a German funded project which trained 100 journalists for community radio stations and who produced upwards of 500 emissions regarding natural resource governance and the EITI process.

Strategic placing of EITI Reports in the correct hands: A culture of payment also exists within the media. To cover a workshop, a journalist asks for payment of up to USD 250, which potentially turns the EITI into an exercise in advertising and not treated as a subject of paramount importance for the country’s direction as it should be. The layout and design of newspapers is not far enough developed to integrate charts, graphs and other potentially useful information from EITI Reports. One interviewee (journalist) acknowledged that the information is not very well packaged and that it is difficult for a general audience to understand the sector and be expected to use that information (share with the community, advocate policy change, etc.)

The EITI's effectiveness is contingent on the production of not only informative and comprehensible reports, but also on a strategic plan on how to put the reports in the hands of the right people to either raise awareness or carry out a specific task (i.e. draft legislation).

Despite having a strategy, it is unclear if the communications team intends to reach out to "connected" persons (special publics) across a variety of disciplines (the church, pop culture, music, sapeur movement) to popularize ITIE. These special publics of the 50 most influential people in the country in various disciplines, would be the EITI's "ambassadors" and although not working in the sector could help to raise awareness among their constituencies of transparent and accountable governance in one of the country's key sectors. Capacity (people and ideas) and a stakeholder management plan are required.

Student enthusiasm for the ITIE process is very high through clubs such as DYJET. In no other EITI implementing country is there such a potential for a movement. However, they must be trained to think critically and use the reports to become agents of change. The students meet and compare EITI Reports, but they could potentially serve as ambassadors to raise awareness of other youth as well as undertake an all-encompassing survey (for university credit or a university-wide campaign) of the extractive sector, which would inform a thorough, SMART stakeholder management plan.

Electoral Discussion: 2016 may be the first year that the EITI Report coincides with the budgetary process, which could have a significant effect on the public debate. The MSG has one Senator, who is particularly keen to use the EITI to not only raise awareness in Parliament, but also to make the necessary legislative changes and to mainstream it in relevant laws.

With Presidential Elections scheduled for December 2016, it will be interesting to monitor the debate around the country's natural resource revenue and the sector policy. One interviewee thought that the election will "only be about that (natural resources)". While that should be the case, it is unclear in the EITI's current form of communication whether that interviewee's prediction will hold true.

Incorporating other sectors: Despite these challenges, the DRC's process is evolving, and it is slowly making an impact. There is an increased discussion among some elites, the government is seeing the potential revenue that the sector can bring to the country. If the government can somehow rein in the ASM sector and better understand the forestry sector, there could be a similar increase in revenue from 2016-2020 as was witnessed between 2010-15.



### 8.3.3 ANTI-CORRUPTION



Many interviewees questioned the EITI'S legitimacy because it has not brought significant, if any, real change on the ground, particularly to those communities around operations. However, a significant number of administrative changes have taken place which point to an upward trajectory, saving significant cost and time as well as building the capacity of the regulatory agencies which are crucial to a well-run sector.

**Tax Identification Numbers:** For the first time in modern DRC history, there is one tax identification number for each company, which allows for significant coordination across ministries. As one interviewee relayed, "Now we understand how much we are receiving. Some contracts are very one-sided, towards the companies. Now we hope that we can hold a debate potentially changing some of those contracts, so that the government's take is more." While it is unclear if the EITI process can take full credit for tax identification numbers (the IMF advocated heavily for their introduction), it is part of the general improvement in the sector.

**Coordination:** The MSG meetings bring together up to five ministers together to discuss policy. Some CSOs questioned their motivation for being there, however, their presence ensures that the EITI process receives significant attention and that coordination between them takes place. Each MSG member reportedly receives USD 500 per MSG meeting just for their participation. The existence of an inter-ministerial informal network was noted, which helped the exchange of information and to assist with the creation of key focal points for required information.

**Capacity:** The Inspecteur General des Finances (Auditor General) has played an important role, recapturing its former role as the main regulatory body in public finance and building on it. A number of interviewees mentioned the much-strengthened IGF and its role as a harbinger of sustained change and that it is becoming an institution "with teeth", according to one interviewee. As capacity is built and confidence grows, public sector culture is positively changing, moving towards transparency.

### 8.3.4 TRADE AND INVESTMENT CLIMATE

The impact in the country's trade and investment climate is for the moment unclear and it is premature to state that the EITI has had a positive quantifiable impact in attracting foreign investment. The EITI is geared to attract the "right kinds of investors" – those wanting a long-term sustainable relationship, willing to pay a premium for a more transparent environment in investing significantly in the country's natural resources, and expect a sufficient reward for taking that risk.

It is unclear how much the DRC government wants to capitalize on its EITI involvement and increased transparency, to use it as a differentiator to attract further investment. At a 2015 South African Mining Conference, an audience member remarked that the EITI was not mentioned at all in the DRC's speech. Reports or brochures were not available at the government's exhibition stand. As trade and investment climate usually improves with transparency, it was perceived as a surprise that DRC's promotion did not mention the EITI. The view of the officials responsible could be described that because of the geological resources the country will remain on a certain level of interest to investors for the next several decades with or without EITI.

As mentioned above, Moody's gave a B3 credit rating to DRC in 2013, six steps below investment grade. In the section "Very Weak Institutional Strength", Moody's stated, "The authorities have also embarked on a series of reforms to enhance transparency and improve the business climate, including the DRC's commitments to both the Extractive Industries Transparency Initiative..." (Moody's 2013). That rating remains unchanged.

During both missions, the consultant spoke with the lone Senator who is working in the EITI process. He was enthusiastic that the 2015 Report could bring about change, as it would be the first time that the EITI Report would inform the budgetary process. He was also keen that an array of laws and procedures be introduced to harness the process into the country's laws. It was too early to understand if this was achievable with an, up to now, weak engagement strategy within the Parliament. If a structured and focused approach to the country's lawmakers is undertaken, the necessary reforms could be introduced, bringing about the necessary impact in DRC'S institutions and legal processes.

## 8.4 CONCLUSION

Although the DRC has only been EITI compliant since July 2014, its history with the process is considered in EITI publications as one of the most advanced. Having published reports from 2007 onwards, with the 2015 Report to be published in late 2016, the MSG, the National Committee and stakeholders particularly in the government and the private sector have objectively improved greatly in reporting efficiency. Data collection has been reduced from one year down to four months as stakeholders become accustomed to what is required and approval from within their constituencies (e.g. company lawyers). With the EITI Report's lag time decreased to nine months after the end of the fiscal year and coinciding with the budget discussions, the 2015 Report may lead to a step change in the country.

The DRC process has almost no hard evidence and statistical basis to judge whether EITI has been successful in the country. The trajectory is no doubt tending upwards, particularly taking into account the situation one decade ago, however its degree is unclear. Anecdotal evidence from major players in the government, civil society and the private sector all point to positive movement, but with much work to be carried out.

More reliable hard evidence exists in the transformation of processes and systems within the government. The Auditor General's office is considerably stronger than several years ago. One tax identification exists for each company. Focal points exist within the various government ministries, so as one interviewee said "something is happening" and "it is considerably better" than before the EITI process began.

One of the EITI's main objectives is to be relevant in the country. The natural resource discussion is taking place among elites, but it has yet to "catch flame" throughout the population. For this reason, the proposed theory of change concentrates on major constituencies which play a key role in the country, but as of yet have not been (in this consultant's view) significantly engaged or engaged enough to bring about the public debate.

The National Secretariat and the MSG carry out a number of trainings, but with no statistics around what those trainings have accomplished, beyond anecdotal positives, it is impossible to evaluate any impact. With compliant status only reached in mid-2014, it is too early and "evidence" is anecdotally based. Establishing causality for many aspects of ITIE's work is too difficult. Therefore, it would be very useful to have a close-ended survey for both elites and

the population at large, which would serve as a baseline to judge progress. The GIZ funded a survey of the EITI process, with interviews, which is a good beginning, but donors, supporters, and in-country implementers need to take results more seriously.

The EITI in the DRC still has more potential than results. What is important now is to take measurement far more seriously, using the proposed theory of change above as a basis, with the consultation of the National Secretariat and MSG. With the theory of change, a detailed strategy and a detailed plan of action, it is hoped that evaluating the impact will be more concrete and measurable in the future, leading to a more positive change in the lives of the country's 70 million people. Indeed, if there is no headway made in the next five years, the process will be a shell, a process that looks good on paper, but does not meet the country's real needs. In respect of political rights, the DRC is raising concerns among international observers; it has been put on the Freedom House list of the "countries to watch in 2016", and if the EITI is more closely linked to the expected turning points in DRC's democratic trajectory and can contribute to special scrutiny of political economy, it can make the EITI more relevant.



9.

# CASE STUDY: MOZAMBIQUE

## 9.1 CONTEXT AND HISTORY OF EITI IMPLEMENTATION

Mozambique is assessed as a “highly defective democracy” (BTI 2016 among others). In terms of political rights and civil liberties the country is ‘partly free’ (Freedom House 2016: 22), with a declining trend. This context needs to be taken into account to reflect on the prospects of the EITI to reach impact level results. The Initiative contributes – but also relies on – conditions such as that stakeholders feel free to talk about weak governance systems, corruption and government and corporate accountability. However, the study noticed critical media and civil society statements and did not find indications for principal impediments to freedom of speech on issues related to the EITI.

Economic reforms designed to stabilize the economy after the civil war have led to strong and sustained growth of the Mozambican economy since 1992. In particular, fiscal reforms have helped improve the government’s revenue collection. However, in spite of these gains, Mozambique remains dependent on foreign assistance and over half the population still lives below the poverty line. According to the IMF (IMF 2015), while Mozambique’s poverty rate declined from 69% in 1997 to 54% in 2003, it seems to have remained stagnant since. As a result, even though Mozambique over the past two decades has experienced one of the highest growth rates in the world (averaging an annual 7.5%), a large share of the Mozambican population has not benefited from this growth.

The oil, gas, and mining industry has been the fastest growing sector in recent years, which has helped propel Mozambique’s high gross domestic product (GDP) growth rates. The extractive industries sector in Mozambique accounted for about 3.5% of the country’s GDP in 2014 and a projected 7.8% growth in 2015 mainly due to natural gas development and a rapid growth in coal. The coming into operation of the railroad line Moatize-Nancala in the near future will further propel growth in the coal sector. In expectation of this development, the Government of Mozambique (GoM) Economic and Social Plan for 2016 projects the contribution of the extractive sector to GDP in the order of 10% in 2016. Moreover, the extractive industry was responsible for 55% of exports in the last three years and its contribution to government revenue has been rising, reaching 20% in 2014.

The extractive industry is a fairly recent addition to the Mozambican economy. In the early post-war years, Mozambique offered highly concessional terms for extractive companies, which attracted foreign investment for sever-

al so called “mega-projects”. Mozambique has also attracted large-scale investors such as Vale and Rio Tinto in mining, and Anadarko, ENI, Statoil, Petronas, and ExxonMobil in the oil and gas sector. The impact of these projects on the economy has, however, been limited. Aside for some localized employment creation and access to improved infrastructure in the communities in the areas of impact of the mega-mining projects, integration of existing projects into the economy has been low.

Over the past few years, the GoM has been implementing policy reforms aimed at preventing negative effects of resource extraction – widely described as resource curse. A new Mining Law and a new Hydro-carbons Law were enacted in 2014 as well as strategic policies for mineral resources, capacity building for the mining sector, licensing in the oil sector to attract Foreign Direct Investment (FDI), and a policy on Corporate Social Responsibility (CSR). In addition, a Gas Masterplan, a gas transport tariff methodology, and a Coal Masterplan were developed.

Nevertheless, as weak commodity prices have slowed the exploitation of oil and gas reserves, recent developments in the Mozambican economy show that the country has increased its external borrowing and is currently ranked the most indebted country in Sub-Saharan Africa. The government debt-to-GDP ratio is now over 80%, prompting drops in sovereign credit ratings and even rumors of default. Consequently, the IMF has pushed for an independent audit of the new loans and, pending this audit, further disbursements from both the IMF as well as the international donor community are frozen. This situation further highlights the need for increasing fiscal transparency, in particular related to the extractive sectors, in Mozambique. In that regard, prioritizing and ensuring EITI compliance would contribute to creating the conditions for an improved investment climate.

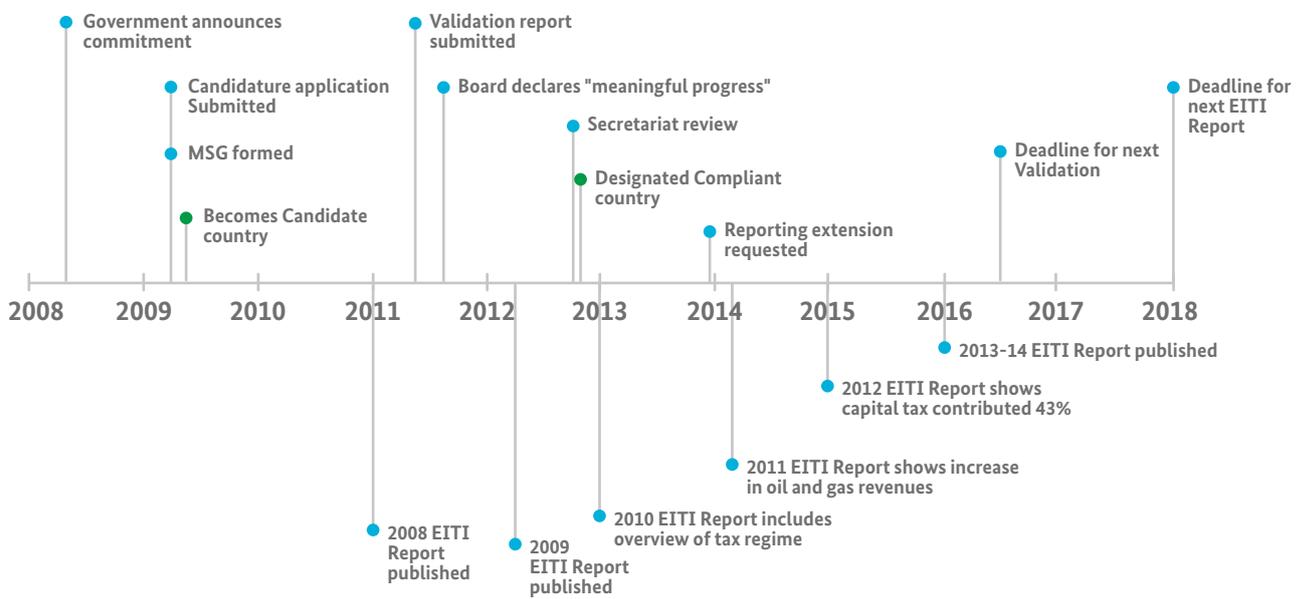
The GoM, under the guidance of the then-President Armando Emilio Guebuza, formally became an EITI Candidate country in May 2009. Accession of the country emerged as a way to improve other existing internal instruments of promoting good governance, including transparency and the prevention of corruption, and also to ensure that payments and government receipts from the extractive industries were published regularly. Mozambique proceeded to become EITI Compliant in October 2012. The country has produced six reports; the latest report covering the accounts of 2013 and 2014 was prepared under the 2013

EITI Standard and published on December 31, 2015. The next M-EITI validation is planned for January 2017.

**FIGURE 8: M-EITI IMPLEMENTATION TIMELINE**

**MOZAMBIQUE**

Last updated January 2016



Source: [eiti.org](http://eiti.org)

A small Mozambican EITI Secretariat was established in early 2009 and is currently hosted in the World Bank's Mining and Gas Technical Assistance Project (MAGTAP) offices in Maputo. The Secretariat has four staff members, comprising an Executive Secretary (National Coordinator), a Manager of Institutional Relations and Procurement, an accountant, and a driver.

The M-EITI multi-stakeholder group (MSG) consists of 14 members and 11 alternates with representatives from the government, i.e. the Ministry of Mineral Resources and Energy (MIREME), Ministry of Economy and Finance, Ministry of Land, Environment and Rural Development (MITADE), four private sector companies from both the mining and petroleum sectors, four civil society organizations (CSOs) nominated from the CSO platform on extractive industries, and two observers, one from the Geological Mining Association of Mozambique and another from the National Syndicate of Journalists. The MSG does not comprise any members from the Mozambican Parliament. The M-EITI MSG meets on a quarterly basis and is currently chaired by the Advisor to the Minister of Mineral Resources and Energy.

Work plan implementation: EITI implementation in Mozambique is guided by the M-EITI work plan, which seeks to deal with the new challenging requirements defined by the EITI Standard. Previous work plans did not set out specific objectives, but the current three-year plan is significantly more elaborate in that country specific objectives have been clearly defined, presenting to the public what the initiative aims to achieve in terms of good governance of the extractive sectors between 2016 and 2018 and how it intends to attain these objectives. More specifically, the new work plan for M-EITI includes clear objectives, rationales behind these, activities that will help achieve the stated objectives, expected results, responsible parties, timeframe, cost, and funding source. The 2016-2018 work plan was developed by the MSG during a 2.5-day participatory workshop facilitated by the GIZ and the International EITI Secretariat. It is the intention that the work plan will be revised on an annual basis. However, in terms of focusing on results, the work plan does not distinguish between outputs, outcomes, and impacts and no indicators have yet been identified for monitoring the progress of EITI implementation on an annual basis. These aspects have now been captured in the proposed M-EITI results model.

**THE WORK PLAN IDENTIFIES SIX OBJECTIVES TO BE ACHIEVED BY M-EITI OVER THE PERIOD 2016-2018:**

1. Ensure access to information, with a view to an effective and informed public participation in public debate on extractive resources governance.
2. Improve accountability mechanisms for public and private companies in the extractive sector.
3. Clarify and disseminate the allocation of receipts' mechanisms for the development of affected communities.
4. Strengthen the role and intervention of the M-EITI's MSG in monitoring and access to information with a view to effective public participation in extractive industry good governance.
5. Improve transparency in the license granting process.
6. Contribute to improvement of the business environment in the extractive sector.

## 9.2 RESULTS MODEL

To shed light on the links between activities of M-EITI towards improved transparency, accountability, and aggregated impacts, the reconstruction of the theory of change started with an analysis of the MSG's work plan. The 2013-2015 work plan sets this goal for M-EITI: 'Promote and strengthen good governance through transparency, accountability, participation and sustainable exploration of extractive resources', with objectives that are procedural in nature leading to producing a comprehensive report, accompanied with training and communication activities. The second part of the goal, 'sustainable exploration of extractive resources' was not clearly defined and it is not clear what processes will guarantee its compliance. The 2016-2018 work plan appears to be a much better structured plan with clear objectives and a path to achieve them, but it does not make a distinction between outputs and outcomes and is lacking outcome indicators for adequate monitoring. Finally, a couple of areas that are not adequately covered in the M-EITI work plan have been discussed in the course of the study and included in the results model. These areas are local content and revenue redistribution (current and for future generations).

### COUNTRY-SPECIFIC RESULTS MODEL (DRAFT IN PROGRESS AS DISCUSSED WITH MSG MEMBERS IN JULY 2016)

Levels	Areas	Indicators (in addition to the ones listed in the generic model)	Conditions (conductive/obstructive)
<b>Highly aggregated impact</b>	Sustainable development in Mozambique <ul style="list-style-type: none"> <li>• Poverty reduction</li> <li>• Economic diversification</li> <li>• Economic growth</li> </ul>	<ol style="list-style-type: none"> <li>1. USD X income per capita</li> <li>2. USD X income per capita in regions of EI influence.</li> <li>3. X% of population below the poverty level</li> <li>4. GINI coefficient</li> </ol>	Same as in generic model. Specifically: <ol style="list-style-type: none"> <li>1. Political will to establish a peaceful solution to conflict.</li> <li>2. Macroeconomic conditions substantially improved with a sound fiscal program accepted by IMF and donors implemented.</li> <li>3. Capacity of key government agencies to manage the EI sector – including monitoring of contracts – improved.</li> <li>4. Favorable fiscal terms.</li> </ol>

Levels	Areas	Indicators (in addition to the ones listed in the generic model)	Conditions (conductive/obstructive)
<b>Impact</b>	Technical and human capacities for better management of the extractive sector are developed so as to contribute to economic diversification, sustainable economic growth and poverty reduction.	<ol style="list-style-type: none"> <li>1. X% employment rate of nationals in the EI sector</li> <li>2. X% employment level of regions of EI influence</li> <li>3. Rank in Resource Governance Index</li> </ol>	Same as in generic model
<b>Outcome</b>	<p><b>Trade and investment climate and sustainable development policies:</b></p> <ol style="list-style-type: none"> <li>1. Contribution toward an improved investment climate.</li> <li>2. Support of sustainable environmental, local content and development of artisanal and small-scales mining policies.</li> </ol> <p><b>Anti-corruption, improved PFM, and effective revenue management:</b></p> <ol style="list-style-type: none"> <li>1. Transparent and participatory mechanism of revenue management and allocation.</li> <li>2. Efficient and transparent revenue collection by government institutions.</li> </ol> <p><b>Enhanced and better informed public debate:</b></p> <ol style="list-style-type: none"> <li>1. Access to information with a view to informed public participation in the debate on good governance in extractive industries.</li> <li>2. More relevant role of the MSG.</li> </ol>	<ol style="list-style-type: none"> <li>1. Review of the legal framework regarding environmental and social impacts of EI exploration and production and their consistency with international best practice done. (yes/no)</li> <li>2. Government's position papers regarding local content and economic diversification policies consistent with EI development. (yes/no)</li> <li>3. Employment promotion policy linked to the EI. (yes/no)</li> <li>4. Strategy for developing the ASM sector. (yes/no)</li> </ol> <ol style="list-style-type: none"> <li>1. Information on subnational transfers is complete and publicly available. (yes/no)</li> <li>2. Mechanism for revenue management with civil society representation developed. (yes/no)</li> <li>3. X projects executed that were proposed by the communities at the District level.</li> <li>4. Collection of taxes and of petroleum taxes in-kind is assessed as efficient. (yes/no)</li> </ol> <ol style="list-style-type: none"> <li>1. Tripartite platforms functioning effectively at the local level have adopted ToRs and report regularly to M-EITI Secretariat. (yes/no)</li> <li>2. Engagement of academia in the EITI process, measured by the no. of student internships committed by EI companies and M-EITI. (yes/no)</li> <li>3. Parliament uses the results of the EITI Reports (e.g. budget planning, sector policies.) (yes/no)</li> <li>4. EITI reporting integrated in electronic platforms of various public and private agencies. (yes/no)</li> </ol>	<ol style="list-style-type: none"> <li>1. Institutional development and clear mandate of institutions.</li> <li>2. Competence of government agencies.</li> <li>3. Government commitment to transparency and accountability.</li> <li>4. Adequate legal environment to foster development projects.</li> </ol>

	<p><b>Fiscal transparency and accountability:</b></p> <ol style="list-style-type: none"> <li>1. Improved accountability mechanisms of public and private companies.</li> <li>2. Improved transparency of the licensing procedures and contracts.</li> </ol>	<ol style="list-style-type: none"> <li>1. Full disclosure of the financial situation of public and private companies found in their respective websites. (yes/no)</li> <li>2. Companies pay what they ought to pay according to contractual terms. (Periodic cost audits of selected companies.)</li> <li>3. The mining cadaster is complete and publicly available. (yes/no)</li> <li>4. EITI Report recommendations implemented. (yes/no)</li> <li>5. Publication of licensing bids and of the final results consistent with international standards. (yes/no)</li> <li>6. Reliable beneficial ownership information is publicly available (in the mining cadaster or other institution's like Stock Exchanges).</li> </ol>	
<b>Output</b>	<p>Stakeholders are capable of engaging in broader dialogue and making informed decisions when choosing options for public policy. Key outputs:</p> <ol style="list-style-type: none"> <li>1. Comprehensive, timely, and easy to understand EITI Reports.</li> <li>2. Annual M-EITI Annual Activity Reports</li> <li>3. Validation Reports</li> </ol>	Same as in generic model	
<b>Activities/ Processes</b>	Same as in generic model	Same as in generic model	
<b>Inputs</b>	Same as in generic model		

### 9.3 RESULTS AREAS

The study found that no results model or monitoring and evaluation framework had previously been developed for the M-EITI process to formally take stock of progress over time. The systematic monitoring of results has taken place to date largely through the annual data gathering by the independent administrators. As the new M-EITI work plan only entered into effect as of January 1, 2016, is it too early to assess whether specific interventions by the M-EITI are effective in achieving their objectives as stated.

#### 9.3.1 FISCAL TRANSPARENCY



Publicly available revenue data from extractive industries: Significant information about revenues collected from the extractive industries has been made available to the public, e.g., the M-EITI reports have become a reliable source of information for government agencies in their day-to-day work and have informed dialogue of civil society groups about the distribution of revenues assigned to selected districts.

Contract transparency: Civil society has pushed for increased transparency of contracts, including through the M-EITI establishment. These discussions have fed into a higher-level policy dialogue in the country. As a result, the Mining Law 20/2014 includes Article 8.4., requiring companies to publish all their new contracts. Today, about 75% of contracts are disclosed by the MIREME, although they still need to be made more accessible to the general public.



### 9.3.2 PUBLIC DEBATE



**Advocacy of civil society:** Initially, the M-EITI process was primarily led by the GoM representation at the MSG, with civil society playing only a minor role. To increase their influence, the three CSOs represented in the MSG – the Institute of Economic and Social Studies (IESS), CIP, and Youth KUVUKA-JDA – supported the creation of an extractive industries CSO platform, which now comprises 40 organizations. The platform has been vocal in pushing for enhanced impacts of M-EITI in society by ensuring that transparency in extractive industries goes beyond the revenue numbers to focus on promoting efficient management of resources and enhancing public dialogue around the extractive industries.

**Improved dialogue around extractive sector issues:** The M-EITI has become a platform for all three MSG member groups to discuss issues that go beyond just the revenue numbers, e.g., the MSG meetings have fruitfully covered topics related to revenue sharing formulas with local communities, resettlement issues, and contract transparency that have fed into higher level policy discussions in the country.

### 9.3.3 ANTI-CORRUPTION



No evidence has been detected by this study on the level of corruption in the extractive sectors as a result of EITI implementation in Mozambique. However, some positive impact on public financial management is noticeable.

**Improved data collection and recording:** The production of six EITI reports since 2011 has implicitly strengthened government systems over time. Production of the reports have led to better data systems as the reports have pointed to inconsistencies in data collected from the mining cadaster and the General Taxation Directorate (DGI) as well as to incomplete information, which initially prevented adequate reconciliation of revenues. During the early years, there were significant problems with companies not reporting under their individual Tax Identification Numbers (NUIT), but rather entering the MIREME's NUIT on their reporting templates, making reconciliation of company payments and government receipts practically impossible, as companies could not be distinguished from each other. As this problem has been resolved over time, the GoM is now able to track extractive revenue by individual company.

Additionally, several recommendations from the EITI Reports are being implemented to (i) improve the effectiveness and completeness of data recording between the mining cadaster and the Tax Authority; (ii) implement accurate recordings of payments by companies at the Tax Authorities in the provinces and the Tax Authority at the central level, so that cross checking of information is automatic; and (iii) to improve oversight by MIREME of concession transfers and the proper documentation of such transactions, which would allow collection taxes applicable to such transfers.

**Distribution of extractive sector revenues:** CSO representatives on the MSG have advocated for the distribution of extractive sector revenues in favor of the communities in the areas impacted by the industries. As a result, the government issued Circular No. 1/MPD-MF 2013 in compliance with Laws No. 11/2007 and 12/2007, which establish that a certain percentage of revenues generated by the extractive industries activities be assigned for the development of communities in areas of influence of these projects. Issues around the efficient management of revenues, including the creation of a sovereign wealth fund for future generations, have also been discussed by the think tank Agenda 2015, and a study on the creation of community-based structures to handle development funds was conducted by an NGO in Nampula.



### 9.3.4 TRADE AND INVESTMENT CLIMATE

The amount for subnational transfers is to be set by Parliament every year and is currently 2.75% of total extractive industry revenues. The total revenue base is that of the prior year in order to avoid unwanted impacts of price volatility, although the effectiveness of this practice may be debatable.

The amounts budgeted were higher than those actually transferred in both 2013 and 2014. This was due to lower production tax because of lower coal, heavy sands and gas production and weak commodity prices, floods in 2013 and new military conflict between the government and RENAMO as well as lower capacity to implement projects at the local level in 2014. The issue currently discussed is how to promote efficiencies in the management of these resources. Communities are expected to work with the district authorities in deciding the types of activities that should be financed. It appears that in order to make this system effective, there is a need for establishing adequate transparency and accountability mechanisms and providing adequate training both to local governments and citizens. Limited training has to date been provided by KUWUKA. However, under the Mineral Resource Governance Program, the GIZ is currently providing capacity building to the District and Local Governments of the Inhassoro and Govuro Districts (Inhambane Province) to improve management of the revenue transfers in collaboration with the Ministry of Economy and Finance. This includes training of community leaders in participatory methods as well as design and prioritization of projects by consultative councils as well as monitoring of implementation. This pilot project is expected to be replicated in other Provinces.

No evidence has been detected.

## 9.4 CONCLUSION

Effects of the M-EITI are monitored on the activity and output level. On the outcome and impact level hypotheses in the areas of fiscal transparency and public debate are plausible, however only supported by qualitative data and perceptions. There is no evidence for strengthened anti-corruption or improved trade and investment climate. The following key challenges and responding recommendations have been identified:

1. **Persistent lack of funding for M-EITI activities:** The M-EITI process has been primarily donor funded since Mozambique became a Candidate country in 2009. Insufficient and sometimes delayed financing for its core activities has constrained the M-EITI from implementing all of its planned activities in a timely manner.
  - M-EITI seeks more government support in order for the Initiative to be sustainable and benefit from a higher level of government ownership. M-EITI should urgently develop and implement a medium-term fund raising strategy targeting the GoM, private sector, as well as donors, and particularly focusing on raising core funding for the Initiative.
  - M-EITI adopts a solid monitoring and evaluation framework with proper baseline indicators, so that progress against the newly developed work plan objectives can be tracked over time. This case study has provided input at developing such a framework.
2. **Declining political leadership of M-EITI:** the lack of high-level GoM representation at the MSG meetings has negative spillover effects on the level of representation of other stakeholders, including for the private sector representatives.
  - The Minister starts engaging more with the M-EITI process, to enhance ownership of the process and implicitly encourage other stakeholders to do the same. This will likely lead to a stronger and more influential M-EITI process.
3. **The M-EITI Secretariat appears small for its mandate and engagement by the MSG in M-EITI operations is low.** The MSG in Mozambique operates more like a governing board than a working board; hence, the M-EITI Secretariat is in principle tasked with executing all decisions made by the MSG. Moreover, there are no sub-committees within the MSG. With the increasing scope of the EITI process, the current staffing of only four people in the M-EITI Secretariat is not sustainable. In particular, report dissemination and outreach to local communities is not achievable without more staff, but more importantly, greater engagement of the MSG.
  - The MSG considers transitioning from being a governing board to a working board, possibly introducing sub-committees to divide the workload amongst members. This could also create positive spillover effects on the M-EITI MSG members' level of engagement within each of their constituencies, further supporting mainstreaming of the M-EITI process.
4. **Mainstreaming the M-EITI process:** although the M-EITI is already credited with improving some GoM systems with regards to the taxpayer identification, no distinct efforts have yet been made to integrate the M-EITI processes into government financial and other oversight systems of public administration. However, M-EITI is planning to take a first step in this direction by introducing an e-reporting module to allow government agencies to set up electronic reporting systems that draw data directly from existing government and company systems, thereby simplifying the current data collecting process, which is currently done manually parallel to other processes. The installation of an IT network within the Ministry of Mineral Resources and Energy which is supported by World Bank seems to be unattainable before 2018.
  - Over the longer term, extractive industry transparency should become an integral and routine feature of how governments manage the sector. It is recommended that M-EITI also introduce the online reporting system as envisaged under the current work plan and that data collection is subsequently conducted through the online cadaster and portal.
5. **Further challenges relate to Institutionalizing and/or decentralizing the M-EITI;** establishing a revenue sharing mechanism; engaging Parliament in the M-EITI process, including through encouraging the use of M-EITI reports as input for budget discussions; as well as strengthening collaboration with Mozambican academia/students.



10.

# CONCLUSIONS

The study observes a broad consensus regarding the expectations and effects of the Initiative within the EITI's 'transparency club' of the International Board, and national-level MSGs and the Secretariats. It has emerged during the study that there is less agreement on whether and how to measure the effects. It was difficult to establish the views held by stakeholders outside of the 'transparency club'. Supporting evidence for the EITI's impact is largely either anecdotal or based on perceptions of stakeholders belonging to the 'in-group'. The following conclusions raise several new topics and reinforce some issues that have already been part of the debate:

## RELEVANCE

1. **Multi-dimensional:** The relevance of the EITI in tackling issues of weak governance in the extractive sector through multi-stakeholder mechanisms has local, national and international dimensions.
2. **'Initiative' in the global arena:** The EITI is of relevance to the global transparency and accountability agenda beyond implementation at the national level. The EITI plausibly contributes to global policy frameworks such as the 2030 Agenda of Sustainable Development and especially Goal ("Partnerships for the Goals – Strengthen the means of implementation and revitalize the global partnership for sustainable development"), among others. References to the EITI can now be found in corporate reporting (e.g. GRI). Many stakeholders state that the principles of the EITI have been introduced in reforms such as the EU's Accounting Directive and the Securities and Exchange Commission (SEC) regulations derived from Section 1504 of the Dodd Frank Act in the USA (June 2016), both of which are expected to have a global effect. Both reforms occurred before the EU countries or the USA started domestic EITI implementation, however, other stakeholders hold the view that it is not yet clear "whether disclosure rules have come about as a result of the EITI or despite the EITI" (Moberg: 2016).
3. **Global ambition, but BRICS and the largest oil producers absent:** Although the EITI is directly relevant in 50 plus countries and thus implemented by the majority of resource-driven countries around the world, there continues to be a notable absence of EITI adoption amongst the BRICS and the largest oil producers globally.
4. **Self-regulating interaction of global and national implementation:** The collective action by stakeholders in a few countries and by a 'transparency club' in the global arena started the Initiative. The initial narrow focus on technical aspects of reconciliation of payments has helped to build trust and to eventually drive the development of the impact-oriented EITI Standard of 2013. Today, the unique combination of Requirements is in the process of being implemented by the majority of resource-driven countries.
5. **Identification of risks and counter-measures at national and local levels:** The EITI has contributed to identifying risks and weaknesses of extractives regulatory and fiscal regimes. It serves as a diagnostic tool for all stakeholders. It helps governments to understand their options for improving governance; it informs companies and investors about risks; it helps donors to design and steer projects; and it helps civil society to discuss key political issues openly or even overcome political taboos safely. Several new relevant topics have been taken on since 2013: beneficial ownership, the role and behavior of state owned companies, production and consumer subsidies, secretive contracts, aggressive transfer pricing, tax non-compliance, plausibility checks to tackle bad deals, smuggling and fraud.
6. **Perceived as highly relevant for public management:** The EITI is perceived to be of high relevance for public management by more than 70% of the stakeholders (governments, companies, and civil society organizations) both at the global as well as national levels.
7. **Multi-engaged stakeholders:** In principle, it is difficult to distinguish the results of the EITI as such from the results of
  - Stakeholders that are related to the EITI, but take action in regular government or corporate processes (e.g. EU and US regulations, external and internal audits, reporting of stock-exchange listed companies) or in other initiatives (e.g. Open Government Partnership, GRI); or
  - Stakeholders and initiatives that are not directly related to the EITI (e.g. KPCS, Equator Principles),
 which lead to similar outcomes (e.g. informed public debate or anti-corruption). It is also difficult to isolate

to what degree EITI processes on national or local level actually contribute to, for instance, reduction of societal tensions or improved investment climate. Those stakeholders that produce an unprecedented level of data raise the prospects of the EITI achieving and measuring higher level results. This is already pursued by the EITI in improving the use of disclosed data cross-project, cross-company and cross-country, the capacity building and network building with stakeholders to understand, interpret and communicate the data for the right target groups.

8. **15 years of evolving norms, but stable tripartite governance model:** The EITI itself has been operating and growing for almost 15 years, which is an indication for relevance. What the EITI requires from implementing countries has been evolving over time. The norms of the Standard, for example, were introduced very recently in 2013, have already been altered twice, in 2015 and 2016, and will likely be modified again at the 2019 members' meeting. It is unlikely that one set of norms will remain the same for five or more years, and as such it is difficult to show tangible effects in the macro data. Post-2013 data will trickle down slowly into data sets of stakeholders and third parties, and the full set of EITI countries has yet to produce Reports under the 2013 Standard. As of now, the time lag could be up to three years until 2019/2020 – if not more – to receive more meaningful results from a macro-data analysis. However, a leap in the expansion of the scope of reporting such as that from the 2011 Rules to the 2013 Standard is unlikely to happen again any time soon. Thus, related to the 2013 Standard a theory of change, results model, variables and indicators can be defined, measured and evaluated over time. Apart from the evolving norms, the tripartite governance model has been stable and can be subjected to evaluations more easily.

## EFFECTIVENESS

9. **No log frame for M&E:** There is a notable absence of an overall strategic approach based on a theory of change with a log frame that can be monitored and which could have been the backbone for evaluating the effectiveness and impact of the EITI.
10. **Three types of objectives to be differentiated:** Any assessment of the criteria of effectiveness depends up-

on the objective. A broad picture can be taken which ranges from high effectiveness concerning the institutional objectives (e.g. becoming a global brand, offering a Standard for assessing a country's compliance) and organizational objectives (e.g. setting up a governance structure with a recognized Board and Secretariat, ensure civil society participation in multi-stakeholder groups in defective democracies or autocracies); to a much more blurred or less substantiated level of effectiveness when it comes to actual developmental objectives (sustainable development and the results areas of this study).

11. **High effectiveness regarding the EITI process steps:** If effectiveness is to be judged merely in relation to EITI process steps of institutional and organizational objectives, and if implementation in zero countries is taken as a baseline and covering the majority of resource-driven countries worldwide as a target value, evolving from zero to 50 plus countries within a decade is highly effective. This contribution is significant and should not be lost sight of as it relates to developmental objectives: the EITI is able to contribute to debates on the governance of extractive industries in many countries where such debates were not possible a decade ago. As seen by key stakeholders and the EITI International Secretariat, publishing data is necessary, but not sufficient. EITI implementation is considered most effective when it promotes and informs dialogue between government, industry and civil society, and encourages informed debate about the reforms that are needed to ensure that the extractive industries support national development priorities.
12. **Strong cooperation and process orientation:** A key characteristic of the EITI is the demand-driven and flexible approach that allows it to operate and adjust according to the needs of the respective implementing country. This includes the Initiative's strong cooperation- and process orientation in order to document the country's extractives sector regulatory and fiscal regime and governance processes, and the readiness to adapt implementation, when windows of opportunity for change emerge. With this comes a twofold challenge:
- In free, democratic and industrialized countries with accountable institutions (e.g. current EITI countries that are members of the G7, EU or OECD) there are mainly foreign policy motivations for domestic

implementation. A certain lack of clear objectives for domestic development limits the role of the EITI in these countries. For instance, the long-term compliant country Norway does not consider it any more effective to deliver on each and every output (e.g. annual reconciliation of payments in a report) prescribed by the Standard, because the stakeholders and the public do not receive any new information from the EITI. In this context, the benefits of the Initiative seem to relate to introduction of the innovative tripartite governance model or the international transfer of experiences.

- In non-free, deficient democracies or autocratic countries with institutions that are not or partially accountable to the public (e.g. some LICs and non-OECD countries), vested interests surround the extraction of natural resources to such an extent that protecting the status quo of intransparent and unaccountable practices takes a high priority. In these circumstances EITI implementation can fail to link to actual developmental objectives.

## IMPACT

- 13. Umbrella function for accountability:** The multitude of reforms that are taking place in the extractive sector governance in EITI countries cannot be isolated from the interventions of the EITI, but can be in part attributed to the EITI. First and foremost, the obvious effect is that stakeholders are coming together under the umbrella of the Initiative within stakeholder groups (e.g. ministries and government departments start or improve coordination) and across stakeholder groups (e.g. NGOs reach out with specific concerns to companies and get institutionalized feedback).
- 14. Perception based:** For the time being information about the impacts of the EITI is largely limited to the measurement of perceptions. It is possible that prospects for sustainable development are plausibly improved through the EITI. Anecdotal evidence and quantifying the perception of impacts indicate that target groups benefit from implementing the EITI. The review of literature and documents did not reveal robust empirical evidence and the macro-data is not conclusive, as the effects of the 2013 Standard have not yet trickled through into the data sets.
- 15. High(er) expectations of future impacts:** Over 80% of stakeholders see a positive contribution to all results areas under review of this study (fiscal transparency, public debate, anti-corruption, trade and investment climate). For the future, stakeholders' expect the EITI to highly contribute to 'efficient use of revenues', where expectations show a 32% increase from 20% (today) to 52% (future). The areas of 'better management of ecological effects', 'better management of social tensions', 'fiscal transparency' and 'Ease of Doing Business' are all above a 20% increase.
- 16. Net Foreign Direct Investment (FDI) inflow' and the 'time to prepare and pay taxes':** Macro-data analysis of EITI countries in a panel of 98 countries suggests that the EITI could have a positive effect on two variables tested by this study: 'Net Foreign Direct Investment (FDI) inflow' and the 'time to prepare and pay taxes'. However, these findings are very indicative. The complex intervention logic of the Initiative aims to establish effects on a systemic policy level, which is influenced by a multitude of factors.
- 17. Less impact on both ends of the development spectrum:** In free and democratic as well as in non-free and autocratic countries people experience less EITI impact. The prospects for impact appear to be highest for the countries in-between: hybrid countries tend to be rather weak in many dimensions of statehood and a certain capacity level of stakeholders (e.g. ability to produce timely and meaningful reports, constituencies to understand this data along with political rights to express their informed political will, consensus-building, effective use of support, policy learning) needs to meet a trajectory of general political and economic transformation. Therefore, implementing the EITI causes more of a change in these hybrid countries in transformation compared to stable democracies and autocracies.
- 18. Countries can delink increased transparency from increased accountability:** The ongoing shrinking of civic space worldwide coincides with the introduction of the EITI. In order to safeguard civil society participation in the EITI, the Civil Society Protocol was developed by the Board and made part of the Standard in 2015. The Protocol provides guidance for freedom of expression and assembly. Stakeholders widely agree that disclosure of data is not sufficient if it cannot enter the public domain and inform national debate to an extent

where transparency can lead to reform. However, the study could not identify robust methodology in the Validation process as established in 2016 that would consistently detect whether there is freedom to debate the outputs of the EITI. In the validation reports of the past, there has been very little consideration of this, despite it being a part of the 2011 Rules. The “custodians” of the Standard, the EITI Board and International Secretariat, can only guarantee the production and assurance of the Requirements under the EITI Standard, which is done through the Validation process. Unless the Board integrates items into the standardized EITI methodology and/or the Secretariat includes those in the guidance notes which interpret the Requirements, countries can dodge the debate and political consequences, and in doing so they are able to delink increased transparency from increased accountability.

19. **No overarching ‘transparency and accountability metrics’:** Given the broad range of objectives and institutional solutions observed, this study found it feasible to produce a generic results model, but not feasible to develop a single overarching indicator for EITI-induced systemic sector development or ‘transparency and accountability metrics’ that cover the diverse set of 50 plus country cases. The EITI is implemented by countries and indicators measuring impact need to fit to the individual country case of systemic strengthening of good governance. The theory of change and the generic EITI results model of the study is designed to cover this demand-driven and flexible approach.

## EFFICIENCY

20. **Research into its own impact neglected:** None of the officially mandated evaluations and reviews has served the purpose of producing longitudinal baseline data. They could have equally been commissioned along the given questions of interest (e.g. Scanteam 2011 evaluation informing the strategy reform that led to the Standard 2013). In that respect, the EITI has not used its resources meaningfully to conduct research into its own impact.
21. **Accountability of remunerations:** Country case studies indicate that remunerations for EITI activities and per diems in lesser developed countries can be out of balance with poverty or income levels in those coun-

tries. They may, however, be in balance with the level of internationally funded activities in the respective country, unrelated to EITI-specific conditions. The EITI has no rules against this but encourages accountability through the Board (Rich/Moberg 2015: 110). The review of literature and documents did not produce a full picture of modes of delivery, allocation of budgets and aspects of cost-efficiency – and neither did the interviews. This impedes a fair and sound assessment of the efficiency of the EITI.

## SUSTAINABILITY

22. **Consensus to make transparency meaningful for the target groups:** The EITI is unified in the approach to make transparency meaningful for the target groups (e.g. Progress Report 2016 – From Reports to Results). It has been widely ascertained by stakeholders that more of the same (publishing reports that remain largely unread by the target audience in some countries) does not lead to better results and can at a certain point be an impediment to impact and sustainability.
23. **Decisions by consensus, not sufficiently based on evidence:** The question of whether the 2013 Standard is sustainable is a critical one. By heavily engaging the EITI in routine operations at country level implementation, it became less of an ‘initiative’ and more of an ‘organization’. An extensive strategy review was conducted by the EITI prior to the Standard and a governance review thereafter, but there was no ex-ante evaluation to provide a systematic basis of evidence before the far-reaching decision to introduce the Standard was taken. Ex post, an external and independent assessment came to the conclusion in early 2015 that not a single one of the EITI countries had met all the governance Requirements of the Standard (MSI Integrity 2015). Given that not all countries have reported under the Standard, let alone been validated against it, the bulk of first-time Validations will not be completed until the end of 2017 and will likely show results of rather weak national M&E systems. Furthermore, officially mandated evaluations of the Initiative have not been applied, which could be of use to guide decisions.
24. **The Initiative holds a key to change the governance dimension:** Regarding the dimensions of economic, social and environmental sustainability, the EITI has the

potential to contribute to all these dimensions and to change the governance (or the politics) dimension, the latter being necessary to safeguard the three other dimensions of sustainable development.

**25. Principles durable, when integrated or mainstreamed:**

Regarding sustainability defined as long-lasting impacts after the end of an EITI-specific intervention, all outcome areas that are integrated with other initiatives and standards or mainstreamed in government and corporate policies have good prospects for sustainability. This is because once the Principles of the EITI have been proliferated and internalized by government and businesses it is likely that they will be maintained not least for reputational, political and commercial reasons. However, it cannot be ruled out that changes in the political economy of a country may lead to a race to the bottom. The tripartite model and collective governance approach of the EITI can serve as a protective instrument to avoid this race to the bottom.

11.

# RECOMMENDATIONS

When EITI stakeholders make decisions, regarding the direction and steps to take with the Initiative, quite a complex and dynamic set of issues needs to be considered. The following recommendations aim at preparing the EITI to monitor and evaluate results while accounting for the very real financial and staffing constraints that exist for the EITI internationally and nationally.

## STRATEGY

1. **Focus on measurability of outcomes and impact of the EITI (Requirement 7):** Without a timely introduction of M&E, categories of effectiveness and impact cannot be adequately assessed in the future. The regular monitoring instruments of the work plan, annual report, annual activity report and Validation report were found to primarily provide an overview of the activities undertaken to ensure compliance with EITI Requirements and achieving the (largely EITI process-related) objectives. As put in an evaluation report five years ago weaknesses remain in the form of “little impact at the societal level” and “lack of links with larger public sector reform” (Scanteam 2011).

Much has been done since 2011 to tackle those problems, not least the introduction of the 2013 Standard. Validation is a check of countries’ compliance to the EITI Standard, and not an evaluation of impacts – unless the latter is consistently fostered as part of the Standard. If the ambitious level of Requirement 7 is upheld, reporting will need to focus on results that are higher in the hierarchy of a results model. These are outcomes and impacts. They can be identified with a casespecific theory of change. The generic results model of this study can be used for improving results measurement and highlighting the value of the EITI as an instrument for evidence-based reform processes that, if applied, can help the EITI to be successful in the long-term. However, measuring outcomes and impacts requires expertise beyond the capacity to understand the fiscal and technical aspects of EITI Reports, and the Validation process does not have standardized methodologies that ensure this will happen. For example, there is no provision to assess stakeholder views outside of MSGs, apply benchmarks like international indices, and no guidance on how to qualitatively determine if there has been public debate and anti-corruption measures or just some report

launch events and ads in the newspaper.

In between the generic results model (global) and country-specific results models (in this study for DR Congo and Mozambique) it can be helpful to develop the following category-specific results models for better analytical results:

- I. Level of development: Categories based on the IMF’s World Economic Outlook (WEO), advanced economies (in Table B of the WEO 2016), and emerging market and developing economies (in Tables D and E of the WEO 2016), furthermore heavily indebted poor countries (HIPC), and low-income developing countries (LIDCs).
  - II. Level of resource-endowment: Categories based on EI share of GDP, EI revenue share of budget, EI share of exports according to IMF and World Bank data.
  - III. Level of good governance: Categories based on democratic/autocratic systems according to BTI.
  - IV. Analytical level for results logic: global/international, national, local.
2. **Measure the perception of impact:** The Initiative needs to deliver primarily in contexts of weak governance. Those contexts are often characterized by a lack of statistical data and weak monitoring and evaluation capacities. Use of systems in implementing countries and mainstreaming monitoring of the EITI is desirable. However, in the original group of EITI countries (Sub-Saharan Africa and Central Asia) the statistical and monitoring capacities are weak. Furthermore, it will take a long time until the impact of the 2013 Standard can be evaluated based on macro data.

Given that approximately USD 50 million is spent globally every year to support EITI reporting, it may be justified to apply an EITI related benchmarking system to measure status and progress, until the day when it will be possible that the impact of implementation of the 2013 Standard can be monitored in data of third parties (e.g. World Bank, HDI, BTI). The approach of the online survey of this study (Annex III) could be adapted for this purpose. If so, the adaptation should consider making the results more reliable compared to this study, e.g. to establish a panel of resource persons that can be interviewed frequently (annually or biannually) over longer

periods of time. Probably a panel of three persons (from all three stakeholder groups) per country would be too small, although this would already add up to 153 panelists globally (51 implementing countries given). If logistically feasible, from each implementing country all the MSG members could be functional panelists. The robustness of results would benefit significantly if control groups to the MSG panelists (not involved in governing the EITI) were established.

3. **Observe the logic of stakeholders who provide the funding:** Despite the 50 plus implementing countries, over 90 institutional investors and over 90 of the world's largest oil, gas and mining companies registered as supporting entities, funding stems to a large extent from supporting governments and Official Development Assistance (ODA). In an ever cost-constrained funding environment supporting governments compare support for the EITI to other intervention areas. Even compared to other complex fields such as budget support or private sector development, which also have difficulties with impact analysis, support for the EITI might be in jeopardy. The same applies, in principle, to supporting companies and investors, which measure risks and performance. There are two risks involved in pursuing (or allowing) a broad, non-measurable approach and by focusing on interventions without clearly established results models and baselines to measure progress: the means may fall short of (unmeasurable) expectations, generating the perception of failure; and a shortfall of funds will ultimately require a tough prioritization of goals and processes of the entire Initiative.
4. **Change from a numeric to a more qualitative approach of growth:** The EITI has behaved like a start-up focusing on the numeric growth through the acquisition of new members. This strategy made sense for the first decade of existence. The strategy for the second decade already entails a broader scope of reporting along the extractive industry value chain (as per the Standard 2013) and showcasing activities and outputs (as done in the annual activity reports and the international progress report). Given the 50 plus implementing countries and the recent accessions of G7/EU and OECD countries to the EITI, the Initiative has a global stance and sufficient members, which should allow a concentration of resources to foster qualitative growth within this group. Important players like the BRICS countries and major

oil producers have not (yet) joined the EITI. The case for accession could be better supported based on evidence with robust, quantitative data.

## COOPERATION

5. **Seek integration or complementarity and interoperability:** Cooperation centering on the principles of the EITI should be fostered, in order to proliferate the norms rather than the organizational structure or process steps. EITI process steps such as audits are also included in government and corporate systems. In cases of weak governance, any EITI implementation should be geared towards strengthening the mandates and capacities of the regular set of institutions such as Supreme Audit Institutions (SAIs). Evaluation of effects can be improved by using (risk) assessment schemes of stakeholders or third parties, e.g. data from companies, investors, rating agencies and think tanks with the objective of identifying and quantifying the EITI impact. Some data-sets based on sustainability reporting initiatives (e.g. GRI) reference the EITI. The industry works with key performance indicators, investors and rating agencies with (ESG) risk indicators. Research into 'Quantifying Intangibles' (EITI 2015) has provided good leads.
6. **Transcend the 'transparency club' of the International Board, national-level MSGs and Secretariats:** Reaching out to stakeholders and target groups should build on the resources of entities that are not directly involved in administering or governing the EITI. Otherwise it will be too costly to set up those structures and finance activities that have realistic prospects to lead to results on outcome and impact level and that have the ability to measure those results just for the EITI.

## MANAGEMENT

7. **Introduce a comprehensive M&E system:**
  - National level: National M&E systems are only recently emerging as a consequence of the 2013 Standard at the country level (locally and nationally). It is also evident that not much can be said about their methodological quality in practice. The case studies showed weak M&E systems that focus on EITI process steps. Systematic M&E that reaches above output lev-

el and thus covers outcomes and impacts is, however, mandated for countries by the Standard (Requirement 7). Validation is designed to check a countries' compliance against the Standard, but the 2016 Validation methodology is soft in respect of Requirement 7. Validations would need to have a consistent evaluatory component in order to be in the position to assess impacts. In case that the forthcoming Validations running between now and the end of 2017 come to the conclusion that impacts at national and local levels have not been sufficiently evaluated, M&E aspects should be strengthened at the occasion of the next modification of the Standard, guidance notes and model Terms of Reference for the Validator. In the meantime, the Standard allows sufficient scope to improve guidance notes for national M&E.

- International level: Wherever possible, global M&E data should be used to legitimize and to guide decisions on the overall course of the Initiative. The size of international EITI institutions and budgets creates an obligation to establish its M&E as a global standard system. There is no reason for EITI International to not measuring impact through reliable independent approaches. Based on the existing methodology a

supra-national validation could serve as a tool, if national-level Validations are able to provide M&E data of sufficient quality.

8. **Strengthen the “I” for Initiative:** Greater incentives need to be introduced at national level to look for synergies with reform initiatives, and at the international level with other global initiatives and organizations. The EITI is, of course, unique, but the majority of implementing countries suffer from serious time and resource constraints. The EITI’s uniqueness should not stand in the way of greater cooperation – not least in terms of better M&E. As the EITI is implemented at country level, national management needs to focus on mainstreaming at the national and local level, e.g. who will take EITI outputs on board, which organizations can help to measure outcomes and impacts. After all, the EITI bears an “I” for Initiative in its name, which is not just a letter but a philosophy to pursue cooperation. Interests and stakeholders in the EITI are too diverse, too ambitious and too dynamic, whereas funding is too short to form a large, stand-alone Extractive Industries Transparency Organization (“EITO”), or national subsidiaries of an EITO. The slow evolution of EITI into an EITO risks the following kinds of effects:

Management of the EITI	Management of the “EITO”
Flexible structures	Long-term and durable structures
Tendency of ‘form follows function’	Tendency of ‘function follows form’
Innovative processes focusing to proliferate the principles with a view to develop a cooperative system	Standardized processes with a view to develop a stand-alone system
Continuously negotiated roles and mandates	Clear, hierarchical roles and mandates
All stakeholders treated equally	Communication central/decentral and top/down
Flexible target system and results model to legitimize the sustainable development impacts of the Initiative	Fixed target system and results model to legitimize the process and character of the organization

12.

# DOCUMENTS

## EITI-SPECIFIC EMPIRICAL RESEARCH AND EVALUATIONS (SELECTED):

**Acosta, Andrés M. (2013):** *The impact and effectiveness of accountability and transparency initiatives: the governance of natural resources.* In: *Development Policy Review*, Volume 31 (S1), pp. 89-105.

**Diamond, David (2014):** *The EITI in the banking and finance sector: today and tomorrow.* Presentation held at the “Transparenz Gipfel der D-EITI”, November 26, 2014, Berlin.

**Inter-American Development Bank (2013):** *Evaluating the short-term benefits of the EITI.*

**Bickham, Edward (2015):** *Mining and the Extractive Industries Transparency Initiative.* A review of international and in-country experiences of the EITI from the perspective of supporting mining companies.

**Brockmyer, Brandon; Fox, Jonathan (2015):** *Assessing the Evidence: The Effectiveness and Impact of Public Governance-Oriented Multi-Stakeholder Initiatives.* Transparency and Accountability Initiative (T/A).

**D-EITI (2015):** *Implementation of the EITI in G7, EU and OECD countries.*

**EITI (2016):** *From reports to reform. Highlighting the potential of recommendations from EITI Reports.*

**EITI (2016):** *Progress Report 2016 – From Reports to Results.*

**EITI (2015):** *Quantifying Intangibles – Using the Extractive Industries Transparency Initiative (EITI) in Credit Ratings Assessments.*

**EITI (2015):** *Progress Report 2015 – Making Transparency Matter.*

**EITI (2014):** *Progress Report 2014 – Making Transparency Matter.*

**EITI (2013):** *Progress Report 2013 – Beyond Transparency.*

**EITI (2011):** *Progress Report 2009-2011 – Transparency Counts.*

**EITI (2009):** *Progress Report 2007-2009 – Establishing Resource Transparency.*

**Etter, Luca (2014):** *Can transparency reduce corruption? –*

*Evidence from firms in Peru and Mali on the impact of the EITI on corruption.* Version prepared for the Doing Business Conference at Georgetown University, Washington, DC, February 20-21, 2014.

**Feldt, Heidi; Müller Axel (2011):** *We talk about petrol: Interim assessment of the EITI in the Central African Region.*

**Flores, Walter; Guerzovich, Florencia; Rosenzweig, Steven (2014):** *Learning across localities: analyzing local context to improve impact.*

**RCS Global (2015):** *Transparency and commodities trading: a business case for disclosing payments to governments by commodities trading companies.*

**Rich, Eddie; Moberg, Jonas (2015):** *Beyond Governments – Making collective governance work: Lessons from the Extractive Industries Transparency Initiative.* Sheffield: Greenleaf Publishing Limited.

**Gillies, Alexandra; Heuty, Antoine (2011):** *Does transparency work? The challenges of measurement and effectiveness in resource-rich countries.* In: *Yale Journal of International Affairs*, pp. 25-42.

**Guerzovich, Florencia; Rosenzweig, Steven (2013):** *Strategic dilemmas in changing contexts: G-Watch's experience in the philippine education sector.*

**Guerzovich, Florencia; Rosenzweig, Steven (2014):** *Bridging the context gap through comparative research.*

**Guerzovich, Florencia; Rosenzweig, Steven (2014):** *Unpacking context: strategic engagement across levels of government.*

**Guerzovich, Florencia; Shaw, Ari (2012):** *Supporting international transparency and accountability interventions: does our existing knowledge help?*

**Halloran, Brendan (2015):** *From openness to real accountability: the role of MSIs.*

**Halloran, Brendan; Flores, Walter (2015):** *Mobilizing accountability: citizens, movements and the state.*

Independent Evaluation Group (2011), *Global Program Review.* Multi-Donor Trust Fund for the Extractive Industries

Transparency Initiative. Corporate and Global Evaluations and Methods, World Bank.

**Joyce, Mary; Walker, Tom (2015):** *A movements perspective on transparency and accountability.*

**Mildner, Stormy-Annika; Gitta Lauster (2011):** *Curse or blessing – development or misery. Scrambling to the bottom or scrambling to the top. Natural resources, economic growth, and conflict: a literature review.* GIZ, Berlin: Gutendruck.

**Mouan, Liliane (2014):** *Building transparency and accountability in Africa's oil industry: what next for the Extractive Industries Transparency initiative?* In: Bohórquez, E.; Etxaniz, N. (eds.): *a new generation of public control – ways of promoting Open Governments: concepts, tools and experiences*, Mexico: Transparencia Mexicana, 2014, pp. 79-90.

**MSI Integrity (2015):** *Protecting the cornerstone. Assessing the governance of Extractive Industries Transparency Initiative Multi-Stakeholder Groups.*

**MSI Integrity (2013):** *Extractive Industries Transparency Initiative (EITI). Pilot evaluation report.*

**Neumann, Lutz (2014):** *Kommunikation der Wirkungsorientierung der Extractive Industries Transparency Initiative (EITI).* BMZ/GIZ, Bonn.

**Papyrakis, Elissaios; Rieger, Matthias; Gilberthorpe, Emma (2016):** *Corruption and the Extractive Industries Transparency Initiative.* In: *The Journal of Development Studies*, pp. 1-15.

**Rainbow Insight (2009):** *Evaluating the EITI's Impact on the Transparency of Natural Resource Revenues, commissioned by the EITI International Secretariat.*

**Ravat, Anwar; Kannan, Sridar P. (eds.) (n.y.):** *Implementing EITI for impact – a handbook for policy makers and stakeholders.*

**Revenue Watch Institute / Natural Resource Charter (RWI/NRC) (eds.):** *Options for applying EITI Standards on the enabling environment for civil society – towards a systematic and evidence-based approach.*

**Rustad, Siri; Philippe Le Billon and Päivi Lujula (2016):** *Has the Extractive Industries Transparency Initiative been a suc-*

*cess? Identifying and evaluating EITI goals".* Working Paper, Norwegian University of Science and Technology.

**Scanteam (2011):** *Achievement & strategic options – evaluation of the Extractive Industries Transparency Initiative.* Final Report. Oslo 2011.

**Scanteam (2015):** *Ghana Extractive Industries Transparency Initiative in Ghana (GEITI): ten years of achievements: 2004-2013.* Final report. Oslo 2015.

**Scanteam (2015a):** *Joint review, EITI and EITI Multi-Donor Trust Fund resourcing of EITI: technical and financial support to an evolving global governance mechanism.* Final report. Oslo 2015.

**Schmaljohann, Maya (2013):** *Enhancing Foreign Direct Investment via transparency? Evaluating the effects of the EITI on FDI.* In: University of Heidelberg, Discussion Paper Series No. 538.

**Sovacool, Benjamin K.; Götz Walter, Thijs Van de Graaf and Nathan Andrews (2016):** *Energy governance, transnational rules, and the resource curse: exploring the effectiveness of the Extractive Industries Transparency Initiative (EITI).* In: *World Development*, vol. 83, issue C, pp. 179-192.

**Sovacool, Benjamin K.; Andrews, Nathan (2015):** *Does transparency matter? Evaluating the governance impacts of the Extractive Industries Transparency Initiative (EITI) in Azerbaijan and Liberia.* In: *Resources Policy*, Volume 45, pp. 183-192.

**The Cloudminer Ltd. (2015):** *Financial reporting, valuation and analysis tools in the cloud for mining, investment and governance professionals.*

**The World Bank (2015):** *Multi-Donor Trust Fund for Extractives Global Programmatic Support (EGPS).* Program concept document.

**World Bank (2014),** *Extractive Industries Transparency Initiative – Multi-Donor Trust Fund (EITI MDTF) Results Framework.*

**Valverde, Pablo (2014):** *The 2014 Corruption Perception Index. How have EITI countries fared?* <https://eiti.org/blog/2014-corruption-perception-index-how-have-eiti-countries-fared>.

## FURTHER DOCUMENTS (SELECTED)

**Westenberg, Erica; George-Wagner, Max (2015):** *From reporting to reform. Eleven opportunities for increasing EITI impacts.* National Resource Governance Institute.

**Wilson, Emma; Van Alstine, James (2014):** *Localising Transparency – Exploring EITI's contribution to sustainable development.* International Institute for Environment and Development (Ed.). London: Full Spectrum Print Media Limited.

**Williams, Andrew (2011):** *Shining a light on the Resource Curse: an empirical analysis of the relationship between natural resources, transparency, and economic growth.* In: *World Development*, Volume 39, No. 4, pp. 490-505.

**Bennett, James G. (2011):** *On the use of results chains in natural resource governance. Basic concepts and exemplary applications to the extractive industries.* BMZ/GIZ, Bonn.

**BMWi (2012):** *The German Government's raw materials strategy.* Berlin.

**MZ (2010):** *Mineral and energy resources as a factor in development.* Strategy Paper 04E-2010.

**CCSI (2016):** *Mapping Mining to the Sustainable Development Goals: An Atlas.*

**Collier, Paul (2007):** *The bottom billion: Why the poorest countries are failing and what can be done about it.* Oxford University Press, Oxford.

**DFID (2012):** *EITI Strategy Working Group (SWG) meeting, April 11/12, 2012 Report from Working Group on theory of change (WGTOC).* <https://eiti.org/sites/default/files/DFID%20ToC.pdf>

**EY (2014):** *Productivity in mining: Now comes the hard part. A global survey.*

**Fraser Institute Survey of Mining Companies (2015).**

**Freedom House (2016):** *Freedom in the world. Anxious dictators, wavering democracies: Global freedom under pressure.*

**Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (2013):** *A Mining Policy Framework. Mining and sustainable development – managing one to advance the other.*

**IMF (2015):** *Republic of Mozambique staff report.*

**IMF (2012):** *Fiscal transparency, accountability, and risk.*

**James, Paul et al. (2013):** *Reframing social sustainability reporting: Towards an engaged approach,* in: *Environment, Development and Sustainability, a multidisciplinary approach to the theory and practice of sustainable development*, Volume 15, pp. 225-243.

**GTZ (2010):** *Rohstoffgovernance. Politikberatung zum verantwortungsvollen Umgang mit Bodenschätzen.* Eschborn.

**Holland, Jeremy and Thirkell, Allyson (2009):** *Measuring change and results in voice and account ability work*. DFID, London.

**Miranda, Marta; Chambers, David; Coumans, Catherine (2005):** *Framework for Responsible Mining: A guide to evolving standards*. Sydney.

**Moberg, Jonas (2016):** *Is the EITI making a difference? Measuring the impact of something like the EITI is riddled with challenges*. <https://eiti.org/node/7037> [24/08/2016].

**Moody's (2013):** *Moody's assigns B3 ratings to the Democratic Republic of the Congo, stable out-look*.

**OECD (2001) Poverty Reduction.** *The DAC Guidelines*. Paris.

**OECD (2002)** *Glossary of key terms in evaluation and results-based management*. Paris.

**Truex, Rory and Søreide, Tina (2010):** *Why Multi-Stakeholder Groups succeed and fail*. *The World Bank. Sustainable Development Network*. Finance, Economics and Urban Development Unit. Washington.

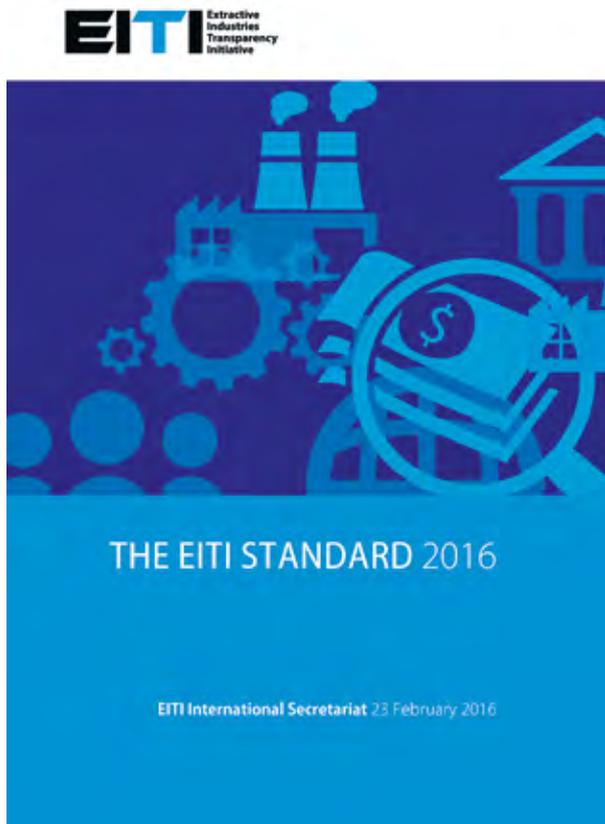
**Stein, Danielle; Valters, Craig (2012):** *Understanding 'theory of change' in international development. A review of existing knowledge*.



ANNEX I:  
EITI REQUIREMENT 7 –  
OUTCOMES  
AND IMPACT



The following Requirement 7 is reprinted from the EITI Standard 2013/2016 for purposes of finding references.



**Overview:** Regular disclosure of extractive industry data is of little practical use without public awareness, understanding of what the figures mean, and public debate about how resource revenues can be used effectively. The EITI Requirements related to outcomes and impact seek to ensure that stakeholders are engaged in dialogue about natural resource revenue management. EITI Reports lead to the fulfilment of the EITI Principles by contributing to wider public debate. It is also vital that lessons learnt during implementation are acted upon, that discrepancies identified in EITI Reports are explained and, if necessary, addressed, and that EITI implementation is on a stable, sustainable footing.

## 7.1 PUBLIC DEBATE

The multi-stakeholder group must ensure that the EITI Report is comprehensible, actively promoted, publicly accessible and contributes to public debate. Key audiences should include government, parliamentarians, civil society, companies and the media. The multi-stakeholder group is required to:

- a. Produce paper copies of the EITI Report, and ensure that they are widely distributed. Where the report contains extensive data, e.g. voluminous files, the multi-stakeholder group is encouraged to make this available online.
- b. Agree a clear policy on the access, release and re-use of EITI data. Implementing countries are encouraged publish EITI under an open license, and to make users aware that information can be reused without prior consent.
- c. Make the EITI Report available in an open data format (xlsx or csv) online and publicise its availability.
- d. Ensure that the EITI Report is comprehensible, including by ensuring that it is written in a clear, accessible style and in appropriate languages.
- e. Ensure that outreach events, whether organised by government, civil society or companies, are undertaken to spread awareness of and facilitate dialogue about the EITI Report across the country.

## 7.2 DATA ACCESSIBILITY

The multi-stakeholder group is encouraged to make EITI Reports machine readable, and to code or tag EITI Reports and data files so that the information can be compared with other publicly available data by adopting Board-approved EITI data standards. As per Requirement 5.1(b), the multi-stakeholder group is encouraged to reference national revenue classification systems, and international standards such as the IMF Government Finance Statistics Manual. The multi-stakeholder group is encouraged to:

- a. Produce brief summary reports, with clear and balanced analysis of the information, ensuring that the authorship of different elements of the EITI Report is clearly stated.

- b. Summarise and compare the share of each revenue stream to the total amount of revenue that accrues to each respective level of government.
- c. Where legally and technically feasible, consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis. This may include cases where extractive revenue data is already published regularly by government or where national taxation systems are trending towards online tax assessments and payments. Such continuous government reporting could be viewed as interim reporting, and as an integral feature of the national EITI process which is captured by the reconciled EITI Report issued annually.
- d. Undertake capacity-building efforts, especially with civil society and through civil society organisations, to increase awareness of the process, improve understanding of the information and data from the reports, and encourage use of the information by citizens, the media, and others.

### 7.3 DISCREPANCIES AND RECOMMENDATIONS FROM EITI REPORTS

With a view to strengthen the impact of EITI implementation on natural resource governance, as per Requirement 7.4, the multi-stakeholder group is required to take steps to act upon lessons learnt; to identify, investigate and address the causes of any discrepancies; and to consider the recommendations resulting from EITI reporting.

### 7.4 REVIEW THE OUTCOMES AND IMPACT OF EITI IMPLEMENTATION.

The multi-stakeholder group is required to review the outcomes and impact of EITI implementation on natural resource governance.

- a. The multi-stakeholder group is required to publish annual progress reports.

The annual progress reports must include:

- I. A summary of EITI activities undertaken in the previous year.

- II. An assessment of progress with meeting and maintaining compliance with each EITI Requirement, and any steps taken to exceed the requirements. This should include any actions undertaken to address issues such as revenue management and expenditure (5.3), transportation payments (4.4), discretionary social expenditures (6.1), ad hoc subnational transfers (5.2), beneficial ownership (2.5) and contracts (2.4).
- III. An overview of the multi-stakeholder group's responses to and progress made in addressing the recommendations from reconciliation and Validation in accordance with Requirement 7.3. The multi-stakeholder group is required to list each recommendation and the corresponding activities that have been undertaken to address the recommendations and the level of progress in implementing each recommendation. Where the government or the multi-stakeholder group has decided not to implement a recommendation, it is required that the multi-stakeholder group documents the rationale in the annual progress report.
- IV. An assessment of progress with achieving the objectives set out in its work plan (Requirement 1.5), including the impact and outcomes of the stated objectives.
- V. A narrative account of efforts to strengthen the impact of EITI implementation on natural resource governance, including any actions to extend the detail and scope of EITI reporting or to increase engagement with stakeholders.
- b. All stakeholders should be able to participate in the production of the annual progress report and reviewing the impact of EITI implementation. Civil society groups and industry involved in the EITI, particularly, but not only those serving on the multi-stakeholder group, should be able to provide feedback on the EITI process and have their views reflected in the annual progress report.
- c. The multi-stakeholder group is required to submit a Validation Report in accordance with the deadlines established by the EITI Board (section 8).



**ANNEX II:  
GENERAL INTERVIEW  
GUIDELINE**

ID	Question	Relevant for ...						
		EITI staff*	Government	Supporting Governments	NGOs	Companies	Investors	Further Resource Persons
<b>1.</b>	<b>INTRODUCTION</b>							
1.1	Introduction of the interviewers and the interviewee	✓	✓	✓	✓	✓	✓	✓
1.2	Brief outline of the evaluation, its objectives and process	✓	✓	✓	✓	✓	✓	✓
1.3	Clarification of any interviewee questions and assurance of anonymity and confidentiality of provided information	✓	✓	✓	✓	✓	✓	✓
<b>2.</b>	<b>BACKGROUND AND STRATEGIES</b>							
2.1	Please describe the fields of work and objectives of your organization/company. What are its main objectives, strategies and resources?		✓	✓	✓	✓	✓	
2.2	What is your relation to EITI?		✓	✓	✓	✓	✓	✓
2.3	How useful is the EITI (e.g. reports, community, recommendations) for your work? Please rate your assessment on a scale from 0 “not useful at all” to 5 “very useful”. Please explain your assessment.		✓	✓	✓	✓	✓	✓
2.4	Have you been an integral part of EITI’s decision-making processes for national implementation?		✓		✓	✓		
2.5	What is the relevance of EITI for the management of resource extraction (e.g. reforms of legal, regulatory, administrative framework)? Please rate your assessment on a scale from 0 “not relevant at all” to 5 “very relevant”. Please explain your assessment.	✓*	✓	✓	✓	✓	✓	✓
2.6	Does EITI work in the relevant areas? Please rate your assessment on a scale from 0 “not at all” to 5 “yes, EITI works in the most relevant areas”.	✓*	✓	✓	✓	✓	✓	✓
2.7	What were its most important milestones and achievements so far?	✓	✓	✓	✓	✓	✓	✓
2.8	How is EITI financed in your country?		✓					
2.9	What do you want the initiative to achieve in the next years?	✓	✓	✓	✓	✓	✓	✓
<b>3.</b>	<b>FRAMEWORK CONDITIONS</b>							
3.1	What are the extractive industries’ main characteristics, potentials and obstacles in your country?	✓	✓	✓	✓	✓	✓	✓
3.2	How would you describe the development of the governance framework conditions in your country? From your perspective: Did they improve or deteriorate?	✓*	✓	✓	✓	✓		✓
3.3	How would you describe the development of the regulatory/legal framework conditions? From your perspective: Did they improve or deteriorate?	✓*	✓	✓	✓	✓		✓
3.4	How would you describe the development of the social framework conditions? From your perspective: Did they improve or deteriorate?	✓*	✓	✓	✓	✓		
3.5	How would you describe the development of the environmental framework conditions? From your perspective: Did they improve or deteriorate?	✓*	✓	✓	✓	✓		✓
3.6	Have there been any special events in the past, which affected the work of EITI in your country?	✓	✓	✓	✓	✓		✓

ID	Question	Relevant for ...						Further Resource Persons
		EITI staff*	Government	Supporting Governments	NGOs	Companies	Investors	
3.7	How do you provide evidence about the performance of your organisation? If you have a monitoring system in place: could you please describe how it works, who is responsible and how the results are used for the improvement of the initiative?	✓	✓	✓	✓	✓	✓	
<b>4.</b>	<b>COLLABORATION</b>							✓
4.1	Collaboration of government and the industry: Could you briefly summarize the history of your collaboration with the different actors from the public and private sector in your country?	✓	✓			✓		
4.2	Collaboration of government and Civil Society: Could you briefly summarize the history of your collaboration with the different actors from the public sector and civil society in your country?	✓	✓		✓			✓
4.3	Collaboration of companies and Civil Society: Could you briefly summarize the history of your collaboration with the different actors from the private sector and civil society in your country?	✓			✓	✓		✓
4.4	Collaboration with international partners: Who are the main supporters of EITI in your country, how and with what results did they support the initiative?	✓		✓	✓	✓		✓
4.5	We were talking about the framework conditions before: How do they affect the implementation the initiative's activities? Did they require any adaptation of the activities? Or impeded their effectiveness/impact/sustainability?	✓*	✓	✓	✓	✓		✓
<b>5.</b>	<b>GOAL ACHIEVEMENT AND FURTHER IMPACTS</b>							
5.1	Please outline in a few words how EITI has influenced the performance of your organization/company? Please provide examples.		✓	✓	✓	✓	✓	
5.2	To which extent did EITI contribute to an improved reconciliation of payments? Please rate your assessment on a scale from 0 "not relevant at all" to 5 "very relevant". Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓		
5.3	To which extent did EITI contribute to an increase of revenues? Please rate your assessment on a scale from 0 "not relevant at all" to 5 "very relevant". Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓		✓
5.4	To which extent did EITI contribute to fiscal transparency? Please rate your assessment on a scale from 0 "not relevant at all" to 5 "very relevant". Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓		✓
5.5	To which extent did the initiative contribute to an improved use of revenues from extractive industries? Please rate your assessment on a scale from 0 "not relevant at all" to 5 "very relevant". Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓		✓
5.6	To which extent did the initiative contribute to an evidence-based public debate about extractive industries? Please rate your assessment on a scale from 0 "not relevant at all" to 5 "very relevant". Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓		✓
5.7	To which extent did the initiative contribute to a better management of the social impacts of the extractive industries? Please rate your assessment on a scale from 0 "not relevant at all" to 5 "very relevant". Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓		✓

ID	Question	Relevant for ...					
		EITI staff*	Government	Supporting Governments	NGOs	Companies	Investors
5.8	To which extent did the initiative contribute to a better management of the ecological impacts of the extractive industries? Please rate your assessment on a scale from 0 “not relevant at all” to 5 “very relevant”. Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓	✓
5.9	To which extent did the initiative contribute to an enhanced governance of the sector in terms of democratic accountability? Please rate your assessment on a scale from 0 “not relevant at all” to 5 “very relevant”. Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓	✓
5.10	To which extent did the initiative contribute to an improved ease of doing business (investment, trade)? How do the impacts differ between local and national level? Please rate your assessment on a scale from 0 “not relevant at all” to 5 “very relevant”. Please provide examples for your assessment and explain why you think that there is a causal link between the initiative and the observed changes.	✓*	✓	✓	✓	✓	✓
5.11	To which extent do EITI activities contribute to durable changes in framework conditions (like policies, standards, inputs into legal processes, etc.)?	✓*	✓	✓	✓	✓	✓
5.12	In the wider perspective: Do you think that the impacts of EITI have stimulated public policy in other fields? Which ones? In which way? Please provide examples if possible.	✓	✓	✓	✓	✓	✓
5.13	What was the most positive result of EITI?	✓*	✓	✓	✓	✓	✓
5.14	What was the least positive result of EITI?	✓*	✓	✓	✓	✓	✓
5.15	Could you think of any negative effects deriving from the work of EITI? Please provide examples.	✓	✓	✓	✓	✓	✓
<b>6.</b>	<b>FURTHER RELEVANT INFORMATION</b>						✓
6.1	Would you recommend any further documents we should check? If so, can you send us these or let us know where to retrieve them?	✓	✓	✓	✓	✓	✓
6.2	Are there any further data sources you would recommend checking? Would you recommend any further resource persons (e.g. from local authorities, other donors, media) to talk to?	✓	✓	✓	✓	✓	✓
6.3	Did you work with official statistics of your country before? If so: What were your experiences? How do you rate their reliability?	✓	✓	✓	✓	✓	✓
<b>7.</b>	<b>CLOSING</b>						
7.1	Do you have any further recommendations for the EITI initiative in order to enhance impact and impact measurement?	✓	✓	✓	✓	✓	✓
7.2	Do you have any further recommendations for this EITI impact study?	✓	✓	✓	✓	✓	✓
7.3	Is there anything you would have liked to discuss? Any information that could be helpful for the evaluation? Did we forget anything important from your perspective?	✓	✓	✓	✓	✓	✓
7.4	Confirmation of confidentiality, exchange of contact details, thank for time and patience, leave taking	✓	✓	✓	✓	✓	✓



ANNEX III:  
QUESTIONNAIRE  
[www.impact-survey.com](http://www.impact-survey.com)

PAGE 1 (LANDING PAGE)

www.impact-survey.com



Welcome to the Survey on the Impact of the Extractive Industries Transparency Initiative (EITI)

- English
- Русский
- Português
- Français
- Español
- العربية

Dr. Stefan Silvestrini,  
Centrum für Evaluation,  
Universität des Saarlandes - 2016

PAGE 2 (INTRODUCTION)

www.impact-survey.com



0% completed

### Survey on the impact of the Extractive Industries Transparency Initiative (EITI)

#### About this survey

This survey is part of a study on assessing EITI impact. The survey is online from February 22 until May 16, 2016. Results from the overall EITI impact study are expected to be launched in August 2016.

An international Sounding Board has been established to provide guidance and support for the study across all EITI constituencies, e.g. balancing perspectives, facilitating access to information within the institutions of the sounding board members, building consensus on process and the use of results.

The study has been commissioned to an external consultant team by German International Cooperation (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development of Germany (BMZ) and is being conducted in close coordination with the International EITI Secretariat and stakeholders in the global EITI community.

All information given is not personalized. Statements regarding your affiliation will only be used to aggregate data for report sections.

If you request the survey in a pdf format or you have any further questions or input, please contact:

- Commissioning party: [tim.schloesser@giz.de](mailto:tim.schloesser@giz.de)
- Consulting team: [EITI@LBN-Strategies.com](mailto:EITI@LBN-Strategies.com)

Many thanks for your time and help!

Next

PAGE 3 (START)

www.impact-survey.com



17% completed

1. In what capacity do you participate in this survey?

- National EITI coordinator
- Other national EITI staff
- Government of implementing country
- Supporting government
- National non-governmental or civil-society organization
- International non-governmental or civil-society organization
- Extractive company
- Institutional Investor
- Researcher, Academia, Journalist
- Other

[Please choose]

- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016

[Please choose]

2. Since when have you been involved in the EITI?

Please select year:

[Please choose]

www.impact-survey.com

3. Are you a member or an alternate of a national EITI Multi-Stakeholder Group (MSG)?

- yes
- no

4. Are you a member or an alternate of the EITI International Board?

- yes
- no

5. Your statements in this survey will relate to the EITI globally or to one country.

Please select:

[Please choose]

[Please choose]

- global
- Afghanistan
- Albania
- Azerbaijan
- Burkina Faso
- Cameroon
- Central African Republic
- Chad
- Colombia
- Côte d'Ivoire
- Democratic Republic of Congo
- Dominican Republic
- Ethiopia
- Ghana
- Germany
- Guatemala
- Guinea
- Honduras
- Indonesia

[Please choose]

*In case you are a representative e.g. of a multinational company or an international NGO and you want to make country-specific statements that relate to a second, third or a further country, please fill out a separate questionnaire.*

Back

Next





50% completed

**9. From your perspective: Did the framework conditions of the extractives sector improve or deteriorate? Please rate your assessment of the following factors since 2013:**  
 Please rate your assessment on a scale from 1 "framework conditions deteriorated substantially" to 5 "framework conditions improved substantially".

Framework conditions of the extractives sector	deteriorated			improved		don't know
	1	2	3	4	5	
Political (e.g. stability)	<input type="radio"/>					
Regulatory/legal (e.g. taxation, enforcement)	<input type="radio"/>					
Economic (e.g. viability of projects, productivity, volume of investments)	<input type="radio"/>					
Societal (e.g. trust within and between groups)	<input type="radio"/>					
Environmental (e.g. pollution, degradation)	<input type="radio"/>					
Technical (e.g. cadaster, geological information)	<input type="radio"/>					

**10. Please rate to what extent did the following factors influence the implementation of EITI since 2013:**

Please rate your assessment on a scale from 1 "framework conditions did influence the implementation of EITI negatively" to 5 "framework conditions did influence the implementation of EITI positively".

Framework conditions of the extractives sector	Did influence EITI negatively			Did influence EITI positively		don't know
	1	2	3	4	5	
Political (e.g. stability)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulatory/legal (e.g. taxation, enforcement)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Economic (e.g. viability of projects, productivity, volume of investments)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Societal (e.g. trust within and between groups)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Environmental (e.g. pollution, degradation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technical (e.g. cadaster, geological information)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Back

Next



**15. It is anticipated by you that EITI will contribute to the following impacts by 2020 or earlier:**  
 Please rate your assessments on a scale from 1 "anticipated not to contribute at all to the impact" to 5 "anticipated to contribute substantially to the impact".

Impact areas	Anticipated not to contribute at all to the impact			Anticipated to contribute substantially to the impact		don't know
	1	2	3	4	5	
Comprehensive reconciliation of payments between what companies pay and what government earns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase of government revenues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improved fiscal transparency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Efficient use of revenues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Informed public debate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better management of social tensions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better management of ecological effects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Democratic accountability of government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of doing business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

please specify:

**16. Do you have proposals to improve Monitoring & Evaluation (M&E) of the EITI (e.g. data sources, indicators, methods)?**

[Back](#)

[Next](#)

www.impact-survey.com



83% completed

17. Do you have any further suggestions what should be considered in this survey or is there anything you would like to add for the overall EITI impact study?

Thank you very much for your participation!

Back

Submit

Dr. Stefan Silvestrini,  
Centrum für Evaluation,  
Universität des Saarlandes - 2016

## **Imprint**

### **Published by the**

Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH

### Registered offices

Bonn and Eschborn, Germany  
Sectoral Programme Extractives for Development  
Friedrich-Ebert-Allee 36, 53113 Bonn, Germany  
T +49 228 4460 3303  
F +49 228 446080 3303  
x4d@giz.de  
www.bmz.de/rue/en

### **As at**

September 2016

### **Printed by**

Druckhaus Süd Medien GmbH  
Köln, Germany

### **Design and layout**

zackpuffpeng – Büro für Gestaltung  
Köln, Germany

### **Photo credits**

Icon made by Freepik from www.flaticon.com: 34, 37, 38, 46, 49, 51, 68, 72, 82, 83, 84  
nh Corporate – Designbüro: Page 27  
Pixabay: Cover

### **Text**

Lutz Neumann, LBN Strategies: Project Coordinator – Lead Author  
Dr. Stefan Silvestrini, CEval GmbH: Lead, Approaches and Methodology  
Tove Strauss, Independent Consultant: Lead, Mozambique  
Hilda Harnack, Independent Consultant: Facilitator and Researcher, Mozambique  
Richard Dion, Independent Consultant: Lead, DR Congo  
Sefton Darby, Independent Consultant: Peer Reviewer  
Dr. Christian von Haldenwang, German Development Institute: Peer Reviewer  
Nikolaus Roloff, COMO Consult GmbH: Peer Reviewer

This report has been printed on 100% recycled paper  
(Envirotop with the Blue Angel environmental label).

GIZ is responsible for the content of this publication.

On behalf of the  
German Federal Ministry for Economic Cooperation and Development (BMZ)