High-Value Natural Resources Revenues and Transparency: Accounting for Revenues and Peace

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High-Value Natural Resources and Transparency: Accounting for Revenues and Governance 🆓

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Summary and Keywords

The increase in demand and prices of most high-value natural resources over the past five decades has resulted in massive income gains for resource-abundant countries. Paradoxically, many of these countries have suffered from slow economic growth, weak political institutions, and violent conflict. To combat corruption, increase accountability, and promote government effectiveness, the international community and advocacy groups have been promoting transparency as the remedy to misappropriation and mismanagement of revenues. Consequently, advocates, officials, and diplomats increasingly focus on transparency as the means to better manage revenues from high-value natural resources in developing countries.

The linkages between transparency, accountability, and management of revenues from high-value natural resources require careful examination. This article provides a review of the literature on transparency and accountability in the context of natural resource revenue management, discusses how transparency is conceptualized and understood to function in this context, and assesses the existing evidence for the proposition that increased transparency leads to more accountability and improved natural resource governance. The article concludes with a discussion on the evaluation of transparency policy initiatives.

Keywords: transparency, natural resources, accountability, governance, resource curse, EITI, revenue management, corruption, information, revenues

The demand over the past five decades for high-value natural resources, such as oil, diamonds, and certain types of timber, has resulted in large income gains for many resource-abundant countries. Paradoxically, many of these countries have suffered from slow economic growth, weak political institutions, and even violent conflict—a phenomenon that is commonly referred to as the "resource curse" (Auty, 1993; Sachs & Warner, 1995). To combat corruption, increase accountability, and promote government effectiveness and peace in many developing countries and countries with economies in transition, the international community and advocacy groups have been promoting

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transparency as a means to remedy misappropriation and mismanagement of revenues, and low levels of democracy in their allocation.

Promotion of transparency in natural resource revenue management is part of a general shift of focus toward prioritizing governance by donor and international agencies like the World Bank, International Monetary Fund (IMF), United States Agency for International Development (USAID), and the Organization for Economic Co-operation and Development (OECD). More and more, transparency and accountability are seen as key elements of building legitimate, effective, and accountable institutions and supporting democratization processes. Advocates, officials, and diplomats are also increasingly focusing on transparency as the means to better manage revenues from high-value natural resources.

In many cases, donors require that the receiving countries increase transparency in the management of natural resource revenues, for example, by joining the Extractive Industries Transparency Initiative (EITI), or by making relevant changes in legislation. This was the case, for example, in resource-rich Liberia, which passed its National Forestry Reform Law in 2006, joined EITI in 2007, and adopted the Liberia Extractive Industries Transparency Initiative (LEITI) Act in 2009 (Rich & Warner, 2012). In post-conflict countries like Liberia the revenues from valuable natural resources can play a crucial role in peacebuilding processes. The role of transparency in revenue management can therefore be important, while pressure to adopt comprehensive transparency measures can be substantial, since the leverage exercised by donors and international community is at its highest (Le Billon, 2014; Rustad, Lujala, & Le Billon, 2012). However, these may also be the contexts where successful implementation of transparency initiatives is the most challenging.

This article examines how the linkages between transparency, accountability, and management of revenues[1] from high-value natural resources are perceived and conceptualized in contemporary literature. It focuses on looking at how inconsistent understandings of transparency may hamper effective and realistic policy and evaluations with regard to how and under what circumstances transparency can contribute to increased accountability in resource revenue management.

This article proceeds as follows. It starts by discussing how transparency is often defined in the academic and policy literature. It then briefly outlines transparency's rise to prominence in natural resource revenue governance. This is followed by a discussion on how transparency is conceptualized and understood to function in this context. It then proceeds to discuss critically the underlying assumptions on how transparency is thought to function. Next, it discusses the challenges related to the evaluation of transparency

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initiatives. The article concludes with some final remarks. We use EITI as an illustrative example throughout the article.

Defining Transparency

Transparency's ubiquity to normative discourses in the economic, political, and social spheres has been a significant development since the 1990s, following the end of the Cold War. Along with "accountability," "transparency" has risen to become a mainstay of governance parlance, even a contemporary "doctrine of governance" (Hood, 2006, p. 5). With regard to the environment, transparency has been enshrined—along with public participation and access to justice—in Principle 10 of the 1992 Rio Declaration on Environment and Development, and subsequently in the 1998 UN Economic Commission for Europe Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (popularly known as the Aarhus Convention) and other regional and global instruments (Bruch, 2002; Lee & Abbot, 2003; Rose-Ackerman & Halpaap, 2002) . However, the popularity of the concept in political and academic spheres has, perhaps surprisingly, not been accompanied with much agreement regarding its precise meaning.

Transparency is often alluded to in general terms, as standing in opposition to secrecy, either as an antonym of secrecy, or as a means of combatting it. Secrecy is asserted to impact negatively on governance by creating information asymmetries that lead to agency problems among public servants and public organizations (Stiglitz, 1999, 2002). There are four principal arguments for how greater transparency (and accountability) can support improved governance. These relate to transparency's impact on a) control of corruption, b) efficiency and bureaucratic effectiveness, c) equity and redistribution, and d) democratic engagement (Breton, Galeotti, Salmon, & Wintrobe, 2007). All four arguments rest on the assumption that the more information that is available to the public, the more government actions will be subject to public scrutiny, making government more responsive to more engaged citizens and empowered public and civil society watchdogs. These arguments imply both dimensions of control and understanding that, to varying degrees, have both been prevalent within historical conceptualizations of transparency (see Hood, 2006).

Transparency has been defined as "the increased flow of timely and reliable economic, social and political information, which is accessible to all relevant stakeholders" (Bellver & Kaufmann, 2005, p. 4); "the release of information by institutions that is relevant to evaluating those institutions" (Florini, 1999, p. 5); and "a process by which information

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about existing conditions, decisions and actions is made accessible, visible, and understandable" (IMF, 1998, p. v). These definitions have a number of aspects in common in that they all describe, or at least imply, that transparency involves a supply of information that is "timely," "accessible," and "relevant," enabling "increased understanding."

Some contend that transparency as a concept should include more than information disclosure. A more encompassing understanding of transparency specifies the role of information in creating increased understanding and informed participation and implies the empowering role of information to enable external actors to make informed assessments. In this vein Florini (2007, p. 5) describes transparency as "the degree to which information is available to outsiders that enables them to have informed voice in decisions and/or to assess the decisions made by insiders." This emphasizes the highly relational nature of transparency: it is both a function of information made available and the ability of the receiver to acquire, process, and make use of the information. Larsson (1998) and Heald (2006A) argue that describing this relationship is what distinguishes transparency from openness, or mere information disclosure.

In this article we distinguish between the practice of transparency and substantive transparency. With the practice of transparency we mean the initiatives that are designed to increase the availability of information to citizens, for example by implementing schemes like EITI or passing Freedom of Information laws. These initiatives may, or may not, lead to greater information symmetry between government and citizens, which we call substantive transparency.

This distinction is important because transparency policies and initiatives are often justified by their purported effect on reducing information asymmetry between government and the public, that is, by their substantive effects. However, transparency initiatives most often appear in the form of more narrowly targeted practices designed to increase information flows and access. These practices may or may not reduce information asymmetry in areas that are most important to desired outcomes.

The tendency to use the term "transparency" to denote both efforts to increase the availability of information, and substantive adjustments in information symmetry complicates assessment of "transparency's" impact. It is important for assessments to distinguish between instances when there is simply more information available, and instances when this increased availability impacts levels of information asymmetry and can thus perhaps act as the basis for informed engagement, such as that described in Florini's definition above. As such, in reviewing observable initiatives and reading their evaluations in the literature, this article understands "transparency" narrowly to be practices carried out with the aim of increasing the supply and/or availability of

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information to outsiders about existing conditions, or the workings of a process or organizational entity.

The Rise of Transparency in Natural Resource Revenue Governance

The large amount of rents flowing to government coffers from natural resource revenues in many countries tends to provide incentives for rent-seeking, fuel corruption and patronage, and generally lead to sub-optimal investment and spending practices. Substantial natural resource revenues in resource-rich countries are correlated with slower economic growth compared to resource poor countries, and a higher propensity to violent conflict (van der Ploeg, 2011). The increasing focus on transparency as a potential solution to this resource curse is based on the consistent finding within the resource curse literature that institutional quality and governance are important factors mediating the negative impacts of resource abundance: countries with good institutions tend to benefit from their natural riches.

A prominent argument in the resource curse literature posits that substantial natural resource revenues can undermine government accountability because resource revenues substitute for taxation of the general population (see, e.g., Bräutigam, 2008; McGuirk, 2013; Ross, 2001). This effectively removes an important cornerstone of the social contract, because citizens have less incentive to demand value for money and to scrutinize government spending, as they do not feel the same ownership toward state revenues as would be the case if their personal income or wealth were more heavily taxed. This may also reduce public demands for information, making it easier for governments to maintain a level of secrecy over instances of corrupt practices or ill-advised decisions.

Another relevant aspect from the resource curse literature relates to the lack of oversight of the revenue flows; as natural resource revenues are paid by companies directly to the state, or even to state officials, citizens have little oversight regarding the revenues accruing to various actors and where these monies are ultimately destined. Such a lack of government transparency—and a general logic of opacity among actors across the sector —is identified by a number of scholars as a key aspect of the natural resource curse (see, e.g., Egorov, Guriev, & Sonin, 2009; Karl, 2007; Williams, 2011).[2]

Transparency came to prominence in part as researchers, activists, and policy-makers began the search for solutions to the accountability deficit associated with natural resource abundance. Transparency represented perhaps the most clear-cut and

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implementable policy option for supporting governance in the challenging national contexts so often prevalent in resource-rich countries, and transparency's benefits were widely assumed due to its intuitive link to accountability and well-functioning democracy (Haufler, 2010). The pervasiveness of transparency's appeal has made it an attractive policy option that is supported by parties from different ideological backgrounds and agendas (Gupta & Mason, 2014; Hood, 2006).

The arrival of extractive sector transparency emerged simultaneously in two streams of policy and analysis with slightly different objectives and mechanisms. The first relates to violent conflict and efforts to prevent the international trade of natural resources extracted in conflict zones that benefit warring factions—referred to as "conflict resources." This focus of transparency involves certification, due diligence, and tracking systems for natural resources designed to prevent them entering international markets and to give governments and consumers in destination countries peace of mind that they are not helping to fund conflicts in other countries. The most established project on this front is the Kimberley Process Certification Scheme (KPCS), which aims to track and certify diamonds from the producer to the end consumer.[3]

The second—though not unconnected—stream of transparency relates more generally to governance and anti-corruption. This is best represented by EITI and involves the collection and publication of data on natural resource revenues on an annual basis.[4] EITI's objective is to support good governance through increased public awareness of revenue flows, enabling citizens to hold government to account for accounting discrepancies and subsequent revenue allocations (EITI, N.D.). EITI asserts that the process will empower citizens, support civil society, increase scrutiny of government, improve trust, and prevent conflict related to natural resources, as well as improving conditions for foreign direct investment (EITI, N.D.).

International agencies like the World Bank, IMF, and UN have supported EITI since its establishment and have increasingly prioritized the scheme within their own work on supporting natural resource governance, supporting the scheme in a financial and technical capacity (World Bank, 2007). EITI increasingly appears within Poverty Reduction Strategy Papers (PRSPs) required by the IMF and World Bank for a country to be considered for aid or debt relief in the Heavily Indebted Poor Countries (HIPC) Initiative.[5] EITI's importance to unlocking financing is further illustrated by the World Bank's use of EITI implementation as evidence of a country's intentions to improve governance when making investment decisions through the International Finance Corporation, the bank's private-sector investment wing (Caspary & Seiler, 2011).

These institutions have also promoted transparency in fiscal management, which increasingly focuses on transparency in the management of natural resource revenues.

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The IMF's 2007 Fiscal Transparency Code, for instance, lays out procedures for tracking revenues and payments, internal and external auditing, and the public availability of budgetary information. The code and related manual frequently mention the importance of transparency and oversight in the extractive sectors (IMF, 2007B). An accompanying IMF guide to resource revenue transparency laid out a set of extractive sector-specific best practices with a strong focus on EITI (IMF, 2007A). Attention to transparency in management of extractive resource revenues further increased in the revised code, in which one of the four pillars is devoted specifically to extractives (IMF, 2014). Another initiative, the Santiago Principles, was developed for the IMF members that use sovereign wealth funds to manage natural resource revenues, and it identifies transparency as a cornerstone of fund structure, objectives, funding, and withdrawals (International Working Group of Sovereign Wealth Funds, 2008).

As mentioned above, the emergence of initiatives designed to promote extractive sector transparency has its roots partially in efforts set to curtail rebel groups' access to conflict resources.[6] Managing corruption and building trust in the post-conflict context can be of paramount importance, and transparency has been argued to have the potential to play a central role in curbing revenue capture, ensuring more equitable revenue allocation, enhancing trust between citizens and the government, between groups of citizens, and between sub-regions. Moreover, natural resource revenues can support efforts to jump-start development, secure macroeconomic recovery, increase access to foreign currency for cash-strapped governments, and reduce dependence on international aid (Le Billon, 2006, 2014; Lujala & Rustad, 2012).[7]

The nature of post-conflict peacebuilding, especially in the immediate aftermath of conflict, may be seen as an opportunity for donors to push through transparency reforms; countries are most dependent on aid during these periods, and donors thus have the opportunity to exert leverage over relatively weak governments to initiate reform programs. Accordingly, the World Bank and other institutions increasingly promote transparency in countries emerging from conflict as both a necessity and an opportunity in furthering post-conflict state building and the modernization of institutions and governance practices.

Transparency as an Instrument for Change

A key aspect of initiatives like EITI is that they place an emphasis on transparency as having instrumental value (Heald, 2006A). This has emerged as a policy trend from the 1990s and has been described as a move toward "governance by disclosure" (Gupta, 2008),

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defined as "public and private governance initiatives that employ targeted disclosure of information as a way to evaluate and/or steer the behavior of selected actors" (Gupta & Mason, 2014, p. 6). This view that information can be used actively as a tool to achieve specific desired outcomes stands in contrast to more general efforts to support a public right to know as an end in itself (Kosack & Fung, 2014). Instrumental conceptualizations often model transparency as operating through causal chains. Figure 1 describes one such narrative, whereby increased disclosure through a transparency initiative leads to more public scrutiny, which in turn leads to greater public accountability, which then leads to better governance. As this is the prominent narrative in existing literature on extractive sector transparency, we focus on it in this article.
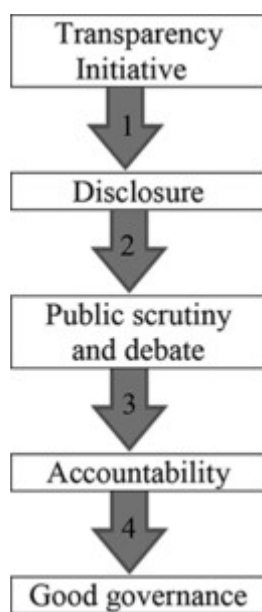
Click to view larger

Figure 1. A stylized instrumental transparency narrative for revenue management from the extractive sector.

This instrumentalist framing draws on information theory and is commonly articulated through rational-actor models grounded in a principal-agent framework.[8] In the governance sphere, the principal-agent model is often used to describe the relationship between citizens and government, with citizens regarded as principals and politicians as agents (Besley, 2006, de Ferranti et al., 2009), and elections acting as the primary sanctioning instrument. This view is based on an understanding of the relationship between citizen and state as a contract, with emphasis on government as an institution of public service that is responsive to the public through democratic mechanisms. In such scenarios, information is crucial as secrecy allows governments (the agents) to be less accountable to the public (the principal) despite the latter's supposed hierarchical advantage in a democratic system.

The precise mechanisms by which governments can be held accountable are varied, but are often understood to exist in three forms: vertical accountability, horizontal accountability, and diagonal accountability (Fox, 2015). Vertical accountability is the form

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most directly linked to the principal-agent model above. With vertical accountability, some degree of hierarchy between actors is implied, and elections are seen as important for making politicians and rulers directly answerable and punishable by the electorate. In addition to vertical accountability through elections, citizens and civil society can apply public pressure to instigate horizontal accountability between the different elements of the state– by, for example, activating parliaments and the judiciary to constrain the power of executive government (O'Donnell, 1998). This interplay between vertical and horizontal accountability is sometimes called diagonal accountability (Fox, 2015). The availability of reliable information is generally deemed essential for the functioning of all these types of accountability mechanisms.

Within the natural resource revenue context, the principal-agent framework represents, either explicitly or implicitly, the basis for arguments calling for greater transparency in natural resource revenue governance (see, e.g., Stiglitz, 2007). By redressing the information imbalance about revenue transfers and spending through information, disclosure is seen as key to making the public more aware of how government is operating. An informed public then forces the government through elections or advocacy to be more accountable with respect to natural resource governance in general and, in particular, how it spends natural resource revenues.[9]

Figure 1 depicts a simplified stylized model of a key transparency change narrative taken from the literature on transparency in extractive sector revenue management. The impact of transparency is represented as a causal process, where increased information enables a series of causal stages ending in improved governance. Each stage acts as an instrument for bringing about the following stage. The arrows between stages indicate the direction of causality explained within the narrative. Importantly, though, these arrows also imply a number of key assumptions that are necessary for the model to hold. These assumptions are: (1) that a transparency initiative is successful in increasing the release of information; (2) that this disclosure leads to increased public awareness and scrutiny of government actions; (3) that increased public scrutiny leads to more accountable government; and (4) that more accountability leads government to perform better and for governance to improve. The link between transparency and improved natural resource governance, therefore contains a large degree of uncertainty and can be criticized as being based more on "normative conviction and assumptions about human behavior rather than empirical investigation" (Bauhr & Grimes, 2014, p. 292).

Discussions on transparency's effectiveness in natural resource revenue management have so far been dominated by empirical studies and evaluations on EITI's performance. Evaluations of the initiative's effectiveness form the basis for many of recent assessments regarding the effectiveness of transparency for improving resource governance (Corrigan, 2014; Kolstad & Wiig, 2009; Öge, 2014; Van Alstine, 2014; Wilson & Van Alstine,

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2014). While some have argued that revenue transparency through EITI may be having some impact on some aspects of the resource curse (Corrigan, 2014), the main thrust of research has been to point to EITI's disappointing substantive results so far (see, e.g., Aaronson, 2011; Öge, 2014; Scanteam, 2011).

There are a number of possible explanations for the disappointing results, including the limited amount of time that EITI has been functioning since the standard was established and implemented in different countries, the fact that there are multiple pathways for corruption and mismanagement of extractive resource revenues, and the fact that EITI addresses only one of those pathways. Thus, looking for measurable impact may be premature at this stage (Corrigan, 2014; Gillies & Heuty, 2011; Scanteam, 2011), and it may require a broader view of the pathways by which transparency can operate. Assessments may also be hampered by a lack of adequate data (Mejía Acosta, 2013).

Wider, none natural resource focused research into the relationship between transparency and quality of governance and levels of corruption indicate a positive correlation between the release of information and better governance (Islam, 2006; Williams, 2009) and reduced levels of corruption (Bellver & Kaufmann, 2005; Lindstedt & Naurin, 2010; Reinikka & Svensson, 2004). It appears that "good governments" tend to be more open and release more information to the public. There is much less clarity however, regarding the underlying dynamics of this relationship and in which direction causality may run. The same applies in the context of natural resource governance in that a lack of transparency has been found to be correlated with the resource curse (Williams, 2011). However, this finding gives little indication as to the causal potential of policy initiatives that promote transparency as solutions.

The wider transparency literature generally shows mixed results with regard to transparency's effectiveness for improving governance and has identified some aspects that could give some indication as to why transparency might fail. A key finding is that any impact of transparency will be conditioned by contextual factors (Bauhr & Grimes, 2014), such as a country's education level and quality of its democratic institutions, such as a free and comprehensive media and a functioning electoral system (Lindstedt & Naurin, 2010), all of which are relevant to the fundamental issue of whether there exists a public that is ready and able to rise to the challenge of holding the government to account (Bauhr & Grimes, 2014; Lujala & Epremian, 2016; Persson, Rothstein, & Teorell, 2013; Verdenicci & Hough, 2015). Kosack and Fung (2014) identify collective action problems, political resistance, and long implementation chains as common barriers to the effectiveness of transparency, arguing that contexts in which these obstacles are most prevalent will be the most challenging and least likely to produce successful outcomes.

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These challenges relate to the socio-cultural, political, and institutional context within countries, which are the result of particular historical processes—such as colonial heritage—in resource-rich countries, and which can diverge considerably from the type of state assumed in stylized transparency change narratives. The realities of such contexts are likely then, to render problematic a number of the fundamental assumptions inherent to models depicting transparency's role in causal chains. Many resource-rich countries, for example, are described as weak democracies, often in an embryonic stage, with fragile or dysfunctional institutions and systems of political representation, endemic corruption, and with recent histories of violent conflict. The transparency narrative, however, generally assumes that a government can be held accountable through democratic mechanisms such as elections, and that citizens are willing and able to engage in collective action and take on the role of monitoring and pressing for improved governance. As such, it is important to identify potential conditioning factors and barriers to change through transparency initiatives in countries whose institutional and political contexts diverge significantly from those assumed in stylized models. In the next section we address each assumption presented in Figure 1 in light of this discussion.

The Assumptions of Instrumental Transparency in Resource Rich Countries

The transparency narrative depicted in Figure 1 assumes a causal chain where a transparency initiative leads to increased disclosure, resulting in more public scrutiny and debate, which enables the government to be held to account, eventually driving governance improvements. All of these assumptions are problematic and highly dependent on contextual factors. This section addresses the basis for each of these assumptions in turn in the context of resource rich countries.

Assumption 1: Transparency Initiative Leads to Information Disclosure

The first arrow in Figure 1 refers to the extent to which a transparency initiative on natural resource revenues can actually lead to an increased supply of information that is relevant and timely, making it useful for stakeholders and the wider public. This assumption is problematic in many resource-rich countries, where low institutional capacity, powerful vested interests, and socio-political dynamics (often tied to ethnic, religious, or tribal loyalties and competition) can limit effectiveness of transparency regimes. Without effective enforcement by transparency institutions or the judiciary,

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governments and other actors will be less likely to make disclosures, or they could carry out reporting in a way that reduces the potential impact of the information that is released (Neuman, 2009). In a number of countries, for example, the national EITI secretariat struggles with enforcing regular reporting by companies and government ministries. This results in data contained in reports being delayed (EITI, 2015A) and of variable quality (Gillies, 2011), limiting its relevance to the work of stakeholders and civil society groups (Wilson & Van Alstine, 2014).

Another area where EITI is criticized is its limited focus on transparency of revenues rather than on expenditures, where rent-seeking and corruption are common (Kolstad & Wiig, 2009; Mejía Acosta, 2013). Since transparency measures like EITI are often, in practice, required or otherwise externally driven by donor organizations, as well as domestic NGOs, reporting may target donors more than the wider national population (Gillies & Heuty, 2011).

When implementing a transparency initiative like EITI at the national level, decisions are made on what information will be made available and which institutions will be responsible for gathering data, publishing information, and enforcing compliance. In some cases, for example, due to a lack of public trust or a lack of competence in existing governance systems, new organizations will need to be established and governance and operational structures set out. This will require the provision of sufficient resources and the careful instituting of specific routines for how work will be carried out, when and how often reporting will take place, and how information will be disseminated. Finally, realistic appraisals will have to be carried out regarding existing institutional and judicial capacity when devising enforcement strategies.

These considerations demonstrate how numerous contextual factors will condition the success or failure of a transparency initiative, even in fulfilling the first direct objective (arrow 1 in Figure 1) of increasing disclosure. Assuming that a standardized international approach will operate equally well in different national settings can therefore be problematic. This point may be particularly relevant in the case of revenue transparency in resource-rich countries, where the incentives to limit reporting and the weakness of enforcement may be greatest. Further, there is some evidence that information may not reach people because public demand for information is lacking (Ofori & Lujala, 2015). The resource curse literature points to these problems being potentially more prevalent in societies of resource-rich countries where high resource rents and low taxes have prevented the emergence of an effective social contract between citizens and the state (Karl, 2007; Ross, 2001). Even within a government, there are often problems with one agency or ministry sharing information with others, hampering horizontal accountability from internal governmental oversight.

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Assumption 2: Increased Disclosure Results in Increased Public Scrutiny and Debate

The second assumption (arrow 2 in Figure 1) relates to how increased information on resource revenues will lead to increased scrutiny and debate surrounding revenue collection and spending. This will, in turn, be mediated by the capacity of the public to access and make use of information released, as well as the ability of so-called "intermediaries"—the media and civil society—to process and further disseminate information to the public. The EITI, for instance, states that "Citizens' ability to work actively to make use of the information generated by the EITI is therefore a critical component of EITI implementation" (EITI, 2015B, p. 40).

The public's ability to make use of disclosed information depends on a number of important elements. First, educational levels—namely, reading and mathematical literacy—of the general public and stakeholder groups will substantially influence their ability to access and make sense of data on revenues made available. For many lay people, for example, information provided in a highly technical format, possibly in numerical form and maybe only in the official language, may make it difficult to comprehend. Information published in the media—for example, in national newspapers and online—may not be accessible for many segments of the population (Ofori & Lujala, 2015). Furthermore, resource-rich countries tend to have relatively lower levels of education, and this has been cited as an important causal factor in the resource curse (Birdsall, Pinckney, & Sabot, 2001; Gylfason, 2001; Kronenberg, 2004).

A second important factor relates to the preexisting political culture and knowledge of democratic governance systems among citizens, which influences whether people seek out information, how they interpret it, and what they do with the information. A number of countries implementing EITI for instance are young democracies that do not have long-standing traditions of formal participatory democracy. As such, active public participation in open processes of democratic governance is limited in many countries implementing EITI. Governments in some countries may even work actively to stifle representative processes and engage in repressive practices, even while they maintain democratic formalities like elections.[10]

The third key factor relates to the ability of intermediaries to process information and make it available to stakeholders and to the wider public, who otherwise would be unlikely to have the capacity or time to access and comprehend the information released by government or transparency agencies. The transparency literature tends to place high expectations on civil society and the media to perform the role of accessing, interpreting, and disseminating information to the public (Fung, Graham, & Weil, 2007).[11] In addition to

analyzing data and processing it to be understandable, non-governmental organizations (NGOs) are often essential in disseminating the information. They can, for instance, carry out workshops in rural communities where complicated EITI reconciliation reports are simplified and sometimes translated into local languages. Likewise, reaching the public with information often depends on the effectiveness of the media in publishing and contextualizing data.

In trying to explain the disappointing results, a number of assessments have focused on the role of civil society, which is assigned a crucial role in the EITI process. In many resource-rich developing countries, civil society organizations lack capacity and are not able to fulfill their anticipated roles within the EITI framework (Carbonnier, Brugger, & Krause, 2011). In some cases, civil society groups may be actively prevented from participating in EITI by implementing governments (Aaronson, 2011), while efforts to build capacity among civil society as part of the EITI have been criticized as being too limited (Shaxson, 2009).

In summary, assumption 2 is perhaps most relevant to make in national contexts, where there exist long-standing traditions of representative democracy, an active and effective media and civil society sector that is free from state coercion, and high levels of human capital among stakeholders and the public at large enabling substantial informed engagement with information and governance processes. However, the literature points toward resource-rich countries having more restrictions on press freedom (Egorov, Guriev, & Sonin, 2006), lower levels of human capital (Gylfason, 2001), and less democratic and generally weaker governance institutions (Auty, 2001; Bulte, Damania, & Deacon, 2005). Such disadvantages may even be exacerbated by the geographic remoteness of valuable resource extraction and local stakeholders from the centers of decision-making where the disclosure of information—at least initially—takes place.

Assumption 3: Public Scrutiny Activates Accountability

Aside from the collection and dissemination of information, transparency narratives set high expectations on civil society for creating political pressure for change through public mobilization (Grimes, 2013). This is closely connected to the third assumption in Figure 1, relating to the extent to which scrutiny can activate accountability. Civil society's expected function is clear from EITI's explanation of its protocols: "The active participation of civil

society in the EITI process is key to ensure that the transparency created by the EITI leads to greater accountability" (EITI, 2015B, p. 40). Civil society and the media are seen as having a key role to play in diagonal accountability by bringing pressure on government

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to take action in cases of misbehavior. Such groups can play an important role in asking questions of government over its use of natural resource revenues and highlighting suspected cases where funds have been misappropriated or otherwise misused. The literature on transparency and anti-corruption finds that this type of civil society action is most effective in contexts where, in addition to transparency, there exist a strong network of organizations and effective institutional mechanisms for accountability in the first place (Grimes, 2013). These are factors that are likely to be missing in many resource rich countries, especially those recovering from periods of violent conflict.

Perhaps even more crucial in this regard is the quality and effectiveness of a country's judiciary, law enforcement, and auditing agencies, which are tasked with investigating cases of suspected misconduct uncovered by transparency, and prosecuting cases where wrongdoing and corruption have taken place. Without the possibility of hard sanctions carried out by strong independent institutions tasked with investigating and prosecuting, exposure of cases of wrong-doing of government officials will be less likely to represent a strong deterrent to opportunistic behavior. This issue is particularly relevant for resource-rich countries where high levels of corruption and patronage within the state apparatus often result in elite manipulation of prosecutors and judicial processes. The Nigerian experience illustrates this aptly, where even clear-cut cases of corruption and misappropriation of oil revenues routinely fail to result in successful prosecutions (Ogundiya, 2009).

According to principal-agent discourses employed in the extractive sector transparency literature, elections are the most fundamental mechanism of vertical accountability. The argument follows that in countries where national and local elections are effective in incentivizing the government and politicians to act in the interests of citizens, the added ability to scrutinize performance provided by transparency enables citizens to cast more effective votes. For this mechanism to be effective, elections must be free from coercion and fraud. It would also be important that the details of government performance—ideally provided to some degree by transparency initiatives, like EITI—should actually inform debates leading up to elections.

In this regard, the literature again assigns the media and civil society groups an important role in framing public debate and pushing the issue of malfeasance and corruption to the top of the political agenda (Chang & Golden, 2007). Evidence is still somewhat ambiguous, however, whether more informed citizens do actually elect better governments leading to improved welfare (Toka, 2008). In fact, corrupt politicians generally tend to be remarkably successful retaining support from voters and maintaining their positions (Chang & Golden, 2007), and while experimental studies have shown that providing voters with more information about the quality of candidates can be effective, it is not clear if this is enough to override other preferences, such as ethnic biases where

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these are politically relevant (Pande, 2011). It is not clear, then, if targeting the public with more information is likely to lead to more accountability through the mechanism of elections in resource rich countries.

An important issue relates to the diverse set of interests of citizens. Information will be used for different ends and interpreted in different ways by different groups in society who may be voting to further their own particular group interests (Besley, Burgess, & Prat, 2002). A frequent tension in resource-rich countries, for example, has been the disagreement over what is a fair distribution of revenues between producer regions and the rest of the country (see, e.g., Ross, Lujala, & Rustad, 2012). Many arguments for transparency's positive impact on accountability and good governance assume that the public has a general preference for the specific form of good governance forwarded by the international community and donor organizations. What the literature on the natural resource curse describes, however, are elite captured political and social systems that operate according to other logics, such as patrimony and corruption (McFerson, 2010). It is perhaps unrealistic to expect voters whose lives are embedded in such alternative logics to vote en masse for good governance based on notions of liberal western democracy that are relatively new in many resource-rich countries, and in particular in those emerging from colonialism (Jensen & Wantchekon, 2004) and those emerging from armed conflict.

National legislatures represent a potential mechanism for horizontal accountability. This argument is based on the idea that national legislatures can provide a check on the power of the executive branch of government (Madison, 1788). It would follow then, that increased transparency and public engagement regarding the use of natural resource revenues could provide the means and incentive for legislators to perform this task more effectively. Legislators would be able to perform this task because they often have a formal obligation to question government ministers over actions taken, to vote on laws that are presented to the national parliament, and to themselves carry out investigations into wrongdoing. Moreover, in many countries, concession agreements allocating rights to natural resource extraction must be approved by the legislature.

While in some countries, legislators have become more engaged with issues related to natural resource governance, in many resource-rich countries weak legislative branches are unable to perform such a role effectively (Bryan & Hofmann, 2007). In real world scenarios legislators often do not operate independently from executive influence, and parliamentarians may be more accountable to their party than to the electorate (Bruch, Roffman, & Kim, 2003). Even where legislators are relatively free from party obligations, corruption may be a widespread problem, with legislators using their authorizing role to extract bribes.[12] As such, legislators, in many cases, cannot be assumed to be "principled principals" who represent an effective mechanism for holding executive government to

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account (Besley, 2006), while there is reason to believe that this moral hazard on behalf of politicians will be especially prevalent in resource rich countries. Even in the absence of such barriers to horizontal accountability discussed above, legislators often lack the staff and technical expertise to engage fully with complex financial information and the legal provisions in concession agreements and national budgets, or the resources to provide effective oversight of large government bureaucracies (Bauhr & Grimes, 2014).

Assumption 4: Accountability and Good Governance

The fourth arrow in Figure 1 relates to the extent to which eventual government accountability can be translated into better natural resource governance in practice. The effectiveness of governance reforms depend substantially on political will (Rustad et al., 2012). Government agencies in many resource-rich countries operate under practical constraints, lacking economic resources, expertise, and established civil service practices necessary to implement reforms effectively; indeed, they may be largely dependent on foreign donors to fund and lead reform programs, reducing national ownership of reform processes. So, while public pressure can occasionally compel governments to take actions, it may be less effective in ensuring that these changes are followed up, monitored, and fully implemented in the long run. A common characteristic of successful transparency initiatives is a willingness on the part of government actors to engage with citizens and implement improvements, while initiatives carried out in contexts where politicians and bureaucrats are resistant to change are less successful (Kosack & Fung, 2014).

Importance of the Context

The discussion above on the stylized model of the transparency change narrative in the context of natural resource revenue management (Figure 1) shows that there exist a number of assumptions that are potentially crucial to determining any potential relationship between increased information and increased accountability of government in managing revenues from extractive resources. In contexts where these assumptions are not tenable, factors commonly modeled as facilitators—such as civil society, the media, law enforcement agencies, institutional capacity, and elections—may prove instead to be barriers to change that may reduce or prevent expected benefits from transparency initiatives.

Importantly, given that all stages in the model would need to be successful in order for the model to hold, transparency initiatives would likely fail to bring about governance improvements due to even just one of the assumptions being untenable. The reliance on

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long implementation chains, such as this, has been identified as one of the principle barriers to success in the wider transparency literature on governance (Kosack & Fung, 2014).

Heald (2006b) describes the contextual setting in which implementation takes place as transparency's "habitat," arguing that this habitat will ultimately dictate whether a given initiative is effective in achieving the desired outcomes. If this contextual setting is particularly unconducive in resource-rich countries, it would cast doubt on the assertion that the transparency project represents a solution to the resource curse. A more fundamental critique of transparency policy initiatives is that the principal-agent framework, which informs them, fails to explain poor governance and corruption in country contexts where these problems are endemic. A number of scholars have argued that corruption and poor governance in such contexts are better understood as resulting from problems of collective action rather as agency problems (Booth, 2012; Booth & Cammack, 2013; Persson et al., 2013).

Collective action problems are most prevalent in contexts where dysfunctional practices, such as corruption, are systematic and the behavioral norm (Persson et al., 2013). In such contexts, there is little incentive for people to take action against corruption even, when they are opposed to corruption and understand the detrimental impact it can have on society. In this scenario, the costs to individuals, or smaller groups, of opposing corruption would be simply too high for demands for accountability to make sense for rational individuals. In fact, it is more likely that both political elites and citizens will opt for the short-term gains offered by corruption. This argument provides the basis for criticisms of policy approaches based on a principal-agent framework, arguing that such approaches misdiagnose the causes of corruption and poor governance and make untenable assumptions regarding the existence of a public acting as principal (see, Booth, 2012; Persson et al., 2013).

If governance problems in resource rich countries are, as is likely, better understood as linked to barriers to collective action, rather than through principal-agent thinking, or if political resistance to change is likely to be systematically higher, then such ideas might go some way to explaining disappointing results so far from efforts to increase the transparency in resource governance. One of the criticisms of externally driven initiatives, like EITI, is that they are less adept at accounting for national contexts that are often particularly challenging in resource-rich countries (McFerson, 2010; Öge, 2014).

One of the broad conclusions from the discussion above is that research on and evaluation of transparency initiatives should move away from evaluating transparency practices based on expectations derived from principal-agent models. Instead, they should look at what certain practices can be realistically expected to do in a given context

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and evaluate how appropriate the measures are and how successful they are in putting more relevant information into the public domain. Next, we discuss in more detail the implications of this discussion for the evaluation of transparency practices.

Evaluating Transparency Practices

Policies and initiatives that try to increase transparency necessarily have to specify what information is to be produced and disclosed, how and when this will take place, and which stakeholders will have access to the information. In practice, the answers to these questions inevitably involve a narrower set of information and disclosure practices than is represented by the general concept of transparency found in theoretical models. As such, policy initiatives like EITI can be criticized for the mismatch between the initiative's somewhat lofty intangible goals[13] and the much more limited scale and scope of the substantive transparency gains, which EITI implementation actually entails.

Research into the impacts of transparency may also run afoul of the same distinction. Studies evaluating the impact of particular initiatives are often framed as investigations into the effectiveness of transparency, understood somewhat generally with the implicit assumption that they produce greater information symmetry. In this manner, there has been a tendency in the literature to present EITI as a kind of proxy, resulting in the annual publication of certain revenue data—the narrowly focused core activity within the EITI standard—being taken to represent actual readjustments in relative knowledge and access to information. This has resulted in disappointing findings because the impact of "transparency" was measured in governance and corruption indicators (see, e.g., Kolstad & Wiig, 2009). This issue of validity is part of a general tendency for studies on EITI's impact to expect too much (Gillies & Heuty, 2011). Thus, what is meant by "transparency," how the term is operationalized in policy design, what specific practices emerge in a given initiative, and at which level impacts should be measured are all vitally important in research and evaluation.

Seeking to measure one initiative's impact on broader good governance and developmental changes is doomed to fail as there are so many other factors affecting these outcomes. Thus, it is likely that results from evaluations are disappointing because the intended outcomes are too optimistic and therefore impact is measured at the wrong scale. For example, although EITI's objective is to promote accountability, improve the financial management of revenues, and eventually support sustainable development and poverty reduction—all through increased transparency—its more immediate activities and objectives relate to disclosure of specific information to the public. Thus, the evaluations on EITI's impact should focus on examining aspects such as whether EITI information is

reaching the intended audience(s), whether it is disseminated in a format that is understandable and useful, and whether it changes people's attitude toward making demands and acting for more accountability (Ofori & Lujala, 2015). In other words, measuring the success of EITI-type transparency initiatives should probably be based on their success in attaining more discrete, immediate, and measurable goals.

Modeling transparency in terms of a single causal chain of accountability mechanism (as in Figure 1) assumes implicitly that increases in public information will lead to increases in public knowledge and understanding (first arrow in Figure 1). As a result, operational success of transparency initiatives is often measured in terms of inputs: setting of transparency rules, counting instances of disclosure, producing reports, publishing information in newspapers or on webpages, or holding information dissemination events. It may be problematic, however, to assume that these activities will, on their own, lead to increased knowledge and understanding by the public. This is where the distinction between "transparency" as a set of practices and "transparency" as substantive improvements in informational symmetry becomes important and creates the potential for confusion in both policy development and evaluation. Thus, the research and evaluation of transparency should focus on understanding what information—and in which format, through which channels, and to whom—should be made available and how these impact, if at all, people's attitudes and behavior to request more information and accountability.

Conversely, research has sought to assess impact on long-term outcomes like good governance, whose theoretical link to transparency is far from straightforward (Breton et al., 2007; Fenster, 2005; Fox, 2007; Hood, 2007, 2010). The key short- and medium-term objectives of raising public awareness and its impacts on empowerment and citizen engagement with government should be the focus of assessments and evaluations. The uncritical assumption that increased understanding necessarily results from transparency initiatives blights both practice and research into the role of information.

There is a danger of designing initiatives that intend to bring about accountability with disclosure (the supply of information) despite the difficulty in arguing for a direct causal relationship between the two concepts. To conduct rigorous evaluation and analysis on the impact of the initiatives and projects promoting accountability via increased information flows, it is necessary for the intended pathway(s) to be clearly spelled out. How do they propose increased disclosure to lead to improved accountability, and what are the effects that are expected in a given context?

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Conclusion

Transparency in resource governance has so far focused mainly on making public the information on revenues for certain valuable natural resources and for a certain segment of the extractive sector revenue chain. This trend is reflected in academic research, where "revenue transparency" is commonly used interchangeably with transparency in resource governance more generally. When conceptualized through a single, simple causal chain narrative as presented in this article, a transparency initiative's link to governance improvements relies on a number of simplistic and problematic assumptions. This has led to a growing consensus in the literature that "transparency alone" is not enough and that other complementary, or conditioning, factors, such as education levels and an effective judiciary,[14] must play key roles in translating any increased flow and availability of information into more accountability in natural resource revenue governance, including pre-existing systems of effective political accountability and functioning anti-corruption systems (Corrigan, 2014; Kolstad & Wiig, 2009; Öge, 2014). Transparency initiatives may then be most effective when combined with wider processes of institutional change (Hilson & Maconachie, 2012; Scanteam, 2011) within contexts where relatively well-functioning mechanisms for accountability already exist.

Another key issue to understand transparency's effectiveness (or the lack of it) in the context of valuable natural resources relates to the fact that factors conditioning the relationship between information disclosure and more accountability are, of course, closely embedded in a country's history, culture, political economy, and prevailing modes of governance. Trying to understand the impact of transparency initiatives through a focus on this contextual environment in which they are implemented is perhaps a useful starting point (Bauhr & Grimes, 2014). This will be of added relevance for explaining the, so far, uncertain impact of transparency initiatives in the particularly challenging contexts presented by resource-rich countries.

Explanations for why transparency initiatives can affect accountability in resource governance are often based in principal-agent discourses that highlight the key role played by agency problems. There is uncertainty, however, regarding whether the problems that specific transparency initiatives seek to address can be understood in principal-agent terms in the first place. If not, then trying to bring about accountability through a causal chain, such as the one in Figure 1, is unlikely to produce desired results. A key point is that, because opacity has been shown as fundamental to corruption in resource-rich countries, some form of transparency is assumed to be the appropriate antidote. However, transparency initiatives do not create transparency in a general substantive sense (i.e., a scenario where all actors hold all relevant knowledge). What

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they do is provide for the release of specific limited information at certain junctures in time with little control over what subsequently happens to the information in terms of its uptake and how it is used. Transparency in the real world sense is not found to be the opposite of secrecy, but rather a somewhat modest set of practices carried out in the name of reducing it, usually involving the limited release of certain specific information deemed acceptable by rulers whose intentions are by no means necessarily benign.

Distinguishing between what "transparency" actually means in practice and "transparency" as more substantive information symmetry, as found in principal-agent modeling, will be essential to establishing a conceptual rigor to both policy development and academic evaluations. Ultimately, expectations and evaluations should limit themselves to what initiatives like EITI actually do. EITI is in danger of turning the scheme's very real achievements—increased extractive sector financial disclosure—into failures simply by setting vastly unrealistic broad goals for what is, in reality, a narrowly focused scheme to publish revenue data from the extractive sectors. Unfortunately, it may be precisely these broad goals that are so attractive to EITI's financial supporters.

The question, "(how) can transparency solve the resource curse?" should perhaps be replaced with "how can transparency initiatives support efforts to improve natural resource governance?" Admittedly, the latter question is less compelling in its import, but it is more accurately tailored to the complex dynamics around natural resources and accountability in the way they are managed. The answer to the new question will differ from one context to the next and will require an emphasis on broader pathways beyond focusing on tackling agency problems. This approach may provide a basis for setting more realistic and tailored goals for initiatives, as well as guiding empirical studies that seek to evaluate success or failure of policies enacted in the name of transparency. This would be especially relevant for resource-rich countries, possibly emerging from internal conflict, that present perhaps the most complex setting of social, political, and economic challenges and opportunities related to natural resource management.

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Notes:

(1.) For purposes of this article, revenue management includes revenue streams, flowing from extractive industries, and spending of these revenues. The former include issues

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such as the host country receiving a fair share of the revenues generated in the extractive sector and those revenues going, for example, to official government accounts. The latter is concerned with how the revenues are spent, for example for infrastructure, through direct disbursement, or invested for future generations.

(2.) For a review on potential causal pathways for the resource curse, see, for example, van der Ploeg (2011).

(3.) Other examples of tracking schemes and efforts to curtail illegal and conflict resources include the European Union's Voluntary Partnership Agreements (VPAs) to track high-value timber products, the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding exploitation and trade of conflict minerals originating in the Democratic Republic of the Congo.

(4.) The EITI was announced at the World Summit for Sustainable Development in 2002. It is a voluntary initiative that covers the oil, gas, and mining industries in certified member countries. The EITI is designed to make public "all material oil, gas, and mining payments by companies to governments … and all material revenues received by governments from oil, gas, and mining companies … to a wide audience in a publicly accessible, comprehensive, and comprehensible manner" (EITI, n.d.). Implementing countries are monitored by a national secretariat and external auditors, who evaluate the implementation of the scheme and report findings in annual reconciliation reports. As of March 2016, 31 countries had fully implemented the EITI standards, and 20 were in the process of doing so.

(5.) As of April 2015, 39 countries receive full or partial relief as part of the HIPC Initiative (IMF, 2015). Fourteen of them included EITI implementation in their PRSPs and are part of EITI—including Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Republic of Congo, Ghana, Guinea, Liberia, Madagascar, Mali, Mauritania, Niger, Tanzania, and Togo. Nine more did not include EITI implementation in PRSPs, but are part of EITI—including Afghanistan, Burkina Faso, Cote d'Ivoire, Ethiopia, Honduras, Mozambique, Senegal, Sierra Leone, and Zambia.

(6.) For discussion on the links between natural resources and conflict, see, for example, Lujala (2009, 2010) and Koubi, Spilker, Böhmelt, and Bernauer (2014).

(7.) In fact, high-profile reports by the UN Secretary-General, the World Bank, the UN Environment Programme, and the United Nations have highlighted the need to more effectively harness high-value natural resources for development and peacebuilding (UNEP, 2009; UNSG, 2009, 2010, 2012, 2014; UN, 2011; World Bank, 2011).

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(8.) Principal-agent models were transplanted into the political science literature during the 1980s (see Moe, 1984) and are based on the premise that asymmetric information between parties allows agency problems to develop, explaining problems of moral hazard and adverse selection of public representatives (Bellver & Kaufmann, 2005).

(9.) This view of supply-driven transparency, which involves the active publication and dissemination on predesignated information by governments, or transparency agencies, stands in contrast to other approaches that frame transparency as operating less actively: focusing on the removal of barriers to information access. Examples of this approach include freedom of information (FOI) laws that allow citizens to request government information when required (demand-driven transparency). The Aarhus Convention and other international instruments on transparency typically include provisions on both supply-driven and demand-driven transparency.

(10.) For example, Azerbaijan received international praise after becoming the first EITI candidate country to gain full implementing status in 2009; however, watchdog organizations note that presidential elections are generally considered fraudulent, and there is regular state persecution of civil society organizations and the media (Amnesty International, 2015). In 2015, EITI downgraded Azerbaijan to "candidate country" status.

(11.) EITI describes civil society participation as "fundamental to achieving the objectives of EITI" (EITI, 2015b, p. 40) and requires civil society involvement in the design, and decision-making of national EITI boards.

(12.) Liberia is an example where lawmakers have manipulated the concession process for their own financial gain (USAID, 2013), including receiving bribes in exchange contract authorization (see, Baldwin, Geertson, & Kaba, 2014; GAC, 2011; Siakor, Urbaniak, & de Clerk, 2010).

(13.) Potential benefits claimed by EITI are more accountability and good governance, economic and political stability, prevention of conflict, and an improved investment climate (EITI, n.d.).

(14.) On the role of judiciaries, see for example Widner (1999).

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date: 31 October 2016

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date: 31 October 2016