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

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

**Key Words:**

## 1 Introduction

This article offers a critical review of existing literature on understanding and measuring the impact and effectiveness of transparency and accountability initiatives (TAIs) in the extractive industries sector. I use the term natural resource governance (NRG) for the set of strategies used to improve transparency and accountability in the management of natural resources. The range of initiatives covered includes licensing, exploration, contracting and extraction, as well as revenue generation and the allocation of natural resource revenues. The relevant actors involved in NRG include governments, private companies, non-governmental organisations, the media and civil society in general. In this review, the range of natural resources refers to non-renewable resources such as oil, gas, minerals and metals. This is not to ignore the importance of and controversies around the management of fisheries, land or water, which have been well documented in the specialised literature. Yet over the past decade, the proliferation of 'global governance' initiatives have focused on non-renewables, starting with the creation of the Kimberly Process Certification Scheme (KPCS) and continuing with the Publish What You Pay (PWYP) coalition and the Extractive

Industries Transparency Initiative (EITI). Bilateral and multilateral donor organisations have also geared their efforts to improving transparency and accountability in the management of oil, minerals and gas. The transparent management of the forestry sector is perhaps a unique case of a renewable natural resource that has attracted the attention of global governance initiatives[1], and it has been incorporated as a key sector under the Liberia EITI (Blundell, 2008).

Looking ahead, the presence of other key concerns on the global governance agenda, such as the aftermath of the financial crises and the need to address climate change, are likely to reinforce the concern and relevance of improved NRG (Darby, 2010). Ongoing TAIs are likely to take place in a changing governance arena. At the global level, the economic and political power exerted by the G8 nations is likely to shift towards a wider group of diverse and influential global players represented by the BRICS and G20 countries. At the national level, the increased need for improved transparency and accountability in the extractives sector will take place in a context where state-owned enterprises, not private ones, will be the main stakeholders for contracting, extraction, production and revenue allocation of natural resources. These global changes are likely to challenge and reshape the underlying principles and the shape of governance institutions for the management of natural resources (Darby, 2010).[2]

This paper is developed in five parts. The next section offers a brief overview of how different TAIs were put into place and some common features and challenges. The third section discusses what is generally understood as NRG in the extractive sector, looking at specific understandings of effective TAIs. A critical issue here is the distinction between TAIs conceived as means to achieve a further end (ie. to disclose contract information to ensure a fair distribution of rents) and TAIs conceived as ends in themselves (ie. to promote greater participation of civil society). Although the intention of most TAIs is to provide the means to obtain improved social outcomes, this review argues that most of the efforts and associated impact evaluations have more to say regarding the nature of the accountability process itself. This third section also discusses existing knowledge regarding theories of change in the management of NRG. The fourth section looks at the evidence of impact, including a

[1] Global Witness has had a significant impact on promoting global governance initiatives in the forestry sector.

[2] Darby (2010) reports that half of the G20 members are high income countries, seven are middle income and the remaining three lower middle income countries (China, India and Indonesia) contain nearly 40% of the world's population.

brief discussion of existing approaches and challenges for measuring effective impact of TAIs, using quantitative and qualitative approaches. The next section documents in greater detail the intervening factors that are perceived as being key to producing the desired change, and when the change actually takes place. The final section discusses some remaining gaps in both the literature and in donor approaches to TAIs that deserve policy attention in the future.

## 2 Origin and Evolution of Transparency and Accountability Initiatives in the Extractives Sector

The proliferation of global initiatives to oversee the transparent management of natural resources came about at the turn of the century as part of a donor effort to tackle development problems associated with the 'resource curse': government corruption, institutional erosion, civil conflicts and economic crowding-out effects (Collier and Hoeffler, 2004; Karl, 1997; Ross, 1999). The scholarly literature identified the paradox of resource-rich countries growing at similar or lower rates than non resource-rich countries (Sachs and Warner, 1995; Karl, 1997), and the fact that oil-rich countries had declining per capita income and displayed lower development outcomes (Ross, 1999). Economic explanations focused on the 'Dutch Disease' effect, produced by a sharp rise in export rents, which causes an appreciation of the domestic currency that makes the non-resource sectors less competitive, undermines growth, and puts inflationary pressures on the economy (Auty, 2001; Drysdale, 2004). Other explanations focused on the negative impact that resource rents had on the workings of political institutions, as they created political incentives for discretionary or non-transparent management of public expenditure to support corrupt and rent-seeking government practices (Mehlum et al., 2006; Moore, 2004). The challenge at hand was to devise institutional mechanisms that would make governments accountable for the extraction, allocation and use of revenues that did not come from taxation, yet were abundant enough to alleviate socioeconomic inequalities of citizens if the monies were well invested. Some of the literature focused on the political and institutional factors that may contribute to alleviating the resource curse (Humphreys et al., 2007; Mehlum et al., 2006; Robinson et al., 2006).

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

The need to improve transparency and accountability in the management of natural resources became an important part of the global governance agenda (Darby, 2010). Although some initiatives had been created much earlier, the commodities boom enhanced the relevance of these transparency and accountability efforts. These initiatives sought to improve the governance of natural resources through empowering civil society actors, promoting greater transparency and timely disclosure of government information, and creating multi-stakeholder monitoring bodies. One of these initiatives is the KPCS, a joint government, industry and civil society initiative to stem the flow of 'conflict diamonds' - rough diamonds used by rebel and non-state movements to finance the wars they wage against the state. The KPCS seeks to establish minimum requirements so that member countries can certify the trade of diamonds as 'conflict free'. As of December 2009, the KPCS had 49 members representing 75 countries. While a proper impact evaluation would be difficult to carry out given the technical and widespread nature of diamond trade, it is argued that KPCS has had an effective impact in reducing the funding of military activities with the sale of illicit diamonds. Yet the success of impact remains contested, since the KPCS has failed to prevent some governments from making illicit use of diamond wealth in the past (Global Witness, 2011).

The PWYP coalition and the EITI have also been formed to promote improved accountability systems for the management of natural resource revenues. The EITI was launched in 2002 as a coalition of governments, companies, civil society groups, investors and international organisations. It is conceived as a standard for monitoring compliance with contract disclosure and revenue transparency criteria to ensure that companies publish what they pay and governments disclose what they receive from the extraction and export of natural resources. Member countries voluntarily adopt the standard and seek 'validation' status through compliance. As of May 2011, eleven countries had achieved validation status and 29 countries with candidate status had requested extensions to complete the process.

Emerging in 2001 as a private sector initiative, the International Council on Mining and Metals (ICMM) is another TAI that was established to act as a catalyst for performance improvement in the mining and metals industry. The organisation convenes 20 mining and metals companies as well as 30 national and regional mining associations and global commodity associations. The ICMM members work with a broad range of international and domestic stakeholders to address development challenges through maintaining their social and environmental responsibilities and upholding transparency and accountability commitments. Private companies acquire ICMM membership status through a rigorous review process which takes into account business information and compliance with established ICMM standards (ICMM, 2011). Since 2003, the ICMM supported the EITI principles and has adopted its own Resource Endowment Initiative to promote greater transparency of mineral revenues that extends beyond the scope of EITI (ICMM, 2009).

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

A second common characteristic is that these initiatives are organised around some form of voluntary membership, but they have different criteria for admission and 'sanctions' for failing to comply with agreed standards that are not always explicit. The most open-ended scheme is the KPCS, which establishes a voluntary peer review process, whereby individuals from their 75 member states visit other countries to evaluate existing procedures for the trading, import and export of diamonds. Although non-compliant members could in principle be expelled from KPCS (Global Witness, 2006), the credibility of the scheme to effectively promote cooperation and in-country monitoring is compromised by the fact that no country has yet been expelled, despite significant lapses in implementation. Other initiatives like ICMM, EITI and PWYP require member countries (and private companies in the case of ICMM) to meet a series of 'validation' requirements to acquire membership status. Finally, there are additional layers of 'external' validation that ensure compliance with TAI standards (in EITI, for example), that could be made effective through donor conditionality, by changing investment grading on the part of pension fund managers, or setting stricter standards of corporate behaviour that make it unacceptable for companies to avoid publishing what they pay (Van Oranje and Parham, 2009). There is much need for developing empirical evidence about the factors that help explain compliance with existing TAI standards and how compliance would contribute to improved governance of the extractives sector.

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

## 3 Expected Impacts: What are the Underlying Theories of Change and Prevalent Assumptions about Accountability and Transparency Initiatives?

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

To evaluate the expected and effective impact of TAIs, it is necessary to make an explicit distinction between means and ends. Many of the existing knowledge and policy efforts have focused on understanding the expected impact of project interventions on governance processes, but much less is known about the expected impact of projects on improved development outcomes. Secondly, the existing literature has not developed robust theories of change that explain how improved governance processes might contribute to effective development outcomes. For example, there are many TAIs geared to improve budget transparency with the expectation that timely disclosure of revenue information or allocation procedures are likely to reduce discretionary government spending and thus lead to improved fiscal performance (see Carlitz, this volume, for a discussion of TAIs in budget processes). While there are improved indicators that reflect the extent to which countries make budgetary information publicly available when it comes to the management of natural resources, there is little reliable evidence that such efforts contributed to improved fiscal performance or better income redistribution.

### *3.1 What is "Improved Natural Resource Governance"?*

While there appears to be a broad convergence on what is meant by 'good' NRG, there is wide variation in the contributing factors that define such outcomes in the TAIs surveyed for this report. Most TAIs focus on process-driven outcomes such as increasing participation of CSOs, promoting disclosure of contracts and/or demanding increased revenue transparency. The underlying assumption is that such efforts will have a positive impact on greater objectives such as reducing corruption and poverty in resource-rich countries: "Increasing transparency opens up the decision-making process to public debate and moves the process towards more prudent and equitable management of extractive industry resources" (Bank Information Center and Global Witness, 2008: 5). Other initiatives looking at the role of CSOs in promoting NRG have focused on the presence of ideal attributes of such as inclusiveness, transparency, independence and accountability. This is the case of a Bank Information Center survey of civil society participation in the EITI (Mainhardt-Gibbs, 2010). This civil society approach has been also expanded to promote government accountability in the forestry sector[3] (Global Witness, 2010). These approaches, geared to strengthening civil society engagement, represent the large share of existing initiatives, a finding that is

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

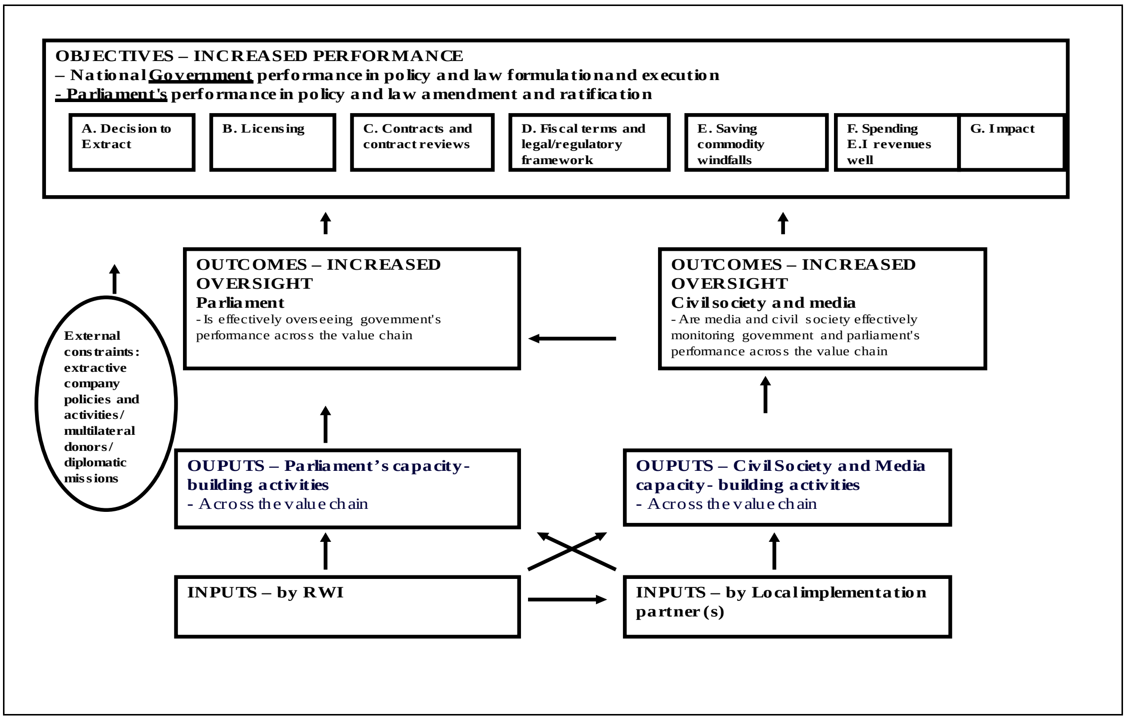
consistent with another study which claims that “the list of programme and policy proposals is biased in favour of ‘demand side’ interventions” such as initiatives that encourage greater citizen involvement and participation to promote transparency and accountability (Darby, 2010: 8).

However, most TAIs fail to address the causal mechanisms (and obstacles) through which development outcomes are likely to materialise (or not). At best, some evidence suggests that TAIs such as EITI are likely to make 'indirect contributions' to good governance outcomes such as a) establishing an emerging standard that is agreed to by domestic governments and corporations, b) providing a policy platform to encourage multi-stakeholder dialogues, c) and creating international networks of civil servants, corporate executives, CSO activists and development practitioners with shared standards and commitment to good NRG (Rainbow Insight, 2009).

### *3.2 Theories of Change*

The remaining challenge is to propose and empirically validate a causal link between project interventions and discernible governance improvements. My critical assessment of 'how impact takes place' finds macro level explanations (focusing on cross-national large-n studies) looking at how the presence of some attributes in each country (greater CSO participation, improved budget transparency) may be associated with better development outcomes (lower perception of corruption, improved Human Development Index indicators). For example, Kolstad and Wiig (2009) argue that CSO actors can have the positive impact of reducing corruption if they also have the necessary education to process information, the motivation and resources to mobilise politically, and act in the context of stable institutions. Along the same lines, Tsalik (2003) offers a useful account of how natural resource funds are likely to contribute to successful results in the context of strong democratic institutions with separation of powers. While these works have shown an important empirical impact of transparency features on outcomes, few of them focus on the causal processes or mechanisms through which change actually takes place, and the necessary pre-conditions for this to happen.

**Figure 1: Proposed Model of Change for Revenue Watch Institute’s Parliamentary Pilot Projects (Revenue Watch Institute, 2008).**




There are very few explicit efforts to map out and understand what theories of change may look like and how they might actually work to produce improved NRG. One such effort is Revenue Watch Institute's 'value chain approach' to understanding NRG (Figure 1), which focuses on the combined role of CSOs, the media and parliaments in promoting transparency and accountability along the different stages of the value chain of extractive industries, including the decision to license, disclosure of contracts, revenue extraction, revenue allocation and quality of spending (Revenue Watch Institute, 2008). The proposed project interventions seek to promote multi-stakeholder country dialogues through specialised workshops, capacity building and knowledge sharing activities, and policy advocacy (lobbying) efforts to improve legislation and other legal provisions. The expectation is that such activities will mount additional pressure on elected politicians to directly respond to accountability demands or to hold governments accountable. The proposed model however does not explicitly explain what the individual motivations are to remain accountable to other stakeholders. Nor does it discuss which institutions are more likely to effectively facilitate an increased oversight in the management of natural resource revenues. These additional factors contributing to effective impact will be discussed in sections below.

## 4 Evidence of Effectiveness and Impact

Evaluating the effectiveness of transparency and accountability initiatives is a critical step to validating the ongoing trend to multiply and strengthen donor efforts to alleviate the resource curse in resource-rich countries. The previous section highlighted that there are few rigorous attempts to show how greater accountability and transparency may lead to improved governance outcomes. Yet it is far more difficult to demonstrate the effectiveness of such impacts.

The most recurrent way to evaluate impact is by conducting expert interviews with critical stakeholders responsible for the implementation of or directly benefiting from TAIs. Key stakeholders include EITI Board members, industry executives, elected and non-elected public officials and members of local and global civil society. Some impact studies using this approach include evaluations of EITI (Rainbow Insight, 2009; Bank Information Center and Global Witness, 2008; Mainhardt-Gibbs, 2010), the PWYP campaign (Van Oranje and Parham, 2009), and the KPCS (Global Witness, 2006). These evaluations tend to provide direct or indirect evidence of the positive effect of TAIs on improved governance outcomes, generally reflected in improvements on governance processes, such as increased participation of stakeholders or greater disclosure of data. One advantage of this direct approach is that stakeholders are the best source to provide qualitative insights into controversial issues and identify whether a programme intervention was successful or not. These evaluations however are not exempt from reproducing judgement biases of the authors or the evaluating organisations that sponsor such studies. A common concern is the problem of 'endogenous assessment' when the effective impact of TAIs is evaluated by commissioned reports requested by donor agencies themselves. Not surprisingly, we find cases a) that show unqualified optimism around the good nature of findings (Eads and Kråkenes, 2010), b) where donor agencies or governments themselves do not enable access to all of their project information (Bank Information Center and Global Witness, 2008), and c) where 'negative' or unexpected lessons do not get disseminated or properly discussed.

A related but systematic format for evaluating impact is the use of questionnaires to assess affected stakeholders or programme beneficiaries (Mainhardt-Gibbs, 2010). A recent assessment of civil society involvement in Liberia uses a similar approach to demonstrate an effective impact of TAIs on governance outcomes (LEITI, 2009). The use of systematic questionnaires is usually expensive and time-consuming, and therefore is not common among the studies surveyed, but the data generated in this form is usually better validated by a greater number of respondents, assuming the surveyed sample is sufficiently representative. Another challenge for systematic evaluation is the difficulty of making inferences about effective impact in the absence of a baseline evaluation, or when the group of survey respondents at the end of the project is different from those identified at the beginning.

Existing evidence of effective impact is also likely to increase as countries are exposed to TAIs for longer periods. In the case of EITI's inception processes, evidence was scant in 2009 when the Rainbow Insight report could not cite any specific country that had undergone a successful EITI validation experience, much less an effective disclosure of natural resource revenues for public use (Rainbow Insight, 2009). By 2011 however, ten countries had become EITI compliant, thus expanding the scope and time period to evaluate the impact of TAIs on observable governance outcomes. Evidence of the impact of TAIs is also limited or inconclusive in cases where territories have not yet benefited from the extraction and transfer of natural resource revenues (Arellano, 2009).

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

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

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

## 5 Factors Contributing to Impact

The surveyed literature documents a multiplicity of factors associated with the effective impact of TAIs. Gaventa and McGee (this volume) have discussed some of the challenges for establishing causality of impact; for that reason, this section discusses impact factors in associational not causal terms, unless explicitly stated. Some of the impact factors discussed relate to specific policy interventions or the adoption of institutional reforms, others to individual knowledge and motivations, and others to pre-existing institutional or structural constraints that go beyond the scope of transparency and accountability project interventions.

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

More recently, Williams (2011) has documented the positive effect of transparency (measured as a country's willingness to release information on fiscal transactions) on alleviating resource curse problems. While the longstanding relationship between resource abundance and reduced economic growth has been confirmed, Williams argues that it is the lack of transparency, rather than abundant resource revenues *per se*, that may explain delayed economic growth. Others have documented the association between increased government transparency and improved human development indicators (de Renzio et al., 2009).

An often cited factor contributing to improved NRG refers to active citizen engagement in the design and implementation of TAIs. Yet, existing evidence and indicators of stakeholder engagement or improved knowledge usually – but not necessarily - map onto effective accountability. In its evaluation of EITI's impact on the transparency of natural resource revenues, Rainbow Insight reported the EITI process as an example of a success story, a multi-stakeholder initiative in which transparency issues could be openly discussed. It was argued that the introduction of EITI has had a major impact on the capacity of the public to analyse fiscal policy in many countries where natural resource revenues were previously classified as "state secrets" and were placed "off-budget" (Rainbow Insight, 2009: 4).

While increased public debate is cited as a sign of success, there are other associated factors that could undermine success of TAIs, such as the lack of stakeholder leadership, the exclusion of key social actors, or pre-existing institutional constraints such as weak accountability and oversight institutions. An assessment of the Liberian EITI validation process confirmed that, although it promoted the effective engagement of multiple stakeholders, “the ability of civil society to fully engage in the initiative, and fulfill the accountability goal of LEITI in the future, remains contingent on the capacity, funding and technical ability of civil society groups available to support the response of Liberian citizens to LEITI reports” (Oxford Policy Management, 2009: 11). In particular, the report highlights that civil society groups could effectively advocate or facilitate feedback on behalf of rural communities most affected by the extractive industry, but this task was made difficult by the absence of sufficient channels for communication or alternative, institutional mechanisms for influencing policy.

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

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

## 6 Remaining Knowledge Gaps

This review has illustrated four different knowledge gaps for evaluating the effective impact of TAIs for improved NRG. The first gap has to do with the need to improve data collection, reporting and analysis to avoid inevitable judgment biases and unrepresentative opinions. There is a growing set of studies and data collection efforts to produce reliable, up-to-date and user-friendly datasets. These efforts deserve greater attention and increased donor support. In the case of EITI, Rainbow Insight has advocated the construction and maintenance of Key Performance Indicators that would link specific project interventions with outcome variables. The adoption of these benchmarks was suggested to the EITI Board and Secretariat by a 2009 impact and evaluation study (Rainbow Insight, 2009). According to Rainbow Insight, these indicators should cover both organisational and marketing aspects of the EITI. The first group should include the operational aspects (such as measures like gender and country balance of staff-members and training hours), while the second should include aspects related to implementation (such as country attrition and EITI validation delays). As discussed above, the Revenue Watch Institute has made a valuable effort to measure and compare to what extent governments in 41 countries make available information about payments they receive for the exploitation of oil, gas and minerals with its Revenue Watch Index (RWI/TI, 2010). This composite index is a useful comparative tool to inform the design of future TAIs, as well as to advance scholarly research on the links between transparency and development outcomes over time.

Systematic efforts for in-country data collection, both at the national and sub-national level, also deserve greater attention. Although the method of collecting systematic questionnaires from key stakeholders or beneficiary populations is expensive, time consuming and technically demanding, it is perhaps the most effective way to generate detailed and valid data on causal processes, document impacts and areas for improvement.

It is also important to collect this type of qualitative data for baseline and different points in time with the purpose of evaluating change over time.

A second knowledge gap is the need to shift the focus away from revenue generation and begin to focus on the allocation and use of government expenditures that come from natural resource wealth. Existing TAIs such as EITI could focus more concretely on the delivery and quality of social outcomes such as health, education or even the allocation of cash transfers. In the words of Rainbow Insight, “the aim of the EITI is to ensure that citizens can reconcile what comes into their economy (the revenue side) with government accounts (the expenditure side), so that both industry and the state become more accountable to those who should ultimately benefit from the nation’s resource endowment” (Rainbow Insight, 2009: 3). Important advances could be made in this regard by a direct linkage between natural resource and budget transparency. The International Budget Partnership has made some progress in this regard by producing specialised reports of budget monitoring of the extractive industry (Heuty and Carlitz, 2009).

A third gap relates to the need to explore in greater detail the importance of incentives and sanctions for ensuring effective impact of TAIs. This review has found very vague or implicit references to the question of what happens when government officials refuse to be accountable for their actions vis-à-vis the citizenry. Existing governance schemes offer different answers to this question. At the more open-ended side, the KPCS advocates for voluntary membership without enforcing any kind of reprimand to those governments that face significant implementation failures (Global Witness, 2006). At the stricter end, initiatives like PWYP establish several layers of sanctioning mechanisms that range from domestic sanctions imposed by citizens, to informal industry sanctions (peer mechanisms), to donor conditionality and the challenge of individual investors and fund managers who demand greater transparency in order to invest. In the future, it would be useful to assess the comparative value of private sector initiatives to advance transparency and accountability efforts such as the ICMM which ensures member compliance through a rigorous review process which takes into account business information and past compliance with established ICMM standards. In this sense, private sector initiatives may help inform the design of appropriate institutional and reputational sanctions that make non-compliance more costly for governments.

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

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