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

Short Version

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## SUMMARY

The study seeks to measure the effectiveness and impact of the Extractive Industries Transparency Initiative (EITI), both at the national level as well as globally. It finds that while there is plenty of evidence of activities, processes and outputs around the EITI, measuring outcomes and impacts is weak. There is no systematic monitoring and evaluation (M&E) framework in place. Supporting evidence for EITI's impact is largely anecdotal or based on perceptions of stakeholders belonging to an 'in group' of people already engaged with EITI implementation. By pursuing (or allowing) a broad, non-measurable approach and by focusing on interventions without clearly established results model and baselines to measure progress, a number of risks have evolved.

The first of these risks is that the political will to sustain EITI in implementing countries might falter in the absence of better evidence of positive impacts. The second risk is that important countries – the BRICS countries (Brazil, Russia, India, China and the Republic of South Africa) and major oil exporters – will continue to stay outside of the Initiative in the absence of more tangible benefits. Finally, there is a risk that EITI's supporting countries, international donors, investors and civil society groups, may reallocate focus and funding from EITI to areas where they feel there are more easily or robustly proven impacts.

Based on 25 conclusions the study goes on to make eight recommendations as to how this could be remedied. In particular it presents a results model which could be used to introduce a comprehensive M&E framework in EITI countries, and in turn assist the EITI International to establish its M&E as a global standard system in cooperation with international partners.

The study was mandated by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and carried out by an external consulting team from late-2015 until mid-2016. This report is the summary of the long version, which is available for download (in English) [here](#).

## THE ROLE OF THE GERMAN GOVERNMENT

The German Government has long been a supporter of the EITI. It considers the Initiative as an anchor point for engaging with partners around the world to strengthen good governance in the extractives sector. In the past decade this support has included more than EUR 26 million supporting more than 20 national EITI-processes through bilateral and regional cooperation. Training has been provided for more than 500 change agents from 44 countries. At the international level, support has been provided to the International Secretariat, as well as through supporting the activities of the first EITI Chair Peter Eigen (2006-11). At the multilateral level, support has been provided through the World Bank managed EITI Multi-Donor Trust Fund (MDTF – until 2015) as well as the subsequent Extractives Global Programmatic Support (EGPS – from 2016 onwards).

## STUDY METHODOLOGY

The study looked at the effects of the EITI through a combination of methods:

- ▶ A literature review was carried out and identified four EITI results areas: improving fiscal transparency, public debate, anti-corruption and trade and investment climate. It is possible to glean information from primary documents from within the EITI (e.g. evaluation reports, EITI Board papers and circulars, national work plans and validation reports).
- ▶ A global statistical analysis sought to establish proof of quantitative impacts. Data covering 98 countries (i.e. both EITI implementers and non-implementers) was modelled across the period of 2000-2015. This wide time range enabled the report to look at data across different stages – i.e. before a country joined EITI; the point at which it became an EITI candidate country; and the point at which it became EITI compliant. All-in-all 1569 data points were included in the analysis.
- ▶ Two country case studies of impacts and monitoring and evaluation frameworks were conducted with the national multi-stakeholder groups in the Democratic Republic of Congo and Mozambique.
- ▶ Interviews, workshops and focus group discussions were carried out with more than 50 resource persons.
- ▶ An online survey captured perceptions of impact.

Full details of the project's methodology can be found in the long version of this report (Chapter 3, pp. 21-30).

## ABOUT THE INITIATIVE

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

The EITI describes itself as “a standard by which information on the oil, gas and mining industry is published. The EITI is not a prescription for governance of the sector, rather a tool that informs the way the sector is governed”. Crucial to EITI’s endurance is the fact that it is multi-dimensional, operating through mechanisms at the international, national and local levels. At the international level the EITI is now supported by a broad and impressive array of governments, investors, companies and civil society groups. In the context of the Sustainable Development Goals EITI plausibly contributes SDG 17 “Partnerships for the Goals – Strengthen the means of implementation and revitalize the global partnership for sustainable development”.

If its actual effectiveness is to be judged merely in relation to institutional and organizational objectives, then the fact that EITI has evolved from nothing to 50 plus countries within a decade is evidence of, at a minimum, a highly effective international process. This contribution is significant and should not be lost sight of: EITI is able to contribute to debates on the governance of extractive industries in many countries where such debates were simply not possible a decade ago. Against this accomplishment, however, some important countries are still absent from the Initiative – none of the BRICS have joined, and only two (Iraq and Nigeria) of the world’s top ten oil exporters are members.

National secretariats and multi-stakeholder groups exist in all implementing countries and have been responsible for producing numerous and extensive reports on extractives industry regimes, revenues, allocations and expenditures.

EITI also works at the local and community level by capturing information about payments by companies at this level, as well taxes and royalties that are redistributed from central government to local government.

One of the important features of the EITI is that its policy has evolved significantly over time as trust has grown between stakeholders and demands for greater disclosure have risen – the EITI of 2016 is very different than the EITI of 2003. The most recent significant shift in core EITI policy came with the adoption of the ‘EITI Standard’ in 2013 which added requirements related to disclosing all aspects of the legislative and fiscal regime, as well as licenses and contracts. Importantly, for this study, it also (as part of Requirement 7) mandated greater efforts around translating EITI implementation into impacts, including strengthened requirements around monitoring and evaluation. Because of the switch to the Standard has only been made recently, this report finds that it is still too early to identify a substantial body of quantitative or qualitative evidence around the impact of the EITI Standard.

In addition to its evolution at the international level, at the national level EITI is characterized by strong cooperation and process orientation – it has a demand-driven and flexible approach that allows it to adjust according to the needs of the respective implementing country. The adaptability of the EITI is important as it means that it is able to adapt when rare windows of opportunity for change emerge.

EITI reports have contributed to identifying risks and weaknesses of extractives regulatory and fiscal regimes. They serve as a diagnostic tool for all stakeholders and can be a useful starting place for reform. EITI helps governments to understand their options for improving governance; it informs companies and investors about risks; it helps donors to design and steer projects; and it helps civil society to discuss key political issues openly or even overcome political taboos safely.

FIGURE 1: THE EITI VALUE CHAIN



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

## COUNTRY CASE STUDIES

The first country case study considered by this research is that of the Democratic Republic of the Congo (DRC) (Chapter 7 of the long version, pp. 59-71), a country that is often referred to as a “failing state” and where civil and political rights are severely constrained. It is also a country with a long history of resource extraction. The DRC government began working towards EITI implementation in 2005. After the publication of the 2007 EITI Report, DRC was found to be close to compliant status at the end of 2010. After two Validation reports, a brief suspension and a Secretariat Review in early 2014, the DRC was designated an EITI Compliant Country in July 2014. DRC’s EITI process has now produced reports for the period 2007-2014, with the 2015 Report currently in progress.

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

It is clear that the DRC government now has a much better understanding of mineral revenue flows as a result of EITI. The government knows which companies have paid what and to which department, fiscal transparency is improved. Before the implementation of EITI this area of government administration was widely considered to be ‘disastrous’ by government and companies alike.

A watershed moment for the EITI process in Congo occurred in the publication of the 2010 EITI Report in which an USD 88 million sum was unaccounted for. EITI challenges the country’s institutions and makes them competent to deal with a wide range of societal stakeholders and their requests for transparency. Several years ago, “it would have been impossible to think that the DRC would publish beneficial information”, quipped one interviewee. In other areas, however, the impact is less clear – statistical information regarding the level of informed public debate is virtually non-existent, and the impact of the EITI on the country’s trade and investment climate is also unclear.

The study also found that there is no systematic M&E framework in place, and meaningful statistics related to the impact of EITI implementation are virtually non-existent, despite a 2014 evaluation of the EITI process. However, anecdotal evidence from major players in the government, the private and civil society sector all point to positive

movement. Compared to the situation one decade ago, the trajectory is tending upwards, but its degree is unclear.

The second country case study was on Mozambique (Chapter 8 of the long version, pp. 73-83), which is assessed as a “highly defective democracy” (BTI 2016 among others), and in terms of political rights and civil liberties the country is ‘partly free’ (Freedom House 2016: 22), with a declining trend. This context needs to be taken into account to reflect on the prospects of the EITI to reach impact level results.

The production of six EITI reports since 2011 has implicitly strengthened government systems over time. The production of the reports has led to better data systems as the reports have pointed to inconsistencies in data collected from the mining cadaster and the General Taxation Directorate (DGI) as well as to incomplete information, which initially prevented adequate reconciliation of revenues.

Significant information about revenues collected from the extractive industries has been made available to the public and the M-EITI reports have become a reliable source of information for government agencies in their day-to-day work. The reports have also informed the work of civil society groups looking at the distribution of revenues assigned to selected districts. A national civil society platform consisting of some 40 organizations has been created and has been vocal in pushing M-EITI to focus more on promoting the efficient management of resources and enhancing public dialogue around the extractive industries. Similar to the in the DRC, however, no evidence has been detected by this study on the level of corruption in the extractive sectors as a result of EITI implementation in Mozambique, nor is there evidence for any impact on the investment climate.

Again, however, the study found that no results model or monitoring and evaluation framework had previously been developed for the M-EITI process to formally take stock of progress over time. The effects of the M-EITI are monitored on the activity and output level. While impacts in the areas of fiscal transparency and public debate are plausible, they are only supported by qualitative data and perceptions.

## THE CURRENT STATE OF EVALUATION

When it comes to monitoring and evaluation, the ‘evolutionary’ policy approach of EITI poses a critical challenge to evaluating its actual impact – how do you monitor a moving target? By way of example, 31 countries that are currently listed as being ‘compliant’ with EITI, are assessed as such against the 2011 EITI rules rather than the much more comprehensive 2013 Standard. Approximately only half of the countries implementing the EITI have produced reports under the 2013 Standard, with validations against the Standard still relatively scarce.

One of the findings of the report is that while what it means to ‘do EITI’ is in a state of constant evolution, the model of governance at the international level – the way in which the Board and Secretariat are constituted and operate – have actually been very stable. This should make monitoring and evaluation of effects much easier, albeit it is important to accept that the consensus-based decision making model that is built into EITI does at times eclipse decision-making based on actual evidence.

Despite this stability of governance, there is a notable absence of an overall strategic approach based on a theory of change with a log frame that can be monitored and which could have been the backbone for evaluating effectiveness and impact of the EITI. This absence is by some stakeholders to be expected – as noted above, EITI policy has evolved numerous times and this makes tracking impacts particularly difficult. Staff at the International Secretariat have themselves recognized this when they noted that EITI is at times the “incremental pursuit of ambition” with outcomes in this field as “unpredictable, intangible, non-attributable and long term” (Rich/Moberg 2015).

That said, none of the officially mandated evaluations and reviews of EITI have served the purpose of producing longitudinal baseline data. In that respect, EITI has not used its resources meaningfully to conduct research into its own impact.

Establishing such M&E frameworks would admittedly come with challenges. EITI programs do not operate in a vacuum – stakeholders have multiple and overlapping engagements which means that it can be difficult to distinguish the results of the EITI as such from the results of regular government or corporate processes (e.g. EU and US regulations, external and internal audits, reporting of stock-exchange listed companies) or in other initiatives (e.g. Open Government Partnership, the Global Reporting Initiative); or stakeholders and initiatives that are not directly related to the EITI (e.g. the Kimberley Process, the Equator Principles), which lead to similar outcomes (e.g. informed public debate or anti-corruption). There are multitudes of reforms that

are taking place in the extractive sector governance in EITI countries that cannot be isolated from the interventions of the EITI, but which can be in part attributed to the EITI. The EITI is most durable in countries where it is mainstreamed into existing sector governance processes.

Even in the absence of systematic M&E and given the highly variable national-level M&E (based on Standard’s Requirement 7), there is still a high level of confidence amongst EITI stakeholders that it is having a positive impact. These same stakeholders have even higher levels of confidence that EITI will have a positive impact in the future, according to an open online survey conducted by the study.

The study finds, however, that much of this confidence in perceived impact comes from within what might be considered a ‘transparency club’ of those directly involved in EITI at the global level, or in national level secretariats and multi-stakeholder groups. In short – those working on EITI have confidence in its likely impact, often in the absence of measurable impacts. Because of this, one of the key recommendations of this report is that it is important to transcend the ‘transparency club’ of the International Board, national-level MSGs and Secretariats. In reaching out to stakeholders and target groups that are not directly involved in administering or governing the EITI, a more accurate and credible picture of impacts is likely to emerge.

One of the reasons for this lack of evaluation comes from the fact that EITI is often being delivered in contexts of weak governance statistical and monitoring capacities are weak. Actual impact will take a long time to get to the point at which it can be easily and systematically measured in existing data-sets of stakeholders or third parties. Because of this, one of the report’s recommendations is that EITI (nationally and globally) should focus on developing consistent measures of perception that can be tracked over time. The survey method of this study could be adapted for that purpose (Annex III of the long version, pp. 110-120).

## IMPACTS IDENTIFIED BY THE STUDY

First and foremost, the obvious effect is that stakeholders are coming together under the umbrella of the EITI within stakeholder groups (e.g. ministries and government departments start or improve coordination) and across stakeholder groups (e.g. NGOs reach out with specific concerns to companies and get institutionalized feedback). In the course of the study, anecdotal evidence was found linking EITI implementation and improvements in the areas of fiscal transparency and public debate. There is, however, much more limited evidence when it comes to impacts in the area

of anti-corruption. There is also some methodologically robust, albeit rather outdated evidence, regarding the contribution of EITI to the improvement of the environment for foreign direct investments (FDI).

Much of the current information about the impacts of the EITI is limited to the measurement of perceptions. This is born out across the study – in the literature reviews, stakeholder interviews, statistical analysis of macro data, online survey, and country case studies.

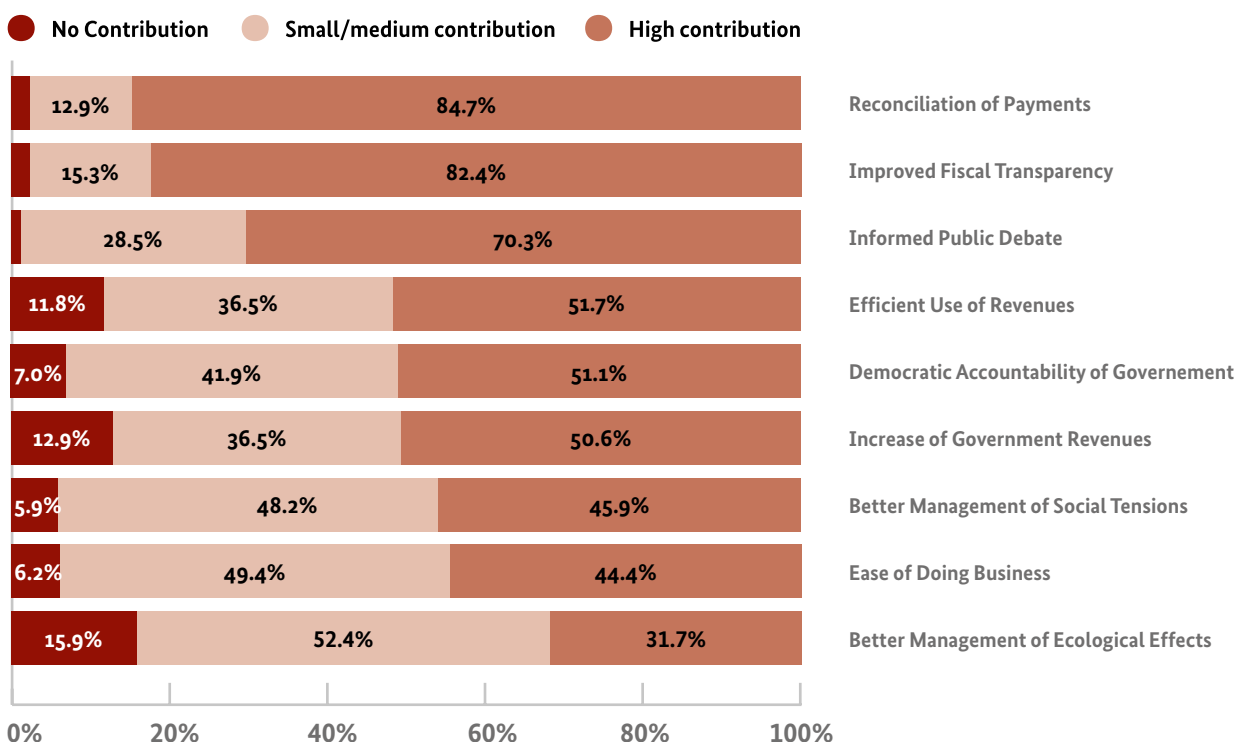
The EITI is perceived to be of high relevance for public management by more than 70% of the stakeholders (governments, companies, and civil society organizations) surveyed for this study, both at the global as well as national levels. There is also high confidence of positive impacts in the future – over 80 % of stakeholders see a positive contribution to all results areas under review of this study (fiscal transparency, public debate, anti-corruption, trade and investment climate). For the future, stakeholders’ expect the EITI to highly contribute to ‘efficient use of revenues’, where expectations show a 32% increase from 20% (today) to 52% (future). The areas of ‘better management of ecological effects’, ‘better management of social tensions’, ‘fiscal transparency’ and ‘Ease of Doing Business’ are all above a 20% increase (See Figure 2: Future Expectations of Impacts and Chapter 7 of the long version, pp. 55-58).

Statistical analysis of macro data of EITI countries in a panel of 98 countries suggests that EITI could have a positive effect on two variables tested – ‘Net Foreign Direct Investment (FDI) inflow’ and the ‘time to prepare and pay taxes’. However, these findings are very indicative. The complex intervention logic of the Initiative aims to establish effects on a systemic policy level, which is influenced by a multitude of factors (Chapter 6 of the long version, pp. 51-54).

The study also looked at whether EITI is likely to have more or less success in particular types of countries. It finds that EITI has less impact at both ends of the development spectrum – in free and democratic as well as in non-free and autocratic countries people experience less impact of EITI. The prospects for impact appear to be highest for the countries in-between. These are the countries where there is sufficient capacity to implement EITI, as well as enough ‘civic space’ for stakeholders to participate in the Initiative, but where EITI is able to deliver a marked improvement in governance rather than sit on top of systems that are already relatively transparent and well-functioning such as those found in OECD countries implementing the Initiative.

In considering the crucial issue of getting from “reports to results”, the study could not identify robust methodology in the Validation process as established in 2016 that would consistently detect whether there is freedom in countries

**FIGURE 2: FUTURE EXPECTATIONS OF IMPACTS**



Source: Long version of the study, p. 14.

to debate the outputs of the EITI. In the Validation reports of the past, there has been very little consideration of this, despite it being a part of the 2011 Rules. The “custodians” of the Standard, the EITI Board and International Secretariat, can only guarantee the production and assurance of the requirements under the EITI Standard, which is done through the validation process. Unless the Board integrates items into the standardized EITI validation methodology and/or the Secretariat includes those in the guidance notes which interpret the requirements, there is a risk under the current validation methodology that countries can avoid meaningful debate of EITI outputs and in doing so they are able to delink increased transparency from increased accountability.

## A MODEL FOR EITI EVALUATION

Based on the above findings of the study, there is a clear need for a much greater focus on the measurability of outcomes and impact of the EITI. That said, given the broad range of objectives and institutional solutions observed, this study found it not feasible to develop a single overarching indicator for EITI-induced systemic sector development or ‘transparency and accountability metrics’ that cover the diverse set of 50 plus country cases. However, without a timely introduction of monitoring and evaluation frameworks, the effectiveness and impact of the Initiative cannot be adequately assessed in future. Requirement 7 of the EITI Standard mandates such M&E on national level, though adequate guidance on how implementing countries should meet this requirement has yet to be issued and EITI’s methodology of 2016 to check country compliance against the Standard (“Validation”) is soft in respect of Requirement 7. Validations would need to have a consistent evaluatory component in order to be in the position to assess impacts.

It seems possible to facilitate the introduction of a comprehensive M&E system that reaches above output level through the provision of a generic results model (see Figure 3) that, complemented with adequate guidance and adjustments to the validation methodology, could capture the information necessary to evaluate impact. By establishing adequate M&E systems at the national level it should in turn be possible to carry out some sort of ‘supra-national’ validation and assist the EITI International to establish its M&E as a global standard system in cooperation with international partners. An important side benefit of such a reform would be to re-affirm EITI as a bottom-up country-driven Initiative, rather than a top-down globally driven organization.

At the center of the proposed results model at outcome level sit the four areas of potential effects which were considered by the study – fiscal transparency, public debate, anti-corruption and trade and investment climate. Developing M&E systems that are able to translate activities and outputs (which are mostly well documented in EITI documents) into these four areas is crucial to addressing the principle risks the EITI is facing today. The first risk affects sustainability: The political will to sustain EITI in implementing countries might falter in the absence of better evidence of measurable effects at outcome and impact level. Linked to this aspect is the second risk with a view to outreach: Important countries – the BRICS countries and major oil exporters – could continue to stay outside of the Initiative. Eventually, the supporting countries, international donors, investors and civil society groups may reallocate funding from EITI to areas where they feel there are more easily or robustly proven impacts.

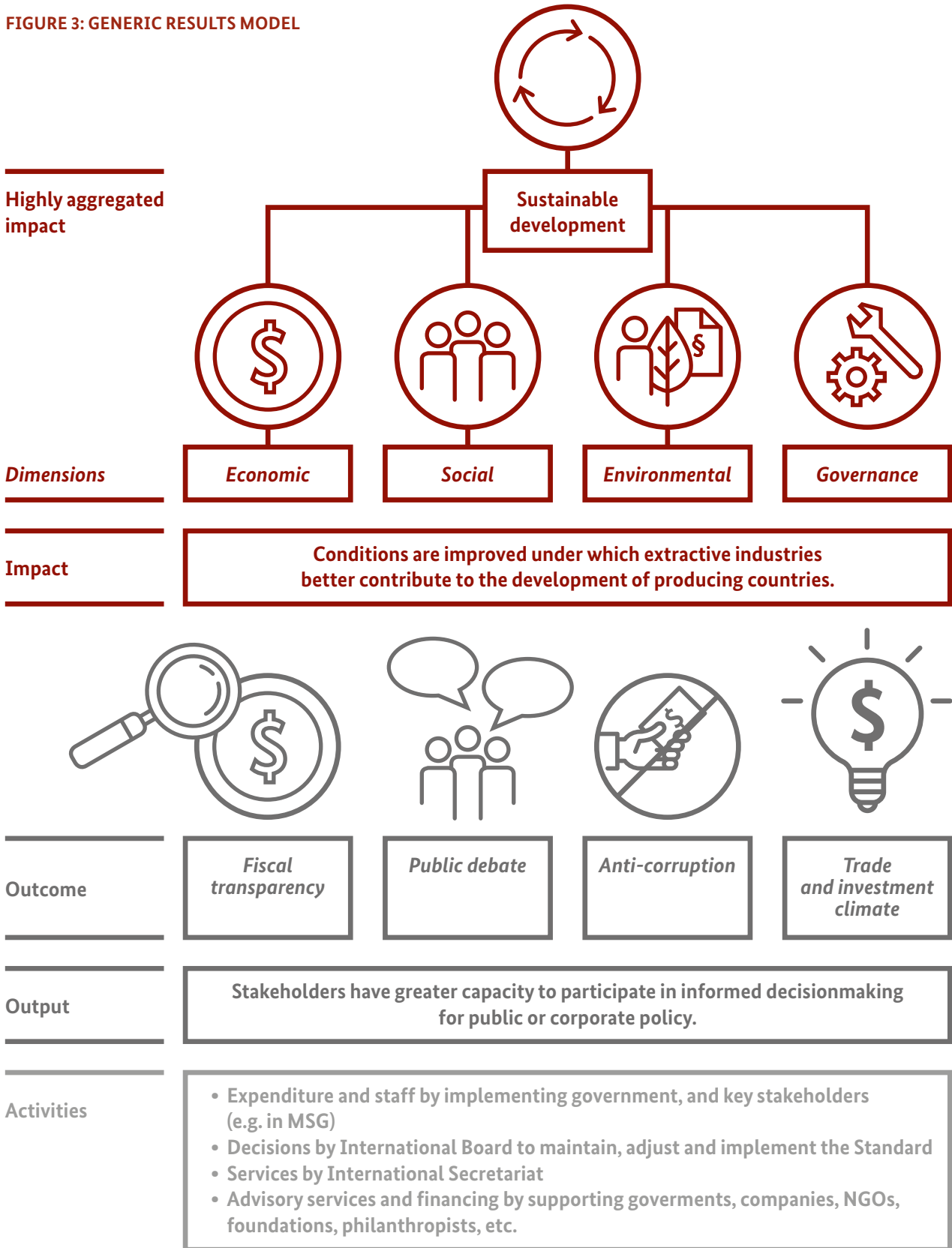
The study confirmed that there is clear commitment at all levels to make transparency more meaningful for the target groups. Indeed, this topic sits at the heart of the 2016 EITI Progress Report – From Reports to Results. It has been widely ascertained by stakeholders that more of the same – publishing reports that remain largely unread by the target audience in some countries – does not lead to better results and can at a certain point be an impediment to impact and sustainability.

Based on 25 conclusions the study goes on to make eight recommendations as to how this could be remedied (Chapters 10 and 11 of the long version, pp. 85-94).

## ABOUT THE AUTHORS

The study was mandated by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) and has been conducted by an external consulting team from 01/12/2015 until 31/08/2016. Lutz Neumann is the lead author and project coordinator of the overall study. Dr Stefan Silvestrini led the work on research approaches and methodology. Country case studies in the Democratic Republic of Congo and Mozambique were carried out by Richard Dion, Tove Strauss and Hilda Harnack. The work was peer reviewed by Sefton Darby, Dr. Christian van Haldenwang, and Nikolaus Roloff; members of the international Sounding Board of the study consisting of representatives across all EITI constituencies and more than 50 resource persons provided comments.

FIGURE 3: GENERIC RESULTS MODEL



Source: Long version of the study, p. 37.



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### Registered offices

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

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### Text

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

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