GPR

MULTI-DONOR TRUST FUND FOR THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

IEG
Independent Evaluation Group

GLOBAL PROGRAM REVIEW

Volume 5 Issue 1

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Global Program Review

Multi-Donor Trust Fund for the Extractive Industries Transparency Initiative

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IEG Mission: Improving Development Results Through Excellence in Evaluation

The Independent Evaluation Group (IEG) of the World Bank reviews global and regional partnership programs (GRPPs) in which the Bank is engaged as one partner among many for two main purposes: (a) to provide accountability in the achievement of the program's objectives by providing an independent opinion of the program's effectiveness, and (b) to identify and disseminate lessons learned from the experience of individual GRPPs. The preparation of a global or regional program review (GPR) is contingent on a recently completed evaluation of the program, typically commissioned by the governing body of the program.

The first purpose above includes validating the findings of the GRPP evaluation with respect to the effectiveness of the program, and assessing the Bank's performance as a partner in the program. The second purpose includes assessing the independence and quality of the GRPP evaluation itself and drawing implications for the Bank's continued involvement in the program. Assessing the quality of GRPP evaluations is an important aspect of GPRs, since encouraging high quality evaluation methodology and practice more uniformly across Bank-supported GRPPs is one of the reasons why IEG embarked on this new product in 2005.

IEG annually reviews a number of GRPPs in which the Bank is a partner. In selecting programs for review, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming sector studies; those for which the Executive Directors or Bank management have requested reviews; and those that are likely to generate important lessons. IEG also aims for a representative distribution of GPRs across sectors in each fiscal year.

A GPR is a "review" and not a full-fledged "evaluation." It assesses the independence and quality of the relevant evaluation; provides a second opinion on the effectiveness of the program; assesses the performance of the Bank as a partner in the program; and draws lessons for the Bank's engagement in global and regional programs. The GPR does not formally rate the various attributes of the program.

A GPR seeks to add value to the program and to the World Bank beyond what is contained in the external evaluation, while also drawing upon IEG's experience in reviewing a growing number of programs. It reports on key program developments since the evaluation was completed, including the progress in implementing the recommendations of the evaluation.

A GPR involves a desk review of key documents, consultations with key stakeholders, and a mission to the program management unit (secretariat) of the program if this is located outside the World Bank or Washington, DC. Key stakeholders include the Bank's representative on the governing body of the program, the Bank's task team leader (if separate from the Bank's representative), the program chair, the head of the secretariat, other program partners (at the governance and implementing levels), and other Bank operational staff involved with the program. The writer of a GPR may also consult with the person(s) who conducted the evaluation of the GRPP.

Each GPR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the GPR is reviewed by the responsible Bank department and the secretariat of the program. Comments received are taken into account in finalizing the document, and the formal management response from the program is attached as an annex to the final report. After the document has been distributed to the Bank's Board of Executive Directors, it is disclosed to the public on IEG's external Web site.

Abbreviations and Acronyms

ACS	Activity Completion Summary
CAS	Country Assistance Strategy
CASM	Communities, Artisanal and Small-Scale Mining Program
CODE	Committee on Development Effectiveness (World Bank)
COPCO	Former name of SEGOM, the Oil, Gas and Mining Policy Division
CPI	Corruption Perceptions Index
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CSO	Civil Society Organization
DFID	Department for International Development (of the Government of the United Kingdom)
DGF	Development Grand Facility (of the World Bank Group)
EI	Extractive Industries
GGFR	Global Gas Flaring Reduction Initiative
GPR	Global Program Review
GRM	Grant Reporting and Monitoring
HIPC	Highly Indebted Poor Countries
IAASTD	International Assessment of Agricultural Knowledge, Science, and Technology for Development
IAG	International Advisory Group (of the EITI)
IDA	International Development Association
IEG	Independent Evaluation Group (World Bank)
KPI	Key Performance Indicator
MC	Management Committee (of the MDTF)
MDTF	Multi-Donor Trust Fund
MOU	Memorandum of Understanding
MSG	Multi-stakeholder Group
PWYP	Publish What You Pay
REG	Recipient Executed Grant
SEGOM	Oil, Gas and Mining Policy Division (formerly known as COPCO)
SMMRP	Sustainable Management of Mineral Resources Project TI Transparency International
TA	Technical assistance
WBG	World Bank Group

Fiscal Year of Program

July 1 – June 30

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Contents

Boxes

Figures

Tables

Annexes

Preface

This is the Global Program Review (GPR) of the Multi-Donor Trust Fund (MDTF) for the Extractive Industries Transparency Initiative (EITI). The EITI was launched in 2002 at the World Summit on Sustainable Development in Johannesburg, as a multi-stakeholder initiative to encourage governments, companies involved in extractive industries, international organizations, CSOs and others to work together voluntarily to develop a framework to promote transparency of payments and revenues. The initiative was grounded in a shared belief that the EITI could help address the paradox that two thirds of the world's poorest people live in countries that are rich in natural resources, i.e., the "resource curse."

The World Bank endorsed the EITI and established the Multi-Donor Trust Fund (MDTF) for EITI in 2004 as a global partnership to harness donor resources to develop and broaden the EITI process. The objective of the MDTF-EITI was to increase transparency of payments made by industry and revenue received by host governments from oil, gas and mining production, with the underlying rationale was that it would help reduce poverty in resource-dependent countries by addressing the resource curse.

In 2006, the EITI's governance structure was formally established. The EITI Board was created with responsibility for the overall development, strategic direction, outreach and advocacy of EITI, as well as the validation process of the EITI implementing countries. The EITI Board reports to a bi-annual EITI Conference and is supported by a small EITI Secretariat located in Oslo. The WBG is not represented on the EITI Board, but is invited to its meetings as an observer. A Memorandum of Understanding (MOU) between the EITI and the MDTF explains that the EITI is a separate legal entity, of which the MDTF is not a part. The MDTF will take note of decisions made by the EITI Board and Secretariat, while retaining full autonomy regarding its work program and allocation of resources.

Overall, as stated in the MOU, the MDTF work program is expected to be the principal source of implementation support for countries seeking to follow EITI Principles and Criteria. The EITI Secretariat is expected to be responsible for country interactions specifically related to EITI validation. Within this dual governance framework, the WBG plays an essential role as the chair and administrator of the MDTF and a supporting organization of the EITI.

The MDTF provides funds for EITI country work programs, and global knowledge and learning support activities. The country work programs are designed to help resource-dependent countries meet EITI validation criteria, from sign up through the preparation, disclosure, and dissemination of EITI reports. The global knowledge and learning activities supported by the MDTF-EITI include publications, global and regional capacity building workshops, and conferences.

The World Bank, as administrator of the MDTF-EITI, commissioned an external evaluation that was completed in May 2009. This GPR assesses the quality and independence of the external evaluation. In addition, it provides a second opinion on the effectiveness of the

MDTF-EITI's work, assesses the performance of the World Bank in its management and support of the program, and draws some lessons and implications for its future engagement. It covers the period from FY05–10, which corresponds to the First Phase of the MDTF-EITI.

This review follows the IEG's Evaluation Framework for Global Program Reviews (Annex A). It is based on a desk review of the 2009 external evaluation report as well as relevant MDTF and EITI documents (progress reports, results frameworks, internal documents, etc.), publications and Web site. In addition, IEG independently obtained opinions and views on MDTF-EITI and its activities by interviewing selected members of the MDTF's Management Committee and the EITI Board, the external evaluation team, and staff of the EITI Secretariat and the World Bank knowledgeable about the program. The World Bank's internal financial database was used to collect information on the Bank's support to the program. Finally, relevant external publications were also reviewed.

IEG gratefully acknowledges all those who made their time available for interviews and provided useful information and insights that made this review possible. It wishes to especially acknowledge the availability of MDTF and EITI staff and their cooperation in providing all necessary information and documents. Throughout the process of this review, they showed a keen interest in learning ways of improving MDTF-EITI's approach and activities.

The draft GPR has been peer-reviewed by Jon Shields (external) and Navin Girishankar (internal).

Following IEG's normal procedures, copies of the draft GPR were sent to SEGOM and other World Bank units that have responsibility for the Bank's involvement with global programs as well as for the World Bank's operational activities for supporting the EITI. Their comments have been taken into account in finalizing the GPR. The formal response received from WBG management is attached in Annex I.

Program at a Glance: Multi-Donor Trust Fund for the Extractive Industries Transparency Initiative (MDTF-EITI)

Start date	EITI: London Conference, June 2003; MDTF: Administration Agreement between the UK Government and World Bank, August 2004
Mission/goal	The EITI was launched with a mission from the G-8 of "improving governance and fighting corruption" in resource-dependent developing countries. In the 2007 results framework of the MDTF-EITI these goals were specified as: • Better accountability and improved social compact with citizens on resource revenues and use for common benefit; • Better investment climate for extractive industries sector; • Platform for governance and public financial management — beyond EITI; and • Improved management of EI resources (leading to economic growth and poverty reduction).
Objectives	The objective of the EITI is to increase transparency over payments and revenues in the extractive industries in countries heavily dependent on these resources. The objective of the MDTF-EITI is to provide financial support to countries seeking to implement, or considering implementation of, the EITI Principles and Criteria and to generally improve extractive industries governance and transparency through regional and global activities.
Major activities of MDTF-EITI	(a) Financing technical assistance in support of national-level policy and institutional reform, and capacity strengthening and training, to help resource-rich countries meet EITI validation criteria, from sign up through the preparation, disclosure, and dissemination stages; and (b) Generating and disseminating information and knowledge, including EITI-related publications, global and regional capacity building workshops, and conferences.
WBG contributions	Development Grant Facility (DGF) grants of \$1.1 million, and \$5.3 million of budgetary support (as of June 30, 2010).
Other donor contributions	\$30.8 million from 12 donor countries and the European Commission (as of June 30, 2010).
Location	The MDTF-EITI is administered by the World Bank's Oil, Gas and Mining Policy Division (SEGOM) in Washington, DC. The EITI Secretariat is located in Oslo.
Web sites	EITI: http://eiti.org MDTF-EITI: http://eiti.org/about/mdtf

Governance and management	The EITI is a multi-stakeholder partnership at both the global and country levels, where the participation of governments, extractive companies and civil society is mandatory, with donors in a supporting role. Its activities are overseen by the EITI Board at the global level and EITI Committees in each implementing country. The EITI Board is elected by and responds to a bi-annual EITI Conference and is supported in its work by the EITI Secretariat. The MDTF-EITI is administered by WBG/SEGOM and overseen by a Management Committee chaired by the WBG and consisting of representatives of donor governments. A Memorandum of Understanding (MOU) governs the relationship between the EITI and the MDTF-EITI and states that “both parties have a common objective of cooperating to carry out activities conducive to achieving the EITI Principles and Criteria.”
Latest program-level evaluation	Michael Jordan, *Evaluation of EITI Multi-Donor Trust Fund*. World Bank, Washington, March 15, 2009 (unpublished document)

Key Bank Staff Responsible during Period under Review

Position	***Person***	***Period***
Global Program Manager/Task Team Leader	Charles P. McPherson and Michael Levitzky John Strongman Anwar Rawat	August 2004 – December 2006 January 2007 – March 2007 April 2007 – present
Bank's Representative on the Governing Body	Peter van der Ven Paulo de Sa	Augsut 2004 – June 2007 July 2007 – present
Director	Rashad Kaldany Somit Varma Marc Juhel, Acting Director, SEG [/1]	August 2004 – March 2007 April 2007 – August 2010 September 2010 – present
Vice President	Katherine Sierra Inger Andersen	August 2004 – June 2010 July 2010 – present
Trust Fund Operations	Arif Zulfiqar	June 1999 – 2008
Global Programs & Partnerships	Margaret Thalwitz	May 2004 – 2008
Global Partnership and Trust Fund Operations	Junhui Wu	March 2009 – present

/1 Effective September 12, 2010, the former COPCO was reorganized as "SEGOM" – the Oil, Gas and Mining unit under the new Sustainable Energy Department (SEG), within the SDN Vice Presidency.

Glossary

Country Work Program	A country-specific program of activities funded by the MDTF in support of EITI validation. It normally includes promotional and preparatory activities prior to a country's achieving candidacy status and, afterwards, elements of the Country Workplan.
Country Workplan	An action plan agreed by a multi-stakeholder group. The EITI criteria require that the Workplan is financially sustainable and includes measured targets, a timetable for implementation, and an assessment of potential capacity constraints.
EITI Candidate	A country which has publicly committed to implement the EITI, but which has not yet fully implemented all of the required stages.
EITI Compliant	A country which has fully implemented the EITI and has been found by an independent validating organization and the EITI Board to be meeting all of the validation indicators.
EITI Report	A report that is put together by an administrator and made publicly available, stating how extractive industries payments made by companies match those received by governments — and explaining discrepancies where they arise.
EITI Validation	The process by which progress on implementing the EITI by countries is measured against the EITI criteria. The agreed standard is for an EITI candidate country to be independently validated at least every two years, using an independent validator who will gather information on that country's EITI process, interview key stakeholders and measure the country against a set of validation indicators. Countries which meet all of those indicators will be assessed as being "EITI compliant." Compliant countries must be validated every five years or earlier if the EITI International Board requires.
Extractive Industries	Oil, gas and mining industries.
IDA countries	Countries eligible to borrow from the WBG's IDA facility have a gross national income (GNI) below $1,165 per capita in 2009.
Logical framework	A "cause and effect" model which aims to establish clear objectives and strategies based on a results chain, and to relate the program's interventions to their intended outcomes and impacts on beneficiaries (benefits).
Multi-stakeholder Committee	A committee that has been empowered to develop the Country Workplan, and oversee the group implementation and management of the EITI program. The role of this group includes the appointment of the administrator and validator.
Outcomes	The achieved or likely short-term and medium-term effects of the outputs of a development intervention.
Outputs	The products, capital goods and services that result from a development intervention.
Resource curse	The resource curse refers to the paradox that countries with abundant natural resources tend to register lower economic growth than countries without these natural resources.

Resource-rich countries or resource-dependent countries	Countries that are considered resource-rich on the basis of the following criteria used by the IMF: (1) the share of hydrocarbon and/or mineral fiscal revenues is at least 25 percent of total fiscal revenues, or (2) the share of hydrocarbon and/or mineral exports is at least 25 percent of total export proceeds.
Results chain	The causal sequence for a development intervention that stipulates the necessary sequence to achieve the desired objectives — beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts and feedback.
Theory of change	A strategic picture of the multiple interventions required to produce the early and intermediate outcomes that are preconditions for reaching an ultimate goal.

Sources:

(1) For evaluation terms: *Sourcebook for Evaluating Global and Regional Partnership Programs: Indicative Principles and Standards*, Independent Evaluation Group – World Bank, 2007,

(2) For EITI terms: http://eiti.org/document/glossary

Summary

Overview

1. The Multi-Donor Trust Fund (MDTF) and the Extractive Industries Transparency Initiative (EITI) are still a work in progress. First announced in 2002 with a mandate of improving governance and fighting corruption in resource-rich developing countries, the EITI, with support from the MDTF, is in the process of achieving its narrowly defined, specific objective of “increasing transparency over payments and revenues in the extractives sector in countries heavily dependent on these resources.” But promoting transparency will only bring benefits if it can be linked to higher order goals that will help resource-dependent countries to address the resource curse in a way which contributes to reducing poverty. To show that the MDTF and the EITI can contribute to achieving tangible welfare benefits, in the form of, for example, improved revenue management and reduced corruption, remains a challenge for the second phase of the program.

2. Based on IEG’s interviews, stakeholders understand that the MDTF and the EITI are about more than promoting transparency, and could point to instances where it put in place processes that should eventually improve governance in a wider sense, with the hope that the benefits will accrue in due course. The findings of this review suggest that to provide assurance that tangible benefits will be achieved, the program needs to satisfactorily address persistent doubts about the adequacy of the program in the absence of complementary measures to improve revenue management and accountability, manage internal tensions between authority and accountability, and face up to the tradeoff between expanding the number of EITI candidates and improving results in already participating countries. This has important implications for the scope and focus of the second phase of the program.

3. The World Bank, as administrator of the MDTF-EITI, commissioned an external evaluation that was completed in May 2009. This GPR assesses the quality and independence of the external evaluation. In addition, it provides a second opinion on the effectiveness of the MDTF-EITI’s work, assesses the performance of the World Bank in its management and support of the program, and draws some lessons and implications for its future engagement. It covers the period from FY05–10, which corresponds to the First Phase of the MDTF-EITI.

The External Evaluation

4. The MDTF-EITI commissioned an external evaluation which was completed and delivered in May 2009. Per its TOR, the evaluation made recommendations in three areas:

a. *Strategic Clarity and Coherence:* In light of the reputational risks associated with the uncertainty as to whether EITI candidate countries could attain compliant status within their agreed deadlines, the evaluation recommended that the MDTF should fundamentally reappraise its role within the EITI architecture so that there would be clarity on what the MDTF could and could not deliver;

b. *Programs Delivery — Effectiveness:* To improve WBG management and donors’ ability to assess the effectiveness and efficiency of the program, the evaluation recommended a number of improvements in the results monitoring and reporting framework; and

c. *Governance and Management:* Per the first recommendation, the evaluation recommended that WBG should explore strengthening the role of the Management Committee of the MDTF, and giving greater voice and representation to all EITI constituencies in the Management Committee or in a separate consultative body.

5. The MDTF Management Committee (MC) disagreed with the recommendations on strategy and governance, on the grounds that they did not reflect a clear understanding of the separate roles of the MDTF and the EITI Board/Secretariat. The MC concluded that, while there was no need to change its structure, it would consider more interaction with selected stakeholders on specific topics, but not at every meeting. The evaluation report was sent to the EITI Secretariat and Board, but was not discussed further or publicly disclosed and disseminated.

6. IEG, while confirming the independence of the external evaluation, notes three factors that affected the quality of the report. First, the evaluation had no benchmarks by which to assess the MDTF-EITI's progress in achieving the expected outcomes and impacts of the program. Second, limitations in the results monitoring framework made it impossible to arrive at an authoritative assessment of its effectiveness. Third, the evaluation team did not have adequate budget and time to compensate for these information gaps with site visits, interviews with recipient country officials and, possibly, a survey of country partners and/or recipients, as could have been expected from the TOR. These are significant shortcomings that undermined the quality and credibility of the external evaluation.

The Effectiveness of MDTF-EITI

RELEVANCE

7. This IEG review finds that the MDTF-EITI is highly relevant for improving transparency in resource-dependent countries, but its relevance for improving revenue management and reducing corruption will depend on its demonstrating the validity of the underlying "theory of change" that revenue transparency will empower civil society to hold government to account and make corruption more difficult. In the meantime, the cautiously defined specificity of its objective has ensured that the program is non-threatening and acceptable in many implementing countries. From the M&E perspective, the main design gap relates to the absence of a logical framework, based on the theory of change, that relates the program's activities to the expected benefits for implementing countries. This is an important shortcoming in light of persistent doubts about the relevance and adequacy of the program's current approach to achieve its ultimate goal of helping resource-dependent countries reduce poverty by addressing the resource curse.

EFFICACY

8. To what extent did the MDTF-EITI program achieve the results that it set out to achieve? This IEG review assessed the efficacy of the program based on: (i) the findings and conclusions of external studies about the program; (ii) the original results framework on the

basis of which the program was initially funded; and (iii) the program's progress in relation to its higher order goals.

9. *External Assessments of the Program:* The independent evaluation of the MDTF-EITI and other external studies found that the program had delivered substantial technical assistance, and that these efforts had contributed to the global momentum that had led 42 resource-dependent countries to publicly commit to implement EITI. But none of the studies that attempted to assess the program's impact found a statistically significant relationship between EITI membership and improvements in accountability, investment climate and corruption indices. In addition, some of the studies have pointed out that EITI is insufficient in itself to address the challenges that extractive industries bring to resource-rich countries, and needs to be complemented by other institutional strengthening measures.

10. *Achievement of Contracted Outcomes:* Has the MDTF-EITI produced the outputs and outcomes that it "contracted" to deliver when it was initially supported by the Bank's Developoment Grant Facility? IEG finds that the program has substantially achieved its contracted outputs and most of the outcomes defined in its original results framework for the pilot phase, extended to end-2010, but its contribution to higher order goals cannot be determined. Thus, in terms of the original results framework, the program has:

a. Successfully implemented pilot reporting of EI revenues in 22 countries, far above the target of 5–10 pilot countries. Only five countries have been validated as EITI compliant, however;

b. Expanded transparency to additional countries, as reflected in the fact that 42 countries have publicly endorsed EITI and an additional 16 countries are at some stage of contact without having gone public with an endorsement;

c. Supported the production of guidelines, templates and publications, as well as several international workshops and conferences. These activities substantially contributed towards a globally shared understanding of best practices for revenue transparency; and

d. Been unable to show any progress in relation to improved revenue management and reduced corruption, since no indicators have been established for EITI's higher order goals and monitoring of early and intermediate outcomes has been very limited.

11. *Progress in Relation to Higher Order Goals:* Has the program yielded its expected benefits? In the absence of any data from the MDTF-EITI's own results framework, this IEG review attempted to assess the program's contribution to improvements in accountability, public sector management, and corruption using generic, publicly available indices, updating the approach used in the earlier studies. While these indices raise some well-known methodological issues and are imperfect measures of the outcomes sought, they do provide some initial indications and underscore the need for direct measurement of benefits. The results suggest that:

a. **Accountability**: There is no statistically significant difference in the changes in the Voice and Accountability Index during the 2006–2009 period for 42 resource-dependent countries, when comparing those that have publicly endorsed EITI with those that have not;

b. **Public Sector Management**: Looking at the Public Sector Management and Institutions Index of the CPIA, there is no statistically significant difference in the changes in this index during the 2006-2009 period for the sample of 22 resource rich IDA countries for which the index is available, when comparing EITI with non-EITI countries; and

c. **Corruption**: IEG found a statistically significant association between EITI endorsement and positive changes in the Corruption Perceptions ranking of resource-dependent countries. The direction of causality cannot, however, be determined. Nevertheless, given the time lag in the formation of corruption perceptions as well as the recent vintage of EITI implementation, it can be concluded that countries which are effective in fighting corruption have a higher propensity of joining EITI.

12. Overall, the majority of resource-rich countries experienced negative changes in accountability, public sector management and governance, which provides compelling evidence for the continuing strength and prevalence of the resource curse. Against this troubling background, the fact that the program is producing its expected outputs and outcomes is a considerable achievement. On the other hand, the absence of monitoring and indicators of its contribution to higher level goals has left the program short of evidence to demonstrate its benefits. Filling this gap is especially important since some implementing countries are facing difficulty funding the operation of EITI unless the benefits can be shown.

EFFICIENCY

13. The 2009 independent evaluation reviewed the MDTF-EITI's disbursement rates and found that they had been substantially lower than planned. This IEG review revisited these findings in the light of updated information and found that:

a. At the global level, total disbursements from MDTF-EITI have fluctuated between 20 and 57 percent of available funds, which is in line with the experience of other WBG operations. A major reason is that WBG fiduciary rules require that trust fund contributions be received by the Bank before grant commitments to countries can be made; and

b. At the country level, the disbursement rates from recipient-executed grants (REGs) are much lower, in the range of 11–23 percent, which is mainly attributable to the complexity of the WBG's documentary and procedural requirements and the limited capacity of country agencies to understand and comply with them. The associated disbursement delays have emerged as the most important complaint about the MDTF-EITI.

14. In IEG's view, the delays in disbursement are reflective of the tensions between the EITI's two-year deadline from the acceptance of a country's candidate status to the submission of its validation report, the WBG's fiduciary requirements, and the limited

capacity of many countries to comply with the EITI's and the WBG's requirements. Added rigor in the application of the MDTF-EITI's first guiding principle for the approval of funding, which is the likelihood that results can be achieved, would lead to greater selectivity and efficiency in terms of ensuring that grant recipient countries will successfully obtain EITI compliance and other benefits.

15. Given the absence of monitoring data on the expected benefits from the program, this IEG review was not in a position to undertake a quantitative assessment of the overall efficiency of the program. On the other hand, IEG's interviews with a diverse range of stakeholders found that most shared a sense that the initiative was worthwhile without any suggestion that efforts or funds are being wasted. This perception is supported by the growing number of candidate countries and EITI supporters in all stakeholder constituencies, the growth in donor contributions, and the fact than nearly 50 WBG country teams have provided budgetary support to the promotion of EITI, in face of a large number of other projects, programs and initiatives competing for their attention.

GOVERNANCE AND MANAGEMENT

16. This review assessed the program's governance and management framework against the generally accepted principles of *legitimacy, accountability, fairness,* and *transparency*, and found it to be in compliance. Based on IEG's interviews with stakeholders, transparency was the only area where opinions were divided. On the one hand, stakeholders indicated that the level of openness and accessibility to the public was appropriate and acceptable in line with its responsibilities. On the other hand, some stakeholders felt that the MDTF needed to be more transparent *vis-à-vis* the EITI Board in regard to its funding decisions. Since the MDTF's funding decisions had a major impact on many countries' ability to achieve EITI candidacy and implement the validation process, these respondents felt that the countries' key stakeholders deserved to be more involved in order to contribute a more adequate appreciation of country capacity limitations and other risks that may contribute to disbursement and validation delays.

17. This last set of comments deserves some attention from the MDTF-EITI, as it would increase the MC's understanding of factors affecting the likelihood that results can be achieved. A recommendation along similar lines was also made by the independent evaluation, as a result of which the MDTF-EITI has already invited CSOs to one of its meetings. In addition, it might be useful for the MDTF-EITI administrator to review its current practices in light of the World Bank's recent Policy on Access to Information, which allows access to any information in its possession that is not on a specified list of exceptions.

The World Bank Group's Performance as a Partner

THE WBG'S CONTRIBUTIONS AT THE GLOBAL AND COUNTRY LEVELS

18. The World Bank Group's involvement with EITI had been recommended by IEG's Extractive Industries Evaluation and the parallel multi-stakeholder Extractive Industries Review as an important component of a broader strategy to address the resource curse and reduce poverty in resource-dependent countries.The WBG committed to support the EITI for a pilot phase at the global level and through its country operations:

a. At the global level the WBG jump-started its partnership with the EITI by launching the MDTF. To date, the WBG has helped the MDTF mobilize $30.8 million from 12 donor countries and the European Commission, in addition to contributing $1.1 million from its Development Grant Facility and $5.2 million from its operational budget; and

b. At the country level the WBG has promoted the EITI in 47 countries with varying levels of involvement. At its most intense, a MDTF-funded REG is in place or in process of being approved in 27 EITI compliant or candidate countries, including four that are not resource-rich. At the next level, a REG is in the pipeline in four countries, including two that are not resource-rich. At the least intensive level, the WBG is providing MDTF-funded technical assistance or discussing EITI through the policy dialogue in 15 countries which have not yet endorsed EITI, including ten that are not resource-rich.

19. From the perspective of the ultimate goal of reducing poverty by addressing the resource curse, it is important to note that there is a trade-off between expanding the number of countries beyond those that are resource-dependent *versus* devoting more effort to improve the quality and scope of EITI in participating countries where the outcomes are being produced, but the benefits are not yet evident. The program's ability to show that it can deliver its expected benefits, as was expected from the pilot phase, will remain unclear unless more effort is devoted to ensure that these benefits can be achieved in the countries where the program is already under way.

PROGRAM OVERSIGHT

20. Based on the IEG sample of interviews, Management Committee members and other EITI stakeholders expressed their full satisfaction with the WBG's performance as partner of the EITI. IEG notes, however, that the focus of the MDTF-EITI's reporting and oversight during the first phase has been on outputs and outcomes, rather than the achievement of higher order goals. That is, the reporting and feedback have focused on the number of participating countries and their status/progress along the EITI validation process, and the challenges arising therefrom. In relation to long-term goals, such as progress on accountability or the investment climate as well as tangible impacts on anti-corruption regimes in EITI countries, even the most recent (2010) reports indicate that these are still a work in progress and provide no further information.

Conclusions and Lessons

CONCLUSION

21. The main finding of this review is that the MDTF-EITI program is in the process of achieving its objective of increasing transparency of revenues in resource-dependent countries. Given the resilience and pervasiveness of the resource curse, the achievement of this narrowly defined objective in a few critical countries is a notable accomplishment that has created the momentum needed to attract a growing number of countries, donors, enterprises and CSOs — a testimony of their hope that, in spite of the uncertainty and risks,

the benefits will be forthcoming in due course. On the other hand, the MDTF-EITI's contribution to the broader goal of improving governance and fighting corruption remains unclear. At this point, indications are that the program is creating multi-stakeholder structures and processes that can be expected to address broader governance issues in the long term, but there is as yet little evidence of the expected benefits.

22. The findings of the present review suggest that to ensure that tangible benefits in terms of improved revenue management and accountability can be achieved, the program needs to satisfactorily address the emerging doubts about the adequacy of the program in the absence of complementary measures, tackle issues with the scope and quality of the EITI reports, manage the tensions between authority and accountability, and face up to the tradeoff between expanding the number of EITI candidates and improving results in countries that are already implementing EITI.

23. The EITI's stakeholders are aware of these issues, which have already been discussed at several Board meetings and workshops. What is needed now is a roadmap for the second phase built around a unifying principle that can help to reconcile and prioritize among competing demands.

LESSONS

24. Based on the assessment of results from five years of operation, as well as insights from interviews with a sample of key participants, the main lessons that emerge relate to the three key design features of the program:

- **Lesson 1: A dual governance structure can combine the political acceptability of the multi-stakeholder model of EITI with the resource mobilization potential of the MDTF shareholder model.** The dual governance framework that evolved naturally from the MDTF's launch prior to the creation of the EITI Board and Secretariat has been reasonably effective in managing the differences between the multi-stakeholder driven agenda of the EITI and the fiduciary duties and priorities of the donors. This is a remarkable achievement, since the promotion of transparency is a politically sensitive agenda that is fraught with risk. It offers a useful model for the global development arena, to be able to make progress in situations when the achievement of a multi-stakeholder global public program is dependent on donor support whose priorities and fiduciary requirements may differ from those of the other stakeholders. It could be particularly appropriate model for the pilot/demonstration phase of such programs, to allow some time for its own secretariat to become established and ready to raise and administer the funds on its own.

- **Lesson 2: A focus on a narrow, achievable objective can enable progress to be made in a sensitive area and create a platform for a broadening of the agenda at a later date.** The narrow, sharp focus on revenue transparency agreed for the first phase of the MDTF-EITI, while setting aside the broader agenda required to address the resource curse, made the program non-threatening and acceptable to a critical cluster of the poorer resource-dependent countries. This enabled the initiative to take off and establish itself as a global standard and created the momentum and opportunity needed to extend the reach of the program and enable it to address a more ambitious objective for its second phase.

- **Lesson 3: A well-structured results framework is essential to build on the platform created by the progress already achieved and to deliver on the long-term goals, by measuring progress, maintaining a feedback loop, and reviewing and revising its strategy.** In the absence of a sound logical framework from the start of the program, the focus of the MDTF has been on growing the number of EITI candidates and producing reports rather than on demanding and catalyzing the right conditions for delivering the benefits. This has left the program short of monitoring evidence that it is creating a robust platform for further progress towards toward the achievement of improved revenue management and accountability, and unable to address emerging doubts about the relevance and adequacy of its approach to obtaining tangible benefits. The remediation of this important gap should become a major benchmark for its continuation into a second phase.

25. From IEG's perspective, the WBG's continued engagement with the second phase of the program needs to focus on achieving the expected benefits from EITI, such as improved revenue management and reduced corruption. On this basis, we can envision a three-step roadmap along the following lines:

a. As a first step, the MDTF-EITI will need to develop a logical, cause and effect framework that links its outputs and outcomes to the expected benefits, with identification of intermediate milestones, necessary conditions, and associated risks. Should the achievement of the expected benefits necessitate much closer integration with the countries' broader governance and sector strategies, for example, along the lines of the WBG's "EI Value Chain" approach — also known as the "EITI++" strategy — these linkages need to be made explicit;

b. As a second step, the program needs to integrate EITI into the entire set of complementary activities, within the EI sector, and likely also with the country's governance and fiscal revenue management agenda, as necessary to achieve the long term goals. Where some integration already exists, this could be relatively straightforward. Where integration has been weak or non-existent, this step may require a substantial review and revision of how EITI is being implemented; and

c. As the final step, the program needs to rigorously apply the principle that it will only support countries where there is a high likelihood that the EITI goals can be achieved. This already is, of course, the first "key guiding principle" for MDTF-EITI funding, but in the absence of a sound logical framework, the focus of the first phase program has been on producing outputs and outcomes — growing the number of EITI candidates and reports — rather than on demanding and catalyzing the right conditions for creating the benefits, such as improved revenue management and reduced corruption. At the same time, promoting greater awareness of, and support for, the principles of EITI should remain a key component of the World Bank's policy dialogue.

1. Program Objectives, Governance, and Activities

Origins and Objectives

1.1 The Extractive Industries Transparency Initiative (EITI) was launched at the World Summit on Sustainable Development in Johannesburg in 2002 to encourage governments, companies involved in extractive industries, international organizations, CSOs and others to work together voluntarily to develop a framework to promote transparency of payments and revenues. The initiative was grounded in a shared belief that the EITI could help address the paradox that two thirds of the world's poorest people live in countries that are rich in natural resources, i.e., the "resource curse" (Box 1). At its inaugural conference in London, in 2003, a multi-stakeholder group, including governments, oil, gas and mining companies, development banks, institutional investors and CSOs agreed on a Statement of Principles and Agreed Actions, which states that "the objective of the EITI is to increase transparency over payments and revenues in the extractives sector in countries heavily dependent on these resources."[1]

Box 1. What Is the "Resource Curse"?

The resource curse (also known as the paradox of plenty) refers to the paradox that countries with abundant extractive resources (oil, gas and mining) tend to register lower economic and social performance than countries without these natural resources. These countries also tend to experience a higher than average incidence of social and political unrest and violence.

This is hypothesized to happen for many different reasons, including a decline in the competitiveness of other sectors (caused by appreciation of the real exchange rate as resource revenues enter the economy – also known as the "Dutch disease"), the volatility of revenues from resource extraction, government mismanagement of resources, or weak, ineffectual, unstable or corrupt institutions. While there is no universally accepted theory of the resource curse, corruption has been widely recognized as a central explanatory factor. Since extractive resource revenues are concentrated and easily appropriable, government officials in resource rich countries are tempted into rent-seeking, patronage and degradation of institutional checks and balances.

Sources: Auty (1993), Collier (1999), Sachs and Warner (2001), Kolstad and Wiig (2009)

1.2 The World Bank Group's support for the EITI was stimulated by IEG's EI Evaluation and the parallel multi-stakeholder EI Review. Specifically, IEG's EI Evaluation recommended that "the WBG should vigorously pursue country- and industry-wide disclosure of government revenues from EI and related contractual arrangements (such as production-sharing agreements, concession, and privatization terms)."[2] The underlying rationale was that it could help reduce poverty in resource-dependent countries by addressing the resource curse.

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1. EITI (2003a)

2. World Bank Group (2005a)

1.3 The EI Review recommended that the WBG's strategy for extractive industries include the following:[3]

- promote transparency in revenue flows,
- promote disclosure of project documents,
- develop the capacity to manage fluctuating revenues,
- develop the capacity to manage revenues responsibly,
- help governments develop modern policy and regulatory frameworks, and
- integrate the public in decision making processes at local and national levels.

1.4 In line with these recommendations, the World Bank endorsed the EITI and established the Multi-Donor Trust Fund (MDTF) for EITI in 2004 as a global partnership program to harness donor resources to develop and broaden the EITI process.[4] The ultimate goal was to reduce poverty in resource-rich countries by helping them to address the resource curse, and the expected overall outcome of the pilot phase was "a significant improvement in EI revenue transparency, especially in critical countries."[5] Initially funded by the UK DFID, the MDTF has grown to include 12 donor countries and the European Commission, who have committed about $30.8 million. The World Bank contributed an additional $1.1 million from its Development Grant Facility (DGF) as well as $5.3 million of budgetary support from 2004 to 2010.

1.5 The World Bank's initiating brief, requesting financial support from the DGF, defined the following results to be achieved by the MDTF together with the EITI during its three-year pilot phase, subsequently extended to December, 2010:[6]

a. *Successful implementation of pilot reporting of EI revenues in key countries*: The MDTF-EITI would support the preparation and implementation of EI revenue reporting procedures in 5–10 pilot countries, in the expectation that success with transparency in a few of the more critical countries would create incentives for others to join in;

b. *Global best practice dissemination for EI transparency*: To achieve a broader consensus about practical aspects, policy implications and priorities of EI transparency, the MDTF-EITI would support research into key issues and consultations with stakeholders to establish Best Practices in this area;

c. *Expansion of transparency to additional countries*: The MDTF-EITI would help make EI transparency a mainstream issue and practice for countries with significant EI revenues, as well as for private companies, and donors; and

d. *Improved revenue management and reduced corruption*: The MDTF-EITI would support workshops and international conferences that would promote EITI in the

3. World Bank Group (2004b)

4. World Bank (2004a)

5. World Bank (2005b)

6. World Bank (2005b)

global development agenda, influence policy reform to help countries confront the challenge of managing large EI revenue flows, and empower civil society to hold governments to account and make mismanagement of funds more difficult.

Governance

1.6 From 2002–2006, the EITI was a multi-stakeholder initiative with an informal governance structure supported by UK DFID with the World Bank Group (WBG) as a close partner. UK DFID convened the consultations with stakeholders from developed countries (industry, CSOs, donor governments, IFIs). DFID and the WBG jointly consulted with developing countries about their voluntary participation, and arranged assistance for implementing EITI in volunteer countries. Most of the assistance was expected to be funded by the MDTF. The MDTF was overseen by a Management Committee (MC) on which DFID, the Bank and other donors were equally represented, and administered by a team at the WBG's Oil, Gas and Mining Policy Division (SEGOM). The EITI initiative itself was supported by a DFID team in London.[7]

1.7 The EITI's governance structure was formally established at the Oslo Conference in 2006, following an extended consultative process undertaken by an International Advisory Group (IAG).[8] On this basis, the EITI Board was created with responsibility for the overall development, strategic direction, outreach and advocacy of EITI, as well as the validation process of the EITI implementing countries. The EITI Board reports to a bi-annual EITI Conference and is supported by a small EITI Secretariat located in Oslo. In the formal structure, the WBG is not represented on the EITI Board, but is invited to Board meetings as an observer.

1.8 Following the establishment of the EITI, the MDTF continued to be separately administered by the WBG and overseen by a Management Committee chaired by the WBG and consisting of representatives of donor governments.[9] A Memorandum of Understanding (MOU) between the EITI and the MDTF explains that "the EITI is a separate legal entity, of which the MDTF is not a part, and that the Management Committee is not a sub-committee of the Board…The MDTF will take note of decisions made by the EITI Board and Secretariat, while retaining full autonomy regarding its work program and allocation of resources." The MOU also states that "both parties have a common objective of cooperating to carry out activities conducive to achieving the EITI Principles and Criteria."[10] The dual governance architecture that emerged is summarized in Figure 1.

1.9 Overall, it is apparent that the objectives and performance of the MDTF-EITI and the EITI are mutually interdependent and inextricably linked. As stated in the MOU, "the MDTF work program is expected to be the principal source of implementation support for countries seeking to follow EITI Principles and Criteria. The EITI Secretariat is expected to be responsible for country interactions specifically related to EITI validation." Within this dual

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7. World Bank (2005b)

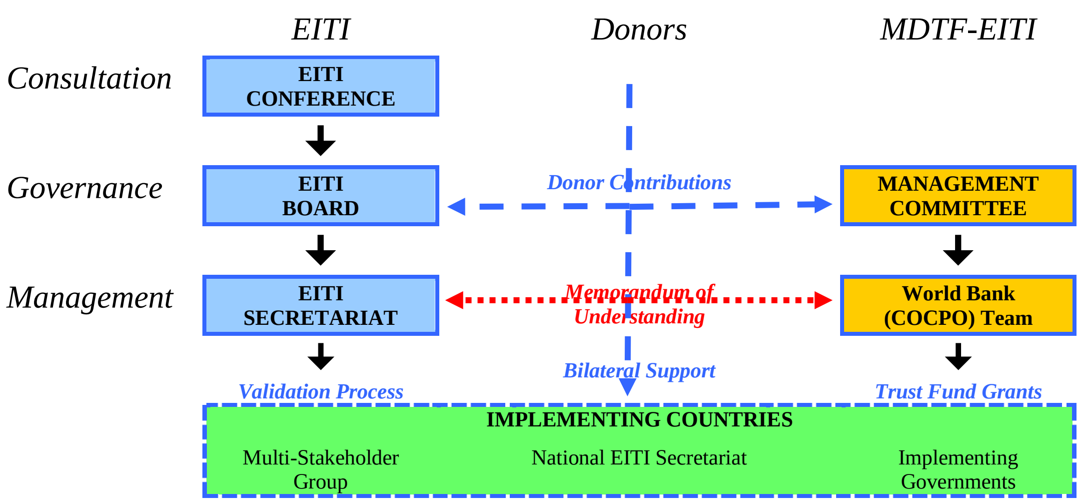
8. EITI (2006)

9. The Management Committee includes representatives of all donors who contributed more than $500,000.

10. World Bank Group (2008a)

governance framework, the WBG plays an essential role as the chair and administrator of the MDTF and a supporting organization of the EITI.

Figure 1. Schematic Relationship of EITI and MDTF-EITI



Source: SEGOM.

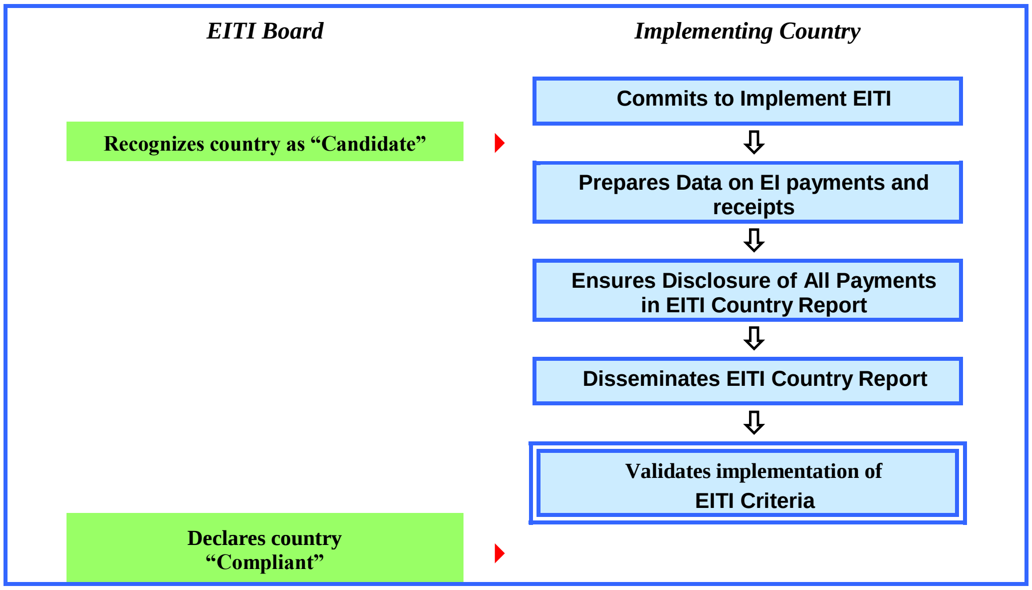
Activities

1.10 The MDTF-EITI provides funds for two types of activities: (i) EITI country work programs, and (ii) global knowledge and learning support activities. The MDTF-EITI also funds the fiduciary and program management costs incurred by WBG/SEGOM for the administration of the fund.

1.11 The country work programs are designed to help resource-dependent countries meet EITI validation criteria from sign up through the preparation, disclosure, and dissemination stages (Figure 2). Depending on each country's needs, the MDTF-EITI provides funding for WBG technical assistance, consultant services, training and workshops, goods and operating costs, but not including civil service salaries. When, in the MDTF's judgment, a competent national EITI Secretariat has been established, the Country Work Program funds are channeled through a recipient-executed grant (REG). Before a country secretariat has been established, or in exceptional cases, the Bank itself executes the grant funds provided by MDTF. Since its inception in 2005, the MDTF has supported EITI work programs in 42 countries. In 27 of the countries, the REGs are completed, ongoing, or in process of getting approval.[11] Of the remaining countries, four have a REG in the pipeline, and an additional 15 are at the pre-EITI-candidacy preparation stage with WB staff and/or other donors and CSOs directly promoting EITI.

11. World Bank Group (2009d)

Figure 2. Overview of EITI Validation and Accreditation Process



Source: SEGOM.

2. The External Evaluation

Evaluation Process

2.1 As required by the DGF, an external evaluation of the MDTF-EITI was commissioned by the WBG/SEGOM in September 2008, with the TOR being discussed and approved by the Management Committee. The general objective was to evaluate the EITI and two related global partnership programs also administered by SEGOM — the Communities, Artisanal and Small-scale Mining Program (CASM) and Global Gas Flaring Reduction Initiative (GGFR) — as a first step towards an integrated evaluation of the EI umbrella partnerships program covering the three programs as a whole.[12] The specific objective of the MDTF-EITI evaluation was to assess (a) the strategic coherence and alignment of program goals and (b) the effectiveness and efficiency in delivering results, and to make recommendations for improvement. The evaluation was conducted by a team of consultants hired by SEGOM, who delivered the report in March 2009 and presented it to the Management Committee in May 2009.

Evaluation Recommendations and Feedback

2.2 The external evaluation of the MDTF-EITI made recommendations in three areas:[13]

a. *Strategic Clarity and Coherence:* "In view of the uncertainty as to whether a substantial portion of the …candidate countries will attain a credible compliant status by 2010 as well as the evolving donor EI agenda, it is recommended that the MDTF should fundamentally reappraise its objectives and operating strategies as a funding instrument closely aligned with the EITI"…and clarify as necessary (the) MDTF's role within the EITI architecture so that … there would be clarity on what the MDTF could — and could not — deliver";

b. *Programs Delivery — Effectiveness:* "to improve WBG management and donors' ability to assess the … effectiveness and efficiency of the … program," MDTF should

   i. Operationalize the Results Framework;
   ii. Base target setting and progress reporting on fixed accounting periods and comparison between planned and actual results;
   iii. Clarify funding requirements against a realistic assessment of actual implementation of recipient-executed grants and country programs;
   iv. Establish a consolidated budget covering both COCPO and other WBG expenses, classifying expenses by the program's activities and report actual expenses against budget targets;
   v. Review the existing fee structure and cost sharing arrangements to ensure that these are sustainable and appropriate; and
   vi. Set up a mechanism for cooperating with WBG regions to embed the use of transparency indicators as benchmarks in CASs; and

12. Jordan (2009)

13. Jordan (2009)

vii. Governance and Management: per the first recommendation, the WBG should explore (i) the drawing up of a program charter for the MDTF, (ii) strengthening the role of the Management Committee, and (iii) giving greater voice and representation to EITI constituencies in the Management Committee or in a separate consultative body.

2.3 The WBG-SEGOM management response to the evaluation report, that was distributed to the Management Committee for the May 2009 meeting, rejected the main recommendations on MDTF-EITI's strategy and governance. In SEGOM's view,

a. The recommendation to review the MDTF-EITI's strategy could not be supported on the grounds that managing reputational risk should not be a priority and that the risks associated with the validation process were being aggressively managed in concert with the EITI Secretariat; and

b. The recommendations on governance and management failed to distinguish between the different needs and roles/functions of the EITI Board and the MDTF-EITI, and to consider that in general, the dual structure had been effective in continuing to attract new partners and funding, as well as countries that want to be EITI compliant.[14]

2.4 At its May 2009 meeting of the Management Committee there were a number of critical comments on the evaluation, including that the report had not properly separated the roles of the MDTF and the EITI Board/Secretariat, but members agreed to keep the recommendations under review.[15] In October 2009, in preparation for a follow-up discussion at the Management Committee, SEGOM circulated a statement of "Follow-up Actions by SEGOM Management in Response to the Evaluation Report."[16] As summarized in Annex D, the statement restates management's disagreement with the evaluation's two major recommendations, on strategy and governance, but agrees with some of the recommendations on program delivery and effectiveness and takes note of the remaining ones.

2.5 During the follow-up discussion at the MC's meeting in February 2010, one member expressed dissatisfaction with the evaluation process, specifically, a perception that "the evaluator had very strong premade opinions," and others suggested that the MC should consider more interaction with selected stakeholders on specific topics, but not at every meeting.[17] The Chair concluded that, while the MC saw no need for a change to its structure, it would probably invite a specific CSO to join a session at its next meeting, and the MC would revisit these conclusions occasionally as the situation changed. In the event, the evaluation report was distributed to WBG management and sent to the EITI Secretariat and Board, but was not further discussed or disseminated.

14. World Bank Group (2009a)

15. World Bank Group (2009b)

16. World Bank Group (2009c)

17. World Bank Group (2010a)

Independence and Quality of the Evaluation

2.6 Why did the external evaluation achieve such meager results? As suggested in the MC minutes, a concern about the objectivity of the evaluator appears to have been a major factor. While IEG was not in a position to assess the objectivity of the evaluator, a review of the evaluation suggests that the consultant team stuck to its views in face of the strong disagreements expressed by SEGOM during the course of the internal review process. This is clear evidence of behavioral independence.

2.7 The organizational independence of the evaluation, on the other hand, appears to have been compromised to some extent by the Management Committee's lack of involvement in the selection of the consultants. Thus, the consultants were directly recruited and contracted by SEGOM, subject only to the pro-forma approval of the Management Committee. The draft review process was also handled internally by SEGOM without involvement of the Management Committee. It was only after the report had been revised several times and finalized that the lead consultant was able to present the report the Management Committee.

2.8 In addition, IEG's review finds that the quality of the evaluation was affected by an inadequate budget, which led to major gaps between the TOR and the consultants' work in relation to the instruments, scope and monitoring framework available for the evaluation.

2.9 ***Budget Adequacy:*** According to the TOR, the external evaluation was to be based on an assessment of a sample of completed and on-going activities and their impacts.[18] Efforts would be made to determine baselines and reference points for the indicators that should be used to measure the success and impacts of the partnerships. The assessment would comprise desk reviews and interviews with related task team leaders and managers. Interaction with donors, client countries and stakeholders would include site visits, interviews with appropriate officials and possibly a survey of country partners and/or recipients.

2.10 In the event, as stated in the evaluation report, "the evaluation was based primarily on interviews with WBG management and staff, MDTF donors and EITI stakeholders, a limited number of interviews with representatives of candidate countries and a desk review of key documentation."[19] In fact, the report only lists a single client country official and a single client country CSO representative among the 30 people consulted, and provides no indication of any site visits or surveys. Based on IEG's interviews with key participants, an inadequate budget of only 20 consultant days was the main reason for these major gaps between the approach outlined in the TOR and what the consultant was able to undertake.[20]

2.11 ***Evaluation Scope and Dissemination:*** The meager results from the external evaluation may also have been affected by some ambiguity in its scope. Whereas the TOR refers to the "EITI" as the subject of the evaluation, the report itself states that "this evaluation is limited to the MDTF, (and its) conclusions are conditioned by the arm's-length relationship between EITI

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18. As noted in the Management Response (Annex I), the external evaluation was guided by a single consolidated TOR covering the MDTF-EITI, CASM and GGFR programs.

19. Michael Jordan (2009)

20. As noted in the Management Response (Annex I), the external evaluation was initially designed in 2006 or so, when the programs were smaller and the resources assigned were deemed commensurate with the task.

and MDTF."[21] A review of the report indicates that, while the analysis and discussion extend over the entire range of MDTF and EITI activities, its recommendations are addressed to the MDTF and the WBG, and not to the EITI Board or Secretariat. Also, in light of SEGOM and the MC's disagreement with the evaluation's main findings, neither perceived a need to present and discuss the report with the EITI Board and other stakeholders, as would have been expected — to provide a basis for accountability and responsibility for the program.[22]

2.12 ***Monitoring Framework:*** While the external evaluation found that the MDTF-EITI's monitoring framework had evolved from the original indicators specified in the World Bank-DGF's initiating brief, it was still substantially insufficient for evaluating the performance of the program. The identified gaps included:[23]

a. By 2007 the MDTF-EITI had developed a detailed country results monitoring template, but had not yet used this for its Country Status Reports or its Country Work Programs;

b. Most planned expenditures in the Country Work Programs were classified by type (e.g., salaries and travel) rather than by activity (e.g., outreach or capacity development), so that it was not possible to determine how MDTF-EITI's planned spending related to the planned activities and expected outcomes;

c. The Country Status Reports provided very few verifiable and qualitative performance milestones to benchmark the outputs, outcomes and impacts of MDTF-EITI activities. In the absence of defined benchmarks, it was difficult to track the extent of effective candidate country commitment to the EITI principles; and

d. Finally, the evaluation also recognized that, given the early stage of implementation of the program, there was only limited evidence to evaluate progress towards achieving the intended impacts, such as improvements in corruption perception indices and sovereign credit ratings.

2.13 Overall, while confirming the behavioral independence of the external evaluation, this IEG review notes three factors that affected the quality of the work. First, the evaluation had no benchmarks by which to assess the MDTF-EITI's progress in achieving the expected outcomes and impacts of the program. Second, limitations in the results monitoring framework made it impossible to arrive at an authoritative assessment of effectiveness of the program. Third, the evaluation team did not have adequate budget and time to compensate for these information gaps with site visits, interviews with recipient country officials and, possibly, a survey of country partners and/or recipients, as could have been expected from the TOR. These are significant shortcomings that undermined the quality and credibility of the evaluation.

21. Jordan (2009)

22. See World Bank (2007b)

23. Jordan (2009)

3. The Effectiveness of MDTF-EITI

Relevance of the Program

3.1 ***Supply-side Relevance:*** The EITI originated from the consensus of a small group of civil society organizations, donor governments and oil companies who had concluded that global collective action was required to address the "resource curse." This group shared a common understanding that normal channels of public accountability are often missing in resource-dependent countries because governments have a source of revenue that is not dependent on taxing its citizens. Missing accountability and government reliance on extractive revenues tended to increase opportunities for rent-seeking behavior, patronage and degradation of institutional checks and balances, leading to economic mismanagement and political and social instability, as had been established in several research studies.[24]

3.2 From a variety of approaches that were discussed, revenue transparency emerged as the least contentious objective that the group could agree on.[25] While transparency was not regarded as a "silver bullet" that would solve all socio-economic and development issues, it was seen as a fundamental condition to improving governance and economic management. This consensus to focus on transparency was ratified and broadened at the EITI's 2003 inaugural conference in London, when representatives of 12 developing country governments, 19 major petroleum and mining companies, 13 CSO groups, 10 donor countries, as well as the World Bank and IMF endorsed the EITI and indicated their readiness to work together to implement it.[26] The EITI processes for Azerbaijan and Nigeria were immediately launched.

3.3 To date, about 50 companies have committed to support the EITI, including some of the world's largest oil, gas and mineral producers. The 13 donors that contribute to the MDTF account for a major share total global ODA. The EITI is also supported by over 80 institutional investors and pension plans. In addition, a large number of civil society organizations participate at the international and local levels.[27] Thus, as illustrated for the case of the multilateral development institutions in Box 2, the EITI has, over the past eight years, experienced a gradual broadening and deepening of support within every stakeholder constituency.

3.4 The international consensus about the relevance of EITI has, however, never been complete. In the academic community there has always been some skepticism about the view that transparency is central to curbing corruption and other dysfunctions of resource-rich developing countries. Thus, the main conclusion of a recent paper by Kolstad and Wiig is

24. For example, Collier (1999), Karl (1997), Sachs (2001) and Global Witness (1999)

25. Mabel van Oranje and Henry Parham (2009)

26. EITI (2003b)

27. At the international level, these include: Publish What You Pay Coalition, Catholic Agency for Overseas Development (CAFOD), Global Witness, Oxfam, Open Society Institute, Revenue Watch Institute, Caritas, Transparency International. In addition, a large number of civil society organizations are involved with the EITI processes in each of the EITI implementing countries.

Box 2. The Growing Support for EITI by Multilateral Development Banks

The gradual broadening and deepening of the consensus around the EITI approach is illustrated by its growing support from multilateral development institutions: [/1]

(a) The World Bank Group endorsed the EITI in 2003, administers the MDTF-EITI, and provides financial and technical support for EITI implementation. The Governance and Anticorruption Strategy commits the WBG to support the EITI. In addition, IFC's Policy on Social and Environmental Sustainability requires that: (i) for significant new EI projects, clients publicly disclose their material project payments to the host government and the relevant terms of key agreements; and (ii) from January 1, 2007, clients of all IFC-financed EI projects publicly disclose their material payments from those projects to the host government(s). [/2]

(b) The IMF welcomed the EITI in 2003 and issued a Guide on Resource Revenue Transparency in 2005 (updated in 2007) that supports the application of EITI and includes a wide range of disclosure, reporting and accounting practices that go beyond the EITI framework. [/3] Its 2007 Code of Good Practices on Fiscal Transparency, which governs non-resource sectors as well, also includes clear guidelines for revenue transparency. [/4]

(c) The African Development Bank endorsed the EITI in 2006 and added EITI engagement as an indicator to be monitored by the African Development Bank's results measurement framework in 2008; [/5]

(d) The EBRD, in its 2006 Energy Operations Policy, stated that it "will require project sponsors to publicly disclose their material project payments to the government as a minimum revenue transparency condition;" [/6]

(e) The EIB endorsed the EITI in 2008, and its 2010 Transparency Policy states that it will "work with project sponsors to introduce greater transparency and consistency in reporting on payments at the project level;" [/7]

(f) The Asian Development Bank endorsed the EITI in 2008 and committed in its 2009 Energy Policy to "encouraging its developing member countries to adopt reporting processes in line with the Extractive Industry Transparency Initiative (EITI)." [/8]

(g) The Inter-American Development Bank endorsed the EITI in 2009.

/1 Bank Information Center (2010)
/2 World Bank Group (2006a)
/3 IMF (2007a)
/4 IMF (2007b)
/5 African Development Bank (2008)
/6 European Bank for Reconstruction and Development (2006)
/7 European Investment Bank (2010)
/8 Asian Development Bank (2009)

"that though transparency may affect corruption in several ways, it is insufficient in itself, and needs to be complemented by other types of reform. Moreover…the emphasis of the EITI on revenues rather than on expenditures appears misplaced."[28] The WBG itself has also recently concluded that the EITI "does not cover all the challenges that the EI bring to resource-rich countries. Public reporting of EI revenue, though extremely valuable,

28. Kolstad and Wiig (2009)

represents only one step in improving sector governance and maximizing development outcomes throughout the EI value chain. How these resources are actually developed and how the revenue generated ultimately is spent will determine a country's success in achieving long-term growth and sustainable development."[29] Such statements point to continuing uncertainties about the relevance and adequacy of the EITI to achieve its expected benefits, as outlined in Box 3, which it will be important to address.

Box 3. Revenue Transparency and the Resource Curse

The EITI is based on the proposition that transparency in the reporting of resource revenues is critical to fighting corruption and improving governance. Reduced corruption and the improved management of resource revenues can be expected to provide the basis for poverty reduction through sustainable economic growth and development.[/1]

Yet despite the centrality of the transparency concept, its role in reducing corruption and addressing the resource curse is poorly understood. The EITI's sponsors recognized from the start that transparency was not a "silver bullet" that could resolve the resource curse, but a fundamental condition to improving governance that its stakeholders -- NGOs, private companies, and governments -- could agree on to pursue.[/2] Recent academic studies on the resource curse have stressed the importance of good institutions for transforming resource rents into favorable development outcomes. On the basis of these studies, to the extent that transparency is important, it is through its effect on such institutions as the rule of law and democratic accountability, that in turn impact on the basic mechanisms underlying the resource curse, which are rent-seeking and patronage.[/3]

The World Bank has long recognized that transparency does not cover all the challenges that EI bring to resource rich countries. As stated in a recent report, "public reporting of EI revenue, though extremely valuable, represents only one step in improving sector governance and maximizing development outcomes throughout the EI value chain. How these resources are actually developed and how the revenue generated ultimately is spent will determine a country's success in achieving long-term growth and sustainable development."[/4]

/1 EITI (2003a)

/2 Van Oranje and Parham (2009)

/3 Kolstad and Wiig (2009)

/4 Mayorga Alba (2009)

3.5 ***Demand-side Relevance:*** Transparency of revenue reporting, as promoted by EITI, is a global public good in that it is non-rival and non-excludable with substantial cross-border spillover effects.[30] Yet the first attempt to disclose oil company payments in a developing country led to a strong backlash that necessitated the transformation of the revenue

29. Eleodoro Mayorga Alba (2009)

30. Transparency of revenue reporting is a public good in the sense that it is non-rival (many people can consume, use, or enjoy the good at the same time) and non-excludable (it is difficult to prevent people who don not pay for the good from consuming it). It also meets the World Bank's operational definition of being a global public good, as it has "substantial cross-border spillover effects that are important for development and poverty reduction, and that can be produced in sufficient supply only through cooperation and collective action by developed and developing countries." World Bank Group (2007a)

transparency initiative from an informal CSO-led campaign into a carefully designed multi-stakeholder partnership. BP's early experience in Angola (Box 4) convinced the initial promoters that the revenue transparency issue could only be addressed through a collective approach at both the global and country levels, with participation of both developed and developing country governments, extractive companies and civil society.

Box 4. The BP-Sonangol "Incident"

A 1999 report [/1] by Global Witness, reported on the devastating impact of the lack of transparency in oil revenues on governance and the prolongation of the civil war in Angola. Global Witness' findings led to the launch in 2000 of the "Publish What You Pay (PWYP)" campaign by a coalition of CSOs, with support from the UK government and some oil company representatives. BP responded to the PWYP appeal by agreeing to publicly disclose its total payments to the Angolan Government and the state-owned oil company Sonangol. However, while Global Witness congratulated BP, Sonangol responded by stating that such disclosures would break confidentiality clauses and could lead to the revocation of BP's license in Angola. This response created a controversy that propelled the revenue transparency issue to the fore of the international development agenda, and also led the initial promoters of revenue transparency to the conviction that: [/2]

(1) a level playing field, in which all companies are compelled to disclose payments, was required to ensure that no single company, or no single country for that matter, would be at a competitive disadvantage by disclosing its payments or revenues;

(2) political backing, as well as pressure, from the companies' home countries would be required to promote the concept with the host countries; and

(3) revenue disclosure had to be politically acceptable to the host country, as well as consistent with its laws and regulations.

/1 Global Witness (1999)
/2 van Oranje, Mabel, and Henry Parham (2009)

3.6 The necessity for a collective multi-stakeholder approach led EITI to be designed from the start with several features intended to enhance its appeal and acceptance with the resource-rich developing countries. Thus:

a. The EITI is a multi-stakeholder partnership at both the global and country levels, where the participation of governments, extractive companies and civil society is mandatory, with donor institutions in a supporting role. The implementing countries, extractive companies, and civil society each have five representatives on the 20-member EITI Board, which ensures that their voices are not only heard, but carry important weight in all decisions;

b. The EITI is a global standard, where participation by individual countries is voluntary, rather than an international convention, where compliance would be mandatory. At the country level, EITI implementation is overseen by a local multi-stakeholder committee. Both the voluntary approach and the oversight of implementation by autonomous country-based committees was designed to make EITI more acceptable to implementing countries; and

c. Once voluntarily adopted at the country level, EITI becomes mandatory for all in-country stakeholders, which creates a level playing field that makes it more acceptable to EI companies, who all have to abide by the same basic rules and procedures set out by the national EITI Committee.

3.7 With this approach, to date, 42 countries have publicly committed to implement the EITI, including 27 (57 percent) out of the 47 developing countries that are “hydrocarbon-and mineral rich” as defined by the IMF.[31] An additional 14 countries, including four on the IMF’s “hydrocarbon-and mineral rich” list, are at some stage of preparation or contact without having publicly endorsed EITI.[32] At the global level, these figures indicate that, since its launch in 2003, the EITI has been accepted by over half of the resource-dependent developing countries for which it was primarily intended.

3.8 The rate of EITI acceptance has been highest in sub-Saharan Africa, where 86 percent (25/29) of the resource-rich developing countries are implementing the EITI, two additional countries are involved in discussions[33], and only two countries are not involved.[34] In other regions, the number of participating countries has been much lower. Of the 42 implementing countries, 25 (60 percent) are located in Africa, 5 (12 percent) in Europe and Central Asia, 4 (9 percent) in East Asia, and 4 (9 percent) in Latin America. It has also been noted that EITI members tend to be clustered among the smaller countries, which account for only a small share of global hydrocarbons and minerals production. EITI participation by major resource-rich countries has been very limited.[35]

3.9 The demand-side relevance of the program can also be assessed from its integration with the development strategies of resource-rich developing countries, as indicated in their Country Assistance/Partnership Strategies (CAS/CPSs). Thus, in 22 (47 percent) of the 47 resource-rich countries, the CAS/CPSs make reference to EITI, mostly in the context of government plans to improve overall transparency and governance. In 14 of these cases, the CAS/CPS states that WBG is planning to provide technical assistance for EITI implementation. In eight cases, the implementation of EITI has been identified as a specific objective, indicator and/or milestone for the CAS/CPS.

3.10 Finally, from the perspective of the WBG’s focus on poverty, it is important to note that participation in EITI processes has been highest among the IDA countries that are also resource-rich, of which 81 percent are participating, as shown on Table 1. This suggests that the demand relevance of EITI has been highest where the need is greatest, in terms of the ultimate goal of addressing the resource curse in the world’s poorest countries.

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31. That is, countries for which the share of hydrocarbon and/or mineral fiscal revenues or export proceeds accounted for at least 25 percent of total fiscal revenues or export proceeds during the period 2000-05. Ref. IMF (2007a)

32. See Annex B – Table 2, Ref. World Bank Group (2010c)

33. Angola and Sudan

34. Namibia and South Africa

35. For example, Olcer (2009)

Table 1. EITI Participation by Resource-Rich and IDA Countries

EITI Compliant or Candidate	Resource-rich Country		Resource-rich IDA Country	
	Yes	No	Yes	No
Yes	27	17	17	10
No	20	123	4	48
Total	47	140	21	58
EITI Participation	57%	12%	81%	17%

3.11 ***Vertical Relevance:*** The original consensus about the essentiality of local ownership for implementing EITI within a global framework also led to an appropriate vertical division of labor between activities carried out at the global and country levels:

a. The international EITI Board has responsibility for global standard setting and validation, as well as strategic direction, outreach and advocacy, so as to enhance credibility and overall consistency; and

b. The local multi-stakeholder EITI committee in each country has responsibility for defining the EITI Country Work Plan, as well as the rules and procedures, and overseeing its implementation. This approach was adopted to ensure that national laws, regulations and priorities can be fully taken into account, as well as the need for coordination and cooperation with related programs that may be active at the local level.

3.12 While this approach appears to be working well in terms of promoting country participation, the attendant high degree of autonomy for each country committee has been associated with a high variability in the quality and coverage of the country EITI reports, which has emerged as one of the major challenges facing the program.

3.13 ***Horizontal Relevance:*** The EITI was created because of the absence of effective alternatives for the promotion of revenue transparency. As mentioned above, the Publish What You Pay (PWYP) campaign, an earlier CSO initiative supported by DFID and a few oil companies which was the precursor of EITI, had run into problems in the face of strong resistance from developing countries. It was only when the transparency campaign was transformed into a multi-stakeholder initiative involving the host country governments and energized by the launch of Azerbaijan's and Nigeria's EITI that the program found its traction. It is thus the multi-stakeholder global/local architecture of the EITI that gives it a comparative advantage, which other programs do not have, to address a difficult issue in a sensitive area.

3.14 Several other agencies have programs that address extractive industries and transparency issues, but they have designed their programs to be complementary to and supportive of EITI, and they are all involved with the MDTF and the EITI, with which they coordinate:

a. The WBG has been financing extractive industry projects for over three decades, but had been disappointed with their very limited contribution to social and economic development.[36] It thus supported EITI from its early days as an important step toward addressing the resource curse in its client countries. More recently it has also launched several complementary programs to enhance the value added from EI development:

i. The “Petroleum Governance Initiative”, launched in 2006 with funding from Norway, to support developing countries in the implementation of appropriate petroleum governance frameworks, including resource and revenue management and linkages to environmental and community issues;[37]
ii. The "Governance Framework for Extractive Industries in Africa — Mining", launched in 2007 to develop and pilot-test in Ghana and Mali a comprehensive framework of measures to assess EI sector governance issues and recommend improvements;[38]
iii. The “EITI++”, launched in 2008 to help developing countries manage and transform their natural resource wealth into long term economic growth that spreads the benefits more fairly among their people;[39] and
iv. The “Extractive Industries Technical Advisory Facility”, launched in 2009 to assist resource-rich countries structure EI transactions and related sector policies.

b. Since 1998, the IMF has had a program to promote the Code of Good Practices on Fiscal Transparency, and it has prepared a Guide to Resource Revenue Transparency which provides a set of authoritative references and best practices that should be employed to promote transparent and responsible management of resource revenues, including recommendations on legal frameworks and fiscal regimes, transparency in licensing and effective accounting and auditing of revenue flows and expenditure.[40] The Guide complements the EITI by defining a broad set of benchmarks from which each national EITI MSG can choose what to adopt, while also calling for broader frameworks beyond publication of revenue payments and receipts.

c. Bilateral donors, including Norway-NORAD, UK-DFID, Germany-GTZ, Canadian-CIDA and others, provide technical assistance for EITI implementation and broader capacity building for extractive industries management and supervision on a country-by-country basis.

3.15 ***Relevance of Results Monitoring Framework:*** Given the EITI’s stated objective “to increase transparency of payments made by industry and revenue received by host governments from oil, gas and mining production”, the 2005 DGF initiating brief appropriately states that, for the first phase, the “overall outcome” is expected to be “a significant improvement in EI revenue transparency, especially in critical countries.”[41]

36. World Bank Group (2005a)

37. World Bank Group (2006b)

38. World Bank Group (2007c)

39. World Bank Group (2008c)

40. IMF (2007a) and IMF (2007b)

41. World Bank (2005b)

However, the original results framework was poorly structured in terms of differentiating between measurable and monitorable outputs, outcomes, and higher order EITI goals. Thus, with reference to the "development objective outcomes" in the DGF initiating brief:

a. *Successful implementation of pilot reporting of EI revenues in key countries*: The publication of reports on EI revenues should be an "output" of the program. The corresponding "outcome" should be the "validation of compliance with EITI criteria" by the EITI Board;

b. *Global best practice dissemination for EI transparency*: This should also be an "output" of the program, with an "outcome" along the lines of a "globally shared understanding of best practices for revenue transparency";

c. *Expansion of transparency to additional countries*: This is an appropriate "outcome" for the program; and

d. *Improved revenue management and reduced corruption*: This, or alternatively "improving governance and fighting corruption" — the original 2003 mandate given by the G-8 Summit to the EITI[42] — should have been identified as a higher order "goal" of the program.

3.16 As a result of being poorly structured, the original results framework devotes much more attention to outputs and outcomes than to higher order goals — i.e. the expected benefits of the program — which are under-represented. The full range of direct and indirect benefits expected by the EITI's proponents is clearly articulated in the 2006 report of the International Advisory Group (IAG) that helped define the EITI's governance structure and validation process:[43]

- In the economic area: improved tax collection and creditworthiness (sovereign debt ratings), and reduced corruption;
- In the governance area: stronger management of public finances, and greater respect for rule of law and accountability;
- In the development area: increased investment in human development, improved employment levels and working conditions; and
- In country reputation: improved reputation as "leaders", and greater knowledge leading to more accurate expectations.

3.17 Based on such an understanding of the expected benefits from the program, the IAG report recommended "that EITI should develop clearer evidence of the benefits of implementing EITI as part of broader governance reform; and other benefits, such as improved energy security and better business climate."

3.18 In partial response to the IAG's recommendation, the MDTF-EITI developed a Results Framework that has been used by the program since 2007. As shown in Annex B, the 2007 Results Framework is structured as a simple results chain:

Activities (with indicators) → Intermediate Outcomes (with indicators) → EITI Goals.

42. Group of Eight (2003)

43. EITI (2006)

3.19 Although not as ambitious as envisaged by the IAG, the "EITI Goals" appropriately capture the expected benefits from the EITI:

- Better accountability and improved social compact with citizens on resource revenues and use for common benefit;
- Better investment climate for extractive industries sector;
- Platform for governance and public financial management — beyond EITI; and
- Improved management of EI resources (leading to economic growth and poverty reduction).

3.20 On the other hand, while the 2007 results framework is better than the original one in the 2005 initiating brief, it falls short of adequately tracking the intermediate benchmarks associated with the underlying theory of change that would relate the program's outputs and outcomes to the EITI's goals, and the attendant benefits for implementing countries. This is an important shortcoming, not only in terms of the need to develop awareness of the tangible benefits of the program and provide an incentive for enhancing its quality and sustainability, but also in light of continuing doubts about the relevance and adequacy of the program to contribute to the higher level goals (Box 5).

3.21 At the global level, the results framework is less complete. At present, the EITI's Implementation Reports focus on the progress of activities and the validation process, which are the outputs of the program. A system for monitoring and reporting of attributable outcomes and higher order goals is currently under preparation by a working group under the EITI Board.

3.22 Overall, IEG finds that the MDTF-EITI program is highly relevant for improving transparency in resource-rich developing and transition countries, as reflected in the broad and expanding consensus of stakeholders that support it, the carefully designed architecture of the program, and the absence of alternative sources of supply. But the program's relevance for improving revenue management and reducing corruption will be dependent on its demonstrating that revenue transparency will empower civil society to hold government to account and make corruption more difficult. From the M&E perspective, the major design gap relates to the absence of a logical framework, based on the theory of change, that relates the program's activities to its expected benefits for implementing countries. This is an important shortcoming in light of persistent doubts about the relevance and adequacy of EITI's current approach to achieve its higher order goals, and the potential need to rethink and revise the program to ensure that it can show that it can achieve its ultimate goal of helping resource-dependent countries reduce poverty by addressing the resource curse.

Efficacy

3.23 To what extent did the MDTF-EITI program achieve the results that it set out to achieve? This IEG review assessed the efficacy of the program based on: (a) the findings and conclusions of external assessments of the program, of which there have been several; (b) the original results framework in the DGF Initiating Brief, the "contract" between the program and the WBG on the basis of which the initial phase was funded; and (c) the program's progress in relation to the higher order goals of the program as expressed in the Results Framework of the MDTF-EITI.

Box 5. From a Theory of Change to an Improved Results Monitoring Framework

The results monitoring framework of a pilot program needs to adequately track and validate the underlying theory of change and provide enough information to inform potential revisions in the approach. The EITI process is based on the proposition that transparency in the reporting of revenues is critical to fighting corruption and improving governance. The underlying theory of change, as can be deduced from the MDTF-EITI's 2005 DGF initiating brief, is that revenue transparency will empower civil society to hold governments to account, and make mismanagement or diversion of funds more difficult. The reduced corruption and improved management of resource revenues will provide the basis for sustainable economic growth and development.

The MDTF-EITI's 2007 results framework, however, is narrowly focused on the outputs and a few outcomes of the EITI process, but does not adequately monitor the multiple early and intermediate outcomes that are preconditions for reaching the EITI goals.

Which indicators need to be monitored to track the early and intermediate outcomes? While the design of a comprehensive results framework for the MDTF-EITI is beyond the scope of this review, a few illustrations of potentially useful monitoring indicators that could be adopted or adapted can be found in the World Bank's Public Expenditure and Financial Accountability (PEFA) performance measurement framework and the participation and empowerment literature: [/1]

1. Indicators of public revenue management and accountability:
   a. Transparency of (industry) taxpayer obligations and liabilities;
   b. Aggregate revenue out-turn compared to original budget plans;
   c. Comprehensiveness of information included in revenue reports;
   d. Effectiveness of (government) internal audit;
   e. Timeliness and regularity of accounts reconciliation;
   f. Availability of information on resources received by government entities outside of the official budget process;
   g. Quality and timeliness of annual financial statements; and
   h. Scope, nature and follow-up of external audit;
2. Indicators of civil society participation and empowerment:
   a. Public access to revenue information;
   b. Frequency of civil society participation in revenue management meetings;
   c. Levels of attendance and representation at revenue management meetings, by socio-economic grouping;
   d. Civil liberties index;
   e. Press freedom index;
   f. Civil society index;
   g. Corruption perceptions index; and
   h. Voice and accountability index.

As already mentioned, the MDTF and EITI have already recognized the need to improve their results framework and established a working group to prepare it.

/1 World Bank Group (2005c)

3.24 ***External Assessments of the Program:*** Aside from the program's own reporting, at least five independent studies have attempted to assess the efficacy of the EITI and EITI-related activities using a variety of different approaches. These include the external evaluation of the MDTF, an evaluation of the program's impact commissioned by the EITI Secretariat, as well as academic papers prepared by the OECD, Prof. Susan Aaronson, and the Christian Michelsen Institute. Their findings are summarized below.

3.25 ***Evaluation of EITI Multi-Donor Trust Fund*:**[44] As already noted, the independent external evaluation of the MDTF-EITI recognized that, given the early stage of implementation of the program, there was only limited evidence to evaluate progress towards achieving the intended benefits, such as changes in corruption perception indices and sovereign credit ratings. Subject to these *caveats*, the evaluation concludes that the program had delivered substantial technical assistance and grant funding to EITI candidate countries, and that these efforts had directly contributed to the global momentum which has characterized EITI and the growth in the number of countries moving towards validation.

3.26 ***Evaluating the EITI's Impact on the Transparency of Natural Resource Revenues*:**[45] In November 2008 the EITI Secretariat commissioned a consultancy, Rainbow Insight, to conduct "an evaluation of its impact." This evaluation was largely qualitative and based on a review of published material, a written questionnaire and interviews with 62 EITI stakeholders; and an on-site visit to Cameroon, an EITI candidate.

3.27 The report summarizes its findings as: "EITI is seen as a success simply by the fact that it exists, with its infrastructure, processes, policies and procedures having now been established. Ensuring that countries now progress from being Candidates through the validation pipeline is regarded by stakeholders as being of prime importance. It is also generally felt that the EITI Secretariat needs to formalize and commit to a set of key performance indicators (KPIs) or benchmarks, so that stakeholders can judge whether it is meeting its stated objectives. Indeed, many stakeholders — including some EITI Board Members — were unaware of the (indicative) KPIs that the Secretariat has already published!"[46]

3.28 At its February 2009 meeting in Doha, the EITI Board, "accepted the evaluation and found the recommendations useful, but expressed disappointment that the evaluation had not presented a significant deepening of the understanding of the impact of the EITI in implementing countries."[47]

3.29 ***Extracting the Maximum from the EITI*:**[48] This OECD Working Paper sets the stage for a broader critique of EITI by examining how the corruption perceptions index (CPI)[49] of EITI countries compares with those in non-EITI countries. It concludes that the government's public endorsement of EITI does not, on average, improve corruption perception levels. It also finds that, according to the World Bank Worldwide Governance Indicators, control of corruption in EITI countries is not only worse than in non-EITI countries, but that the EITI countries' scores on this indicator have on average deteriorated between 2002 and 2007. However, as the paper itself implies, and has already been noted

44. Michael Jordan (2009)

45. Rainbow Insight (2009)

46. Rainbow Insight (2009)

47. EITI (2009)

48. Olcer (2009)

49. The Corruption Perceptions Index (CPI) published by Transparency International, http://www.transparency.org/policy_research/surveys_indices/cpi/2009

elsewhere,[50] it would be premature to read too much into these results, since the government's public endorsement of EITI is only the first of 18 steps leading to validation — the point after which EITI may be expected to have some impact — the corruption and governance indicators take into account data from up to two years before their publication, and the perceptions that were observed had formed prior to the gathering of the relevant data. That is, 2007 was too early to evaluate the EITI's impact using the standard corruption and governance indicators.

3.30 ***Oil and the Public Interest*:**[51] In this brief note, Prof. Aaronson concludes that the EITI "already…seems to have helped many participants improve their governance and gradually avoid or reduce the resource curse." This conclusion is based on a review of governance and human rights statistics for 26 EITI-implementing countries in 2007, compared to the performance of 25 non-EITI resource-rich developing countries. The paper found that eleven of the EITI countries were able to improve their business climate, vs. seven in the non-EITI countries and, as a group, the average of EITI countries performed better than their non-EITI ones, as measured by the change in rankings on the IBRD's "Doing Business" index for the years 2006 and 2007.[52] The paper also found that "voice and accountability" scores (the ability of citizens to influence government and hold it accountable) improved significantly more for EITI than non-EITI countries on average. In relation to the similar but inconclusive comparisons of the CPI, the paper concludes that it is likely that the process of changing a culture of corruption (and perceptions of that change, as captured by the CPI), may take considerably more than four years.

3.31 ***Is Transparency the Key to Reducing Corruption in Resource-Rich Countries?***[53] In a paper by that name, Kolstad and Ivar recognize "that the EITI represents an international standard on transparency and good governance, which makes it easier for oil companies and government to aspire to better practices, and constitutes a focal point for civil society in addressing inefficient governance, or for financial institutions to use in certification processes." However, they rate the progress of implementing the EITI principles as "somewhat disappointing", given the small number of countries that had published fully audited and reconciled EITI reports. In a broad critique of EITI, based on their review the recent literature on mechanisms through which transparency can reduce corruption, they conclude that the EITI faces a number of challenges and problems:

a. First, since EITI is focused on revenues, it does not address transparency in other parts of the natural resources value chain, such as expenditures, contracts and procurement, which are more important for addressing corruption, as they would more directly reduce opportunities for patronage and rent-seeking;
b. Second, since EITI adoption is voluntary for governments, and corrupt governments may have a vested interest in not promoting transparency, expanding EITI membership and implementation is likely to remain a problem unless membership status is linked to an effective sanctioning mechanism;

50. Bauchowitz (2009)

51. Aaronson (2008)

52. World Bank Group (2009e)

53. Kolstad and Wiig (2009)

c. Third, since EITI focuses on transparency, it is insufficient to have much of an effect unless it is coupled with other types of reform, such as improving accountability and the rule of law;
d. Fourth, since the EITI requires a multi-stakeholder group (MSG) to participate in the validations process, there is a risk that the MSG itself can become an arena for rent-seeking and patronage. That is, either the government may use its power of appointment to undermine the independence of the other stakeholders, or the stakeholder groups may use their potential leverage in the EITI to acquire a greater proportion of resource rents.

3.32 Overall, in the view of this IEG review, the above external reviews serve to illustrate the tension and uncertainty that arise from the gap between the MDTF and EITI's narrowly focused objectives, monitoring and reporting on outcomes, and the expectations arising from the higher order goals that led to the creation of the EITI and continue to motivate its implementation.

3.33 ***Achievement of Contracted Outcomes:*** Has the MDTF produced the outputs and outcomes that it 'contracted' to deliver when it was initially funded by the Bank? The MDTF-EITI's Country Portfolio Summary, shown in Annex B, Table B-1, appropriately summarizes the progress of the program's activities, outputs and outcomes the global level. At the country level, the MDTF-EITI's Country Results Framework does the same, but is only available for eight of the 42 implementing countries. (See Annex B, Table B-2.) These data indicate that the program has substantially achieved its contracted outputs and most of its outcomes. The extent of progress on higher order goals cannot, however, be determined, since their monitoring has been limited and no indicators have been established.[54]

3.34 Specifically, this IEG review concludes that the program has achieved "a significant improvement in EI revenue transparency, especially in critical countries", which was the proposed "overall outcome" for the first phase, but its contribution to higher order goals remains elusive. In terms of the original results framework in the DGF initiating brief:

a. *Successful implementation of pilot reporting of EI revenues in key countries*: To date, 22 countries have piloted the EITI process to the point of publishing one or more EITI reports, with a total of 46 reports having been produced to date.[55, 56] Except for four,[57] all of them were supported by the MDTF-EITI. This is far above the output target of 5–10 pilot countries for the pilot phase. On the other hand, only five countries have been validated as compliant by the EITI Board,[58] which should have been the attributable outcome;

b. *Global best practice dissemination for EI transparency*: The MDTF-EITI supported the production of a number of practical guidelines, templates and publications, as well

54. As noted in the Management Response (Annex I), the EITI Board has decided to establish a Working Group on Monitoring Indicators which put together a list of relevant indicators and a TOR for an independent evaluation of the EITI. A consultancy has been chosen to do the evaluation and is expected to present preliminary findings at the 5th EITI Global Conference in March 2011.

55. EITI (2010a)

56. EITI (2010c)

57. Azerbaijan, Gabon, Rep. of Congo, and Norway

58. Azerbaijan, Liberia, Timor Leste, Mongolia, and Ghana

as several major international workshops and conferences, which was the expected output. These activities substantially contributed towards a “globally shared understanding of best practices for revenue transparency,” which is the attributable outcome, but much remains to be done in terms of the implementation of these practices in EITI reports;

c. *Expansion of transparency to additional countries*: As shown in Annex B, Table B-2, this outcome has been achieved, as reflected in the fact that 42 countries have publicly committed to implement EITI, and an additional 16 countries are at some stage of preparation or contact without having gone public with an endorsement;[59]

d. *Improved revenue management and reduced corruption*: The extent to which progress has been achieved in relation to this important higher order goal cannot be determined from the Results Framework, at least for now, as there is hardly any monitoring information.

3.35 Nevertheless, while the contracted outputs and outcomes have been substantially achieved, IEG notes serious issues with the quality of these results. That is, the scope and credibility of the country EITI reports have emerged as a major challenge for establishing the value of the EITI “brand.” These issues have been taken up by the MDTF-EITI team and extensively discussed in EITI consultation workshops and summarized in a recent report, which recommended that the EITI Secretariat provide clearer guidance and minimum baselines in the following areas:[60]

a. The level of <u>disaggregation</u> of revenue reports, among other things, in terms of payments to sub-national entities. Disaggregation would allow citizens to better monitor EI sector revenues and demand accountability at the local levels;

b. The level of <u>detail</u> to be published on specific revenue streams, among other things, in terms of distinguishing between tax payments, royalties, payments in kind (e.g. of “profit” oil or gas[61]), compensation for services, community and infrastructure development, etc.

c. The need to <u>reconcile</u> government reporting to the EITI with official government finance information, such as, e.g. official revenue information submitted to parliament. This process may uncover substantial off-budget revenues, such as the transfer of profit oil or gas to the national refinery or national oil company;

d. The need to ensure <u>accuracy</u> — ideally audit reliability — of the revenues and payments data submitted to EITI administrators by governments and companies;

e. The need to ensure <u>completeness</u> of EITI reporting, in terms of the inclusion of all types and sizes of enterprises involved in resource extraction; and

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59. World Bank Group (2010c)

60. World Bank Group (2010a)

61. “Profit” oil or gas refers to the share of output accruing to the countries as shareholders/part owners of the production venture.

f. The need to ensure comprehensiveness of reporting, in terms of the inclusion of all material benefit streams, including, e.g., in-kind oil or gas allocated domestically, certain minerals extraction-related fees, local compensation payments, and community and infrastructure development programs.

3.36 As stated in the summary report, these issues reflect "the tension between a broad EITI policy framework designed to suit EITI country circumstances versus the precise guidance that professional service (audit) firms feel they need to be able to discharge their EITI (validation) responsibilities efficiently." In response to the report's recommendation, the EITI Board has established a working group on improving EITI reporting.[62]

3.37 ***Progress in relation to higher order goals:*** Has the program yielded the expected benefits? In relation to the achievement of the four EITI goals identified in the MDTF-EITI's Results Framework, the sparse available information available in the eight posted country results frameworks, in the three Grant Reporting and Monitoring Reports, and in the one Activity Completion Report can be summarized as follows:

a. *Better accountability and improved social compact with citizens on resource revenues and use for common benefit*: All eight countries report some progress, but provide scant evidence, ranging from improved TI-CPI scores (Liberia, Kazakhstan and Nigeria) to a statement that "the leadership has indicated the will to move ahead…" (Mauretania);

b. *Better investment climate for extractive industries sector*: Only the Kyrgyz Republic report indicates that "a new mining code has been put in place, which promotes transparency and investment…" but provides no evidence of a linkage to the EITI process;

c. *Platform for governance and public financial management — beyond EITI*: Three countries report on some progress in this area; and

d. *Improved management of EI resources (leading to economic growth and poverty reduction)*: Seven countries report some progress, either in terms of increased government capacity or plans for a comprehensive reform of the EI sector, but provide no evidence of linkage to EITI.

3.38 To supplement such meager indications of progress on the higher goals, IEG reviewed the performance of EITI implementing countries using generic but publicly available indicators. These include, for accountability, the World Bank's Voice and Accountability Index; the Public Sector Management and Institutions Index from the World Bank's Country Policy and Institutional Assessment (CPIA); and for anti-corruption, Transparency International's Corruption Perceptions Index. While these indices raise some well-known methodological issues and are imperfect measures of the outcomes sought, they do provide some initial indications worth noting. The findings, summarized on Table 2, are discussed below:

62. EITI (2010b)

Table 2. Changes in Governance Indices in Resource-Rich Countries: EITI Endorsers vs. Non-Endorsers

Endorsed EITI?	Changes in Voice and Accountability Index (2006–2009)			Changes in Corruption Perceptions Ranking (2006–2010)			Changes in Public Sector Management and Institutions Index (2006-2009)		
	No. of countries	Positive Change	Negative Change	No. of countries	Positive Change	Negative Change	No. of countries	Positive Change	Negative or No Change
Yes	27	12	15	27	10	17	17	6	11
No	15	5	10	15	1	14	5	3	2
Total	42	17	25	42	11	31	22	9	13
Chi-square test	Variables are independent.			Variables are associated at 95% confidence level. P = 3.19			Variables are independent		

Sources: Worldwide Governance Indicators, 1996–2009 at http://info.worldbank.org/governance/wgi/; Transparency International, Corruption Perceptions Index, 2006–2010 at www.transparency.org; http://data.worldbank.org/indicator/IQ.CPA.PUBS.XQ

3.39 ***Accountability***: Based on the Voice and Accountability Index, EITI membership did not have a significant impact on improving accountability during the 2006–2008 period. Given the sample of 42 resource-rich countries for which the index is available, there is no statistically significant difference between the changes for EITI endorsers and non-endorsers. Based on the same index, Prof. Aaronson found that voice and accountability scores improved significantly more for EITI than non-EITI countries, based on a comparison of2000–2006 data.[63] Since EITI was just getting started in 2004–2006, this finding can be interpreted as showing that EITI member countries were already improving accountability before joining EITI, which may in turn have contributed to their becoming EITI candidates.

3.40 ***Public Sector Management:*** The Public Sector Management and Institutions Average Index from the World Bank's CPIA is designed to capture the World Bank staff's judgment of a country's performance in relation to a variety of governance, financial management, public administration, and accountability criteria. Here again, on the basis of the sample of 22 resource-rich IDA countries for which the index is publicly available, there is no statistically significant difference between the changes for EITI endorsers and non-endorsers.

3.41 ***Corruption***: The changes in the Corruption Perceptions Index between 2006 and 2010, in the 42 resource-dependent countries for which the data is available, suggests that most (74 percent) suffered a negative change, while almost all of those (26 percent) that experienced positive change were EITI endorsers. The statistical analysis (Chi-square test) suggests that EITI endorsement is significantly correlated with positive changes in corruption perceptions. The direction of causality cannot, however, be determined. Given the time lag in corruption perceptions as well as the recent vintage of EITI implementation, it can be concluded that countries which are effective in fighting corruption have a higher propensity for joining the EITI.

3.42 Overall, the fact that the majority of resource-rich countries experienced negative changes in accountability, public sector management and governance provides compelling evidence for the strength and prevalence of the resource curse. Against this troubling background, the fact that most of the countries which experienced positive changes on anti-

63. Aaronson (2008)

corruption have endorsed EITI can be attributed to its demand-side relevance, but cannot be construed as a measure of its efficacy. In fact, as suggested by several stakeholders interviewed by IEG, given the deep roots and seriousness of the resource curse, it could be a long time before it can be successfully addressed in each country.

3.43 Finally, the expected time lag between EITI's outcomes and the achievement of its higher level goals, as well as the composite nature of these indices, which collapse a broad range of different surveys and expert assessments, points to the great need for caution about the interpretation of any findings. They also point to the urgent need to identify and monitor early and intermediate milestones that bridge the gap. The absence of such indicators in the results framework has left the program bereft of evidence to demonstrate that it can deliver tangible benefits. While the stakeholders interviewed by IEG understood that EITI is more than just about publishing reports, and could point to instances where it put in place multi-stakeholder processes that should eventually improve governance in a wider sense, several also expressed that implementing countries are facing difficulty funding the operation of EITI unless the benefits can be shown.

Efficiency

3.44 ***Sources and uses of funds:*** As of June 30, 2010, the MDTF-EITI program had spent \$18.3 million, of which \$11.9 million (65 percent) had been funded from the MDTF and \$6.4 million (35 percent) from the World Bank. The Bank's contribution came in part from the DGF (\$1.1 million), but largely (\$5.3 million) from the Bank's administrative budget. Of these expenditures, \$13.0 million (71 percent) have been spent on country-level activities, \$4.3 million (24 percent) on global knowledge and learning activities, and \$916 thousand (5 percent) on program management and administration. As shown on Table 3, program expenditures rose rapidly following the launch of the program in FY05, declined in FY08 due to a slowdown in the establishment of new recipient-executed trust funds, but have gradually increased thereafter to reach another peak in FY10.

3.45 ***Cofinancing:*** MDTF-EITI does not have a mandatory cofinancing requirement for grant applicants — it is not even a criterion under its selection guidelines — but implementing countries are expected to provide their own resources wherever feasible, and bilateral donor funding and some assistance from international CSOs are often available to support EITI implementation on a country-by-country basis. As a result, while the MDTF is the principal source of funding for the program, especially in the early stages, a substantial amount of funding is also provided by national governments and others. The full extent of the funding devoted to the program is unknown, even though the MDTF administrator and the EITI Secretariat recognize the need for such an accounting, and the 2008 MOU calls for a jointly prepared annual consolidated financial picture. In IEG's view, this is an important omission that needs to be addressed, both for the oversight of the program as a whole as well as to lay the groundwork for the long-term sustainability of the program.[64]

64. As noted in the Management Response (Annex I), as the EITI implementation models become increasingly complex (with a number of supporting agencies providing support in various ways), it is harder to meet the MOU's goal of preparing a consolidated financial picture, but the program will look for ways to address this concern in an efficient way.

Table 3. Total MDTF-EITI Expenditures by Sources and Use, FY05–10 (US$ thousands)

	FY05	FY06	FY07	FY08	FY09	FY10 /1	Total FY05-10
Expenditures/Disbursements by Source							
Bank-executed TFs	295	1243	657	1,166	1871	1,824	7,052
Recipient-executed TFs /2		250	1,698	838	325	1,724	4,836
WB – DGF Grants	105	499	500				1,104
WB – Administrative Budget (BB)	514	810	1207	839	1,151	761	5,282
Total Sources	914	2,802	4,063	2,842	3,348	4,309	18,274
Expenditures/Disbursements by Use							
Global activities (BB & BETF)	646	974	1,030	554	896	246	4,346
Country activities (BB & BETF)	190	1,429	1,272	1,341	1,904	2,044	8,180
Country activities (RETF)		250	1,699	838	325	1,724	4,836
Program management and administration (BB)	77	150	62	109	223	295	916
Total Uses	914	2,802	4,063	2,842	3,248	4,309	18,278

Source: SEGOM.

1/ All trust fund disbursements are from the EITI Multi-Donor Trust Fund (MDTF), except for an additional $8,474 from the Governance Trust Fund in FY10.

/2 These are trust fund disbursements, not including commitments which have not yet been disbursed.

3.46 ***Disbursement rates:*** The 2009 independent evaluation reviewed the MDTF's disbursement rates and found that they had been substantially lower than planned. This IEG review found that, as summarized in Table 4, the program's disbursement rates have fluctuated between 20 and 57 percent, well in line with the experience of other WBG operations. A major constraint to acceleration is that WBG fiduciary rules require that trust fund contributions be received by the Bank before grant commitments to countries can be made.

3.47 At the country level, the program's disbursement rates are much lower, in the range of 11–23 percent, which is mainly attributable to the complexity of the World Bank's documentary and procedural requirements and the limited capacity of country agencies to understand and comply with them. Nevertheless, the associated disbursement delays have emerged as a major issue for the MDTF.

3.48 A review of the recent round of validation deadline extension applications submitted to the EITI Board indicates that in four out of 16 cases, "delays in securing donor financing" was cited as the major reason.[65] In two additional cases, the country had been "unable to access financial support from donors" because of the *de facto* nature of the government. From IEG's interviews with stakeholders, delays in disbursement emerged as the most

65. EITI (2010b)

important complaint about the MDTF, and some respondents raised an issue as to the extent of its accountability for the delays in validation experienced by the subject countries.

Table 4. Comparison of Disbursements vs. Available Funds, 2005–2010 /1
(US$ thousands)

	2005/6	2006/7	2007/8	2008/9	2009/10
Funds received by MDTF during period	5,539	4,820	3,909	2,355	11,947
Funds available in MDTF	5,539	7,183	8,556	9,168	18,194
Bank-executed disbursements	956	1,348	738	1,977	1,465
Commitments to recipient-executed grants	2,220	1,188	1,004	944	3,648
Total disbursements and commitments from MDTF	3,176	2,536	1,742	2,921	5,113
End of period balance in MDTF	2,363	4,647	6,814	6,247	13,081
Total disbursement and commitment rate from MDTF	57%	35%	20%	32%	28%
Funds received by recipient-executed grants	2,220	1,188	1,004	944	3,648
Funds available in recipient-executed grants	2,220	3,408	3,871	4,027	7,251
Disbursements from recipient-executed grants	0	541	788	424	1,654
End of period balances in recipient-executed grants	2,220	2,867	3,083	3,603	5,597
Recipient-executed grant disbursement rate	0%	16%	20%	11%	23%

Source: SEGOM.

/1 Based on April-March reporting period used by MDTF in the MDTF Sources and Uses of Funds Report

3.49 In IEG's view, the concerns expressed about delays in disbursement is reflective of the tensions between the EITI's two-year deadline from the acceptance of a country's candidate status to the submission of its validation report, the WBG's rigorous fiduciary requirements, and the limited capacity of many countries to comply with the requirements of the EITI and the WBG. Nevertheless, the frequency of complaints points to the need for the MDTF to devote more attention to this issue, as these may be indicative of a need for greater rigor in the application of the MDTF-EITI's first guiding principle for the approval of funding, which is the likelihood that results will be achieved. This would lead to greater selectivity and efficiency in terms of ensuring that grant recipient countries achieve EITI compliance and other benefits.

3.50 ***Overall Efficiency:*** Given the intangible nature of many of the expected benefits from the EITI and the absence of full information on the resources devoted to the program, IEG was not in a position to undertake a quantitative assessment of the efficiency of the program. On the other hand, it is important to note that its continued expansion reflects the participants' perception that the program is broadly efficient, i.e. that its expected benefits will be commensurate with the costs. Thus, (i) the growing number of candidate countries and EITI supporters in all stakeholder constituencies is indicative of their belief in the program's "fitness for purpose" as well as, to the extent that implementing countries also contribute some funding, their "willingness to pay"; (ii) the growing donor contributions to the MDTF, shown in Table 3, are indicative of their sense of "value for money" as reflected in their "willingness to pay"; and last but not least (iii) the fact than over 50 WBG country teams have provided budgetary support to the promotion of EITI, is also revealing of their considered judgment that, among the vast array of potential projects, programs and initiatives proposed for their attention, the EITI is worthy of their support.

3.51 IEG's interviews with a diverse range of stakeholders found that most were fully satisfied with the efficiency of the program. They shared a sense that the initiative was worthwhile without any suggestion that efforts or funds are being wasted. The only reservations related to delays in disbursement, as already discussed. Some respondents conveyed that the available anecdotal information about impacts in the field, such as those reported in the MDTF-EITI's Results Framework (See Annex B), and the broad correlation of EITI participation with improvements in governance, albeit not solely or causally attributable to EITI, provided ample justification for the relatively modest funding devoted to the program, of about $30 million from the MDTF, plus a comparable sum from all other sources.

Governance and Management

3.52 Global programs employ a diverse range of governance models associated with the history and culture of each program. Therefore, following the approach adopted by the OECD Principles of Corporate Governance (1999 and 2003), this section reviews compliance with generally accepted principles of good governance: *legitimacy, accountability, fairness, and transparency.* The program's *efficiency,* another OECD principle, has already been discussed.

LEGITIMACY AND ACCOUNTABILITY

3.53 The initial legitimacy of the EITI rested on the reputations of the participants at the EITI's 2003 inaugural conference in London, when representatives of 12 developing and transition country governments, 19 major petroleum and mining companies, 13 CSO groups, 10 donor countries, as well as the World Bank and IMF endorsed the EITI and indicated their readiness to work together to implement it.[66] In 2007 its legitimacy was consolidated with the establishment of the 20 member EITI Board with representation from all its major constituencies: implementing countries, supporting (donor) countries, civil society organizations, companies and investors. The Board is elected by and accountable to a Global Conference held every two years, which brings together all EITI members. During these conferences, a new Board is elected for the next two years.

3.54 The legitimacy of the MDTF-EITI is based on its donors' having entrusted the Bank to establish and administer it, as expressed in each donor's respective administration agreements. The MDTF was established with a first (2004) Administration Agreement between DFID and the World Bank,[67] and strengthened through subsequent agreements with 12 other donors. It is administered by the World Bank and accountable to a Management Committee that is chaired by the WBG and includes representatives of the 13 donors who contributed at least $0.5 million each.

66. EITI (2003b)

67. World Bank Group (2004a)

3.55 The MDTF-EITI program as a whole thus evolved a dual governance structure that combines a shareholder model for the MDTF and a stakeholder model for the EITI. The structure joins the broader political legitimacy and acceptance conferred by the participation of all voices in the stakeholder model with the donors' need for rigorous accountability in relation to fiduciary requirements and their own priorities, as essential for their continuing support. While unusual, this dual structure appears to circumvent some of the pitfalls encountered by other multi-stakeholder initiatives to promote global standards supported by the WBG, such as the World Commission on Dams and the International Assessment of Agricultural Knowledge, Science, and Technology for Development (IAASTD), which were launched with great promise but eventually failed due to a mismatch between voice and accountability.[68]

3.56 The fact that the MDTF-EITI's innovative governance architecture has proven to be reasonably effective and efficient does not mean that it is exempt from internal tensions and other risks. As pointed out in a few of IEGs interviews, the program's structure has created an imbalance between accountability for results and decision-making authority. Thus, while the MDTF's decisions are expected to take all stakeholders' views into consideration, and indeed the MDTF is bound to do so in light of the multi-stakeholder process required for EITI candidacy, its funding decisions are made by the MC, where only donors are represented. And the availability of donor funding has a decisive influence on most countries' interest and readiness for EITI candidacy and their capacity to undertake the validation process.[69]

3.57 On the other hand, accountability for EITI's success clearly rests with the EITI Board, where all stakeholders are represented, including most importantly, the implementing countries. But the Board and Secretariat have little ability to stimulate a country's willingness to become an EITI candidate or to assist a country with the validation process, for both of which it largely depends on MDTF-funded activities by the WBG, CSOs and other stakeholders. The EITI Board thus has little control over a process for which it is fully accountable.

3.58 In IEG's view, the continuing tensions between authority and accountability represents a small price to pay for fact that the dual governance structure of the MDTF-EITI appears to be working reasonably well. However, the fact that such tensions exists points to the need for continuing review of options for addressing it, such as enhancing channels and opportunities for communication between the MDTF-EITI and stakeholders that are not represented in the MC.

TRANSPARENCY

3.59 The MDTF-EITI maintains a public Web site where it posts its work program, the rules and regulations for applying for grants, annual progress reports, the results frameworks for the countries for which it has been prepared, its publications, and miscellaneous other information. Other documents, such as its financial reports and the independent evaluation report, are treated as confidential and only distributed internally. Based on IEG's interviews, this level of openness and accessibility to the public is appropriate and acceptable in line with

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68. See Briscoe (2010) and World Bank Group (2010e)

69. As noted in the Management Response (Annex I), the MDTF's core operating modality is always to be highly proactive in identifying and meeting resource and TA needs and, in fact, "no request for MDTF funding and/or TA support by a current or potential EITI country for EITI implementation has ever remained unmet."

the responsibilities of the MDTF. On the other hand, as IEG has already noted, the program should have disclosed the independent evaluation report to provide a basis for improved accountability and responsibility.

3.60 In relation to transparency *vis-à-vis* the EITI Board and Secretariat, several Board members from constituencies not represented on the MC (i.e., non-donors) expressed a need for greater communication and involvement in regard to the MDTF's decision making. Their comments indicate that the in-country multi-stakeholder process for the preparation of grant proposals involves a delicate balance and implicit contracts between representatives of conflicting and competing interests, with associated high reputational and other risks at the personal level for many participants. For the MDTF-EITI, by contrast, the risks to development and reputation are institutional and broadly distributed. To enable the Board and Secretariat to better manage this local/global asymmetry of risk, it would be desirable for to have a full understanding of the basis for the MDTF's specific accept/reject decisions. I.e., full transparency rather than a briefing.

3.61 In IEG's view, this argument deserves to be considered by the MDTF-EITI. A similar recommendation was also made by the independent evaluation, as a result of which the MDTF-EITI has already taken a few small steps in that direction. In addition, it might be useful for the MDTF administrator to review its current practices in light of the World Bank's recent Policy on Access to Information, which allows access to any information in its possession that is not on a specified list of exceptions.[70]

FAIRNESS

3.62 Requests for MDTF funding can be initiated through a variety of channels:

- The WBG's sector and macro dialogue with countries leading to a request for EITI support;
- Referrals by the EITI Secretariat or by donors and partners;
- Direct demand from countries for MDTF-EITI support;
- Referrals by WBG senior management; and
- Follow-up of CAS/CPS commitments or by linkages to Bank operations or HIPC programs.

3.63 Having received a funding request, the MDTF's decisions are guided by its Selection Guidelines and Operating Procedures.[71] Per the Selection Guidelines, the key guiding principles are (i) results — the likelihood of MDTF funds catalyzing effective implementation of EITI; and (ii) meeting country capacity gaps among stakeholders on EI transparency issues. Based on these principles, the MDTF takes account of the following criteria, giving more weight to the first three:

- Post-conflict and/or fragile states;
- Political commitment and national ownership;

70. World Bank Group (2010d)

71. World Bank Group (2008b)

- Country capacity needs (including civil society);
- Resource dependency and poverty impact;
- Scale-up potential in a sub-regional context; and
- Extending the reach of EITI to regions where it is under-represented.

3.64 In addition to the Selection Guidelines, the MDTF's Program Description and Operating Procedures also require specific consideration of the WBG's country department buy-in and involvement in EITI process, especially for supervision of the proposed activity from the WBG's country budget. Specifically, "all MDTF-supported activities should be based on a strong interest from the recipient government — evidenced by written approval from the relevant government and the Bank country director/team — which will need to be consulted and kept properly informed."[72]

3.65 Based on IEG's interviews, this approach is perceived as fair by all stakeholder constituencies. It reflects the widely shared consensus to give priority to the likelihood of results and addressing capacity gaps, and appropriately supports the candidacy and validation decisions of the EITI Board. A few respondents expressed reservations about the extent — 59.3 percent — to which MDTF funds are used by the WBG. In IEG's view, such comments are a reflection of these stakeholders' lack of knowledge about the uses of these funds by the WBG — mostly for technical assistance and global knowledge and learning, and 7.7 percent for administration — and of the extent of complementary budget support from WBG — equivalent to 18 percent of the MDTF — and could be addressed through wider disclosure of the relevant financial information.

3.66 Other respondents indicated that it was precisely the WBG's reputation for objectivity and integrity that had made it the location of choice for the administration of the MDTF. Based on IEG's interviews, there appear to be no questions about the integrity of management and administration of the MDTF. A few concerns were raised about some countries' management of counterpart funds, which IEG was not in a position to pursue.

72. MDTF-EITI (2008b)

4. The World Bank Group's Performance as a Partner

Rationale for Bank Involvement

4.1 The World Bank Group's support for the EITI was stimulated by IEG's EI Evaluation and the parallel multi-stakeholder EI Review. Both of these were launched in response to extensive concerns from several sections of civil society about the WBG's continued support for extractive industries. Informed by the emerging literature on the resource curse,[73] questions had been raised at the Annual Meetings in 2000 about the extent to which the EI's adverse environmental, social and governance impacts may outweigh whatever economic and social benefits may accrue to the host countries' economy and the poor.

4.2 Following the 2000 Annual Meetings, WBG management launched the EI Review to take an in-depth look at the potential future role of the WBG in extractive industries. In parallel with the EI Review, IEG launched the EI Evaluation to assess the WBG's effectiveness in enhancing the EIs' contribution to sustainable development. The purpose was to provide an objective assessment of the results within the context of the WBG's overall mission of poverty reduction and the promotion of sustainable development.

4.3 In its final report, IEG's EI Evaluation recommended that "the WBG should vigorously pursue country- and industry-wide disclosure of government revenues from EI and related contractual arrangements (such as production-sharing agreements, concession, and privatization terms)."[74] The underlying rationale was that it could help reduce poverty in resource-dependent countries by addressing the resource curse.

4.4 The EI Review recommended that the WBG's strategy "for extractive industries include the following:[75]

- Promote transparency in revenue flows,
- Promote disclosure of project documents,
- Develop the capacity to manage fluctuating revenues,
- Develop the capacity to manage revenues responsibly,
- Help governments develop modern policy and regulatory frameworks, and
- Integrate the public in decision making processes at local and national levels.

4.5 In response to these recommendations, the WBG developed a comprehensive strategy in support of sustainable development in resource-dependent countries, with the promotion of revenue transparency as a central element. While the full range of linkages between revenue transparency, reduced corruption, good governance and improved development results is not yet clearly understood, a recent World Bank paper synthesized the five key links in the "value chain" from extractive industries to sustainable development:[76]

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73. For example, Collier (1999), Karl (1997), Sachs (2001) and Global Witness (1999)

74. World Bank Group (2005a)

75. World Bank Group (2004b)

76. Mayorga Alba (2009)

a. The award of contracts and licenses for resource;
b. The regulation and monitoring of extractive industry operations;
c. The payment and collection of taxes and royalties;
d. The management and allocation of extractive industry revenues; and
e. The implementation of sustainable development policies and projects.

The WBG's Contributions at the Global and Country Levels

4.6 As part of its response to IEG's EI Evaluation and the EI Review the WBG committed to support the EITI at the global and country levels. Specifically, the Management Response states that the WBG will:[77]

- Play a leadership role and…leverage its impact through partnerships (such as EITI) on the basis of common long term objectives, relative expertise, and complementary contributions; and
- Strengthen its support for transparency through the EITI, in its core diagnostic and analytic work, and through country-level policy dialogue on public finances.

4.7 ***At the global level*** the WBG jump started its partnership with the EITI by launching the MDTF as the principal funding source for the initiative. To date, the WBG has helped the MDTF mobilize $30.8 million from 12 donor countries and the European Commission, in addition to contributing $1.1 million from its Development Grant Facility and $5.2 million from its operational budget. Formally, the WBG is the Administrator of the MDTF, the chair of the Management Committee, and participates in the EITI Board as an observer.

4.8 ***At the country level*** the WBG has promoted the MDTF-EITI in 47 countries with varying levels of involvement as shown on Table 5.[78] At the most intensive level, a MDTF-funded REG is in place or in process of getting approved in 28 EITI compliant or candidate countries,[79] including five countries not on the IMF's "resource-rich" list.[80] At the next level, a REG is in the pipeline in four countries, of which two are resource-rich and two are not. At the least intensive level, the WBG is providing MDTF-funded technical assistance or discussing EITI through the policy dialogue in 15 countries that have not endorsed EITI, five of which are resource-rich and 10 are not. SEGOM staff supervise these MDTF-funded activities in almost every case, which suggests a strong linkage with the WBG's EI policy dialogue, but more indirect linkages with its governance and fiscal revenue management agenda.

4.9 To a large extent, this variability in the intensity of the WBG's promotion of the MDTF-EITI can be explained by differences in each country's interest in and commitment to EITI. The program is essentially demand-driven. Thus, with the exception of the two of the

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77. World Bank Group (2005a)

78. COPCO (2010): Country Portfolio Summary Table, December 31, 2010

79. With the exception of two countries, Guinea and Equatorial Guinea, that have recently been suspended from EITI.

80. Cote d'Ivoire, Madagascar, Tanzania, and Albania

Table 5. WBG Support for EITI in Resource-Rich and IDA Countries

Type of World Bank Engagement with Countries	Total Number of Countries Engaged by WBG on EITI	Resource-rich Country		EITI Compliant or Candidate Country		IDA Country		Resource-rich IDA Country	
		Yes	No	Yes	No	Yes	No	Yes	No
Recipient Executed Grant in place or in process	28	23	5	28	0	23	5	19	9
Recipient Executed Grant in pipeline	4	2	2	0	4	2	2	1	3
WBG Engagement through MDTF Work Program or Dialogue	15	5	10	0	15	12	3	5	10
Total	47	30	17	28	19	37	10	25	22

Source: Annex B, Table B-2: EITI-MDTF – Country Portfolio Summary, December 31, 2010.

most recent candidates,[81] every EITI candidate country that requested MDTF assistance has a REG in place or in process of getting approved, including five that are not resource-rich. In addition, the WBG is assisting with the preparation of a REG in four countries that are making progress towards EITI candidacy.

4.10 In the remaining 15 countries, the effectiveness of the WBG's promotion of EITI, mostly through its sector and macro dialogue, has been limited by the countries own priorities and capacity constraints, the credibility and involvement of the WBG as a whole, as well as the relative priorities within individual country portfolios. Thus, as shown on Table 5, the WBG's engagement has been much more intensive in resource-rich countries than in non-resource-rich countries. In addition, among the resource-rich countries, the WBG has been more intensive in IDA countries, where the need is likely to be the greatest.

4.11 In spite of the fact that that the WBG has promoted the MDTF-EITI in almost every resource-dependent country, there are only a few cases where it has been able to establish solid linkages between the program and the countries' broader governance and fiscal revenue management agenda. IEG's review of recent CAS/CPS of 24 countries that are EITI candidates or are in the process of endorsing EITI found only a handful of references to plans to build on the EITI process and outcomes or envisage projects that would complement EITI's work. While these cases, summarized in Box 6, serve to illustrate the EITI's potential as a platform for the broader agenda, their limited number also highlights the missed opportunities for doing so. Aside from the inherent challenges of pursuing the governance agenda in countries afflicted by the resource curse, another factor may be that almost every MDTF-funded activity is supervised by SEGOM staff, which suggests a direct link with the WBG's EI policy dialogue but more indirect links with its governance and fiscal management activities.

81. Afghanistan and Chad

Box 6. Examples of MDTF-EITI Serving as a Platform for a Broader Agenda

In the most recent CASs of four countries- Niger, Tanzania, Liberia, and Zambia- the Bank plans to build upon the support for EITI to help government improve the management of the entire resource chain in extractive industries from extraction to revenue expenditures through EITI ++ initiative. In Tanzania, for instance, the Sustainable Management of Mineral Resources Project (SMMRP, and TA loan) aims to have an EITI sub-component and another component that aims to builds on EITI results. The Bank is uniquely positioned to offer assistance covering the full spectrum of the extractive industries value chain (also known as the "EITI++" approach). The SMMRP will provide funding for the key links of the value chain, namely access to resources (e.g., via strengthening of the mineral rights cadastre), monitoring operations (e.g., via enhanced capacity for inspections), collection of taxes and royalties (e.g., via more regular, strengthened audits), and efficient, sustainable utilization of revenue (e.g., via pilots on local budgeting and planning in mining communities). Mali also plans a Growth Support project, in parallel to EITI, to assist the government in improving "mining title issuance and surveillance, disclosure and management of geosciences information, and its oversight capabilities."

In a few countries, the national governments have requested the Bank's assistance to expand the EITI process beyond the oil, gas and mining sectors. The Democratic Republic of Congo and Liberia, for instance, have included the forestry sector in EITI.

4.12 From the stakeholders' perspective, based on IEG's interviews, the WBG has a distinct comparative advantage in providing credibility and capacity to the EITI as well as unparalleled capacity to provide advice and assistance to countries in the EI area. The quality and integrity of its management of the MDTF and its prowess at mobilizing funds were highly appreciated, as well as the openness and trust of its relationship with the EITI Board and Secretariat.

4.13 From some stakeholders, however, the variability in the Bank's intensity of support to EITI could be attributable to variations in individual WBG country team and staff interest rather than country priorities. Some inconsistency and gaps in the WBG's promotion of EITI at the country level was also highlighted in a 2008 assessment prepared by two independent CSOs (Box 7).[82]

4.14 From IEG's perspective, given the essentiality of country ownership, the intensity and instruments of WBG support will of necessity vary greatly from country to country. Prior to a country's endorsement of EITI, the WBG's nurturing of the government's interest is likely to be a sensitive part of the policy dialogue, and IMF and CSO advocacy can also play an important role. The local civil society's ability and capacity to participate emerges as a major challenge for the program. CSOs often play a critical role in creating demand for and providing energy to drive the EITI process. But the MDTF-funded REG is normally implemented by the national EITI secretariat, whose willingness and ability to channel the needed assistance to local CSOs is highly variable. A DGF grant in the early years of the program and a planned US$1 million special facility for CSO capacity building were intended to address this issue.

82. Bank Information Center and Global Witness (2008)

Box 7. A CSO's Assessment of the WBG's Support for EITI

In October 2008, the Bank Information Center and Global Witness published an assessment of IMF and WBG extractive industry transparency initiatives. In relation to the WBG, the study is based on a desk review of all publicly disclosed country strategies and EI-related project documents in resource-rich countries issued from June 2003 to April 2008. These documents were reviewed to assess the amount of attention/assistance and level of importance the WBG gave to three elements of EI transparency: (i) public disclosure of revenue payments, (ii) public disclosure of contracts, and (iii) civil society participation. The report's key findings were:

- EITI is frequently promoted: Overall, the WBG is involved in promoting EI transparency in one form or another in 65 percent of resource-rich countries where there is Bank engagement.
- Revenue transparency is infrequently used as a benchmark: Only 19 percent of the WB's EI lending in resource-rich countries use revenue transparency as an indicator of progress. For non-lending operations, mainly country strategies, there was a related benchmark in 21 percent of countries.
- Contract disclosure is not promoted: The disclosure of contracts between government and industry was not addressed on any level by more than 90 percent of WB and IFC operations.
- Civil society participation is not ensured: Nine out of the thirty WB and IFC operations have assistance related to building capacity of civil society participation, but the Bank does not appear to be assessing the adequacy of civil society engagement in the design, implementation and monitoring of revenue and contract disclosure processes.

Source: Bank Information Center and Global Witness (2008)

Note: The Bank Information Center (BIC) is a Washington-based independent CSO not affiliated with the WBG.

4.15 Contract disclosure is not within the current scope of EITI, but should be considered for the future, as recommended by IEG's earlier evaluation and others.

4.16 Finally, from the perspective of the ultimate goal of reducing poverty by addressing the resource curse, it is important to consider the trade-off between breadth and depth in the program's expansion. That is, between expanding the number of countries beyond those that are resource-dependent *versus* devoting more effort to improve the quality and scope of the EITI process in countries that are already participating, where some outcomes are being achieved, but the benefits are not yet evident. [83] While some expansion in the number of countries is understandable in light of the WBG's focus on poverty, as reflected in the work program,[84] the EITI's contribution to address the resource curse will remain unclear unless more effort is devoted to ensure and demonstrate that it can deliver its expected results. This tradeoff between breadth and depth, and the attendant implications for the value and credibility of the EITI "brand", is the most important strategic issue that the WBG needs to face up to as it reflects on its future involvement with the EITI.

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83. As shown in Table 5, resource-rich countries account for most of ongoing REG implementers, but only a fraction of countries where the WBG is promoting EITI participation through the policy dialogue.

84. As shown in Table 5, poorer (IDA) countries predominate among REG implementers as well as the countries being engaged through the policy dialogue.

Oversight

4.17 The MDTF-EITI is overseen by the Management Committee (MC) and administered by the WBG's Oil, Gas and Mining Policy Division (SEGOM). The MC, which is chaired by the WBG-SEGOM's manager and includes representatives of the 13 donors, meets twice a year to review the progress of the MDTF-supported country programs, decide on new country work program proposals, and provide strategic guidance to the administrator. The EITI Board Chairman and Secretariat, as well as the IMF, regularly participate as observers in the first (general) portion of the MC meetings, but not in the second (fiduciary) portion.

4.18 The WBG's administration of the MDTF and other support to EITI is also supervised and coordinated through the WBG's regular management structure and processes. Thus, while MDTF-funded activities are administered by SEGOM and supervised by SEGOM staff, SEGOM itself is overseen by the WBG's Sustainable Development Vice Presidency (SDNVP), with checks and balances as well as budgetary support from the Bank's six Regional Vice Presidencies. Formally, every MDTF-supported activity has to be approved by the relevant WBG country director.

4.19 The MC members and other EITI stakeholders consulted by IEG have expressed their full satisfaction with the WBG's performance as partner of the EITI. As stated in their interviews, the EITI seemed to be high on the WBG's agenda, and they were impressed with the WBG's expertise and the extent of its outreach and involvement with EITI. Variation in the intensity of involvement among countries has been observed, but these have been understandable in light of differences in country interest and priorities. Some reservations have been expressed in relation disbursement delays and the transparency of the WBG's and the MDTF-EITI's decision making, as well as accountability issues arising therefrom, which have already been discussed.

4.20 From IEG's perspective, it is interesting to note that the focus of the MDTF-EITI's reporting to, and oversight from, the Management Committee and WBG management has been on outputs and outcomes, rather than the achievement of higher order goals. That is, the reporting and feedback focus on the number of participating countries and their status/progress along the EITI validation process, and the challenges arising therefrom. In relation to long-term results, such as progress on accountability or governance as well as tangible impacts on anti-corruption regimes in EITI countries, even the most recent (2010) reports indicate that these are still a work in progress, but do not provide further information. Thus, it would appear as if the already identified gap in the monitoring of results may be contributing to an oversight gap in re the attention devoted to the achievement of the higher order goals.

Risks and Risk Management

4.21 At the launch of the MDTF-EITI, the DGF initiating brief identified several areas of risk to the WBG and the MDTF-EITI. These included financial/fiduciary risk, reputational risk, and conflict of interest. These will be reviewed in turn, along with the accountability risk and the risk to development outcome identified by IEG.

4.22 ***Financial/fiduciary risk***: The risk that the MDTF-EITI might have insufficient funding to carry out its objectives has been overcome by the substantial contributions from 13 donors, which have allowed a meaningful program to be carried out that has largely achieved the contracted outputs and outcomes for the pilot phase. The WBG's fiduciary policy of requiring that donor funds be received in cash before new commitments are made is more than adequate to manage this risk as the MDTF continues into the future. The risk of inadequate governance, control, financial management and financial reporting structures has been satisfactorily managed within the Bank's normal internal controls. IEG's interviews with stakeholders verified their full satisfaction with the integrity and quality of the MDTF's financial management.

4.23 ***Reputational risk***: The risk that the WBG's or the MDTF's reputation might be damaged by the political sensitivity of the transparency issue in many countries has been minimized by the voluntary nature of the EITI, which requires the host government to issue a public statement of its commitment to EITI before the MDTF can fund the country work program. The narrow, sharp focus of EITI on revenue transparency alone, rather than a broader anti-corruption/revenue management agenda also helped to minimize controversy and maximize acceptance.

4.24 ***Conflicts of interest***: The risk that the WBG's association with the MDTF might compromise its independence in advising countries on policy and procurement matters has been managed by the donors' acceptance that the funds are managed in accordance with WBG rules and procedures, and by the full alignment between EITI and the WBG's development strategies for resource-dependent countries.

4.25 ***Accountability risk***: The risk that the WBG's and the MDTF might be held accountable for decisions made by the EITI Board, a multi-stakeholder governing body with policies and priorities different than those of the WBG's shareholders, was not identified at the start of the MDTF in 2004, when EITI was still in its formative stage. In 2006, the creation of the multi-stakeholder EITI Board as the governing body of the EITI left the MDTF unchanged as the principal source of funding, albeit under the oversight of a separate MC. From the perspective of the WBG and the MDTF, the dual governance architecture that evolved has achieved an appropriate balance between voice and accountability.

4.26 On the other hand, the reciprocal risk that the EITI Board and candidate countries might be held accountable for results that are partly dependent on MDTF decisions has emerged as an issue for the governance framework. As already discussed, some tensions remain in relation to accountability for the results of the EITI as a whole. While such tension represents a small price to pay for fact that the dual governance structure appears to be working reasonably well, some consideration should be given to mitigate them through enhanced channels and opportunities for communication between the MDTF and stakeholders that are not represented in the MC.

4.27 ***Risk to development outcome***: The risk that, at the program's conclusion, the expected outcomes might not be realized or maintained has been managed by the program's relatively modest, narrowly focused statement of its expected "overall outcome" as "a significant improvement of EI revenue transparency, especially in critical countries."[85] While this outcome was appropriate for the pilot phase, the program was also expected to contribute to the goal of "improved revenue management and reduced corruption." However, since progress in this area has not been monitored, the extent to which these more tangible developmental benefits have been achieved, or can be expected for the future, cannot be determined. This represents an issue that the second phase of the program needs to address.

The WBG's Exit Strategy and Implications for Its Continued Engagement

4.28 As stated in the Exit Strategy section of the 2005 Initiating Brief, the aim of the WBG's engagement with MDTF-EITI was to show how EI transparency could be mainstreamed into the work of the Bank and other donors and agencies in key countries, and what benefits could be achieved. After such a First Phase, now extended to end-2010, "some international structure" was expected to continue to take the EITI forward, probably with a lower level of direct WBG engagement. Since neither the EITI Secretariat nor any other "international structure" is ready to take on the administration of the MDTF, it is appropriate and timely for the WBG to review the desirability and implications for its continued engagement with the program.

4.29 The findings of this IEG review indicate that the Bank has already promoted the EITI in almost every resource dependent country, but there are only a few cases where it has been fully mainstreamed into the countries' broader governance and revenue management agenda. Possibly as a result, the program has yet to show what benefits can be achieved. While the Initiating Brief does not define the expected "benefits", these are mentioned in the 2007 Results Framework of the MDTF-EITI which, however, does not identify the corresponding early and intermediate progress indicators. As already discussed, the poorly structured original results framework, with inadequate guidance on necessary readiness conditions and the attendant gaps in monitoring, reporting and oversight, have left the program unable to provide any evidence of its benefits, and in a difficult position to address emerging doubts about the adequacy of the program to contribute to its higher level goals.

4.30 From the rationale for the program, launched with a G-8 mandate for "improving governance and fighting corruption", as well as IEG's interviews with key EITI stakeholders, it is evident that revenue transparency was seen as an intermediate outcome that was necessary for getting to the benefits, but not as an end in itself. The resource curse, which was seen as deeply rooted and resilient, would take a long time to be addressed. The availability of MDTF funding provided an essential incentive for countries to implement EITI, and many countries faced difficulties in funding the process on their own, at least until real benefits began to appear. Thus, the MDTF has been absolutely crucial, and will continue to be needed for a long time.

4.31 As for the WBG's engagement, the stakeholders saw the WBG as uniquely positioned to manage the MDTF with objectivity and integrity, as well as an unparalleled source of advice and assistance in the EI area. Thus, the WBG is expected to continue managing the MDTF and supporting the EITI for a few more years at least.

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85. World Bank (2005b)

4.32 These comments are a tribute to the continued relevance and effectiveness of the WBG's engagement with MDTF and EITI, and make a strong case for its continuation. In light of the WBG's and the program's primacy for achieving results, the findings of this IEG review point to the need for the second phase to show that the program can deliver its expected benefits in terms of "improved revenue management and reduced corruption." This has important implications for the design and focus of the second phase.

5. Conclusions and Lessons

Main Conclusions

5.1 The main finding of this review is that the MDTF-EITI program is in the process of achieving its objective of increasing transparency in resource-dependent countries. Given the resilience and pervasiveness of the resource curse, the achievement of the its narrowly defined objective in a few critical countries has created the momentum needed to attract a growing number of countries, donors, enterprises and CSO, a testimony of their hope that, in spite of the uncertainty and risks, the benefits will come in due course. On the other hand, the program's contribution to the broader goal of improving governance and fighting corruption remains unclear. At this point, indications are that the program is creating multi-stakeholder structures and processes that can be expected to address broader governance issues in the long term, but there is as yet little evidence of the hoped for benefits. The findings of this review suggest that to ensure that tangible benefits in terms of improved revenue management and accountability can be achieved, the program needs to satisfactorily address the emerging doubts about the adequacy of the program in the absence of complementary measures, tackle issues with the scope and quality of the EITI reports, manage the tensions between authority and accountability, and face up to the tradeoff between expanding the number of EITI candidates and improving results in countries that are already implementing EITI.

5.2 The EITI's stakeholders are already aware of these issues, which have been aired and discussed ad several Board meetings and workshops. What is needed now is a roadmap for the second phase built around a unifying principle to reconcile and prioritize among competing demands.

Lessons

5.3 Based on the assessment of results from eight years of operation, as well as insights from interviews with a sample of key participants, the main lessons that emerge relate to three key design features of the program: (a) the dual governance structure; (b) the modest, narrowly focused statement of objectives; and (c) the inadequate results framework.

- **Lesson 1: A dual governance structure can combine the political acceptability of the multi-stakeholder model with the resource mobilization potential of the shareholder model.** The dual governance framework that evolved naturally from the MDTF's launch prior to the creation of the EITI Board and Secretariat has been reasonably effective in managing the differences between the multi-stakeholder driven agenda of the EITI and the fiduciary duties and priorities of the donors. This is a remarkable achievement, since the promotion of transparency is a politically sensitive agenda that is fraught with risk. It offers a useful model for the global development arena, where there are situations when the advancement of a multi-stakeholder global public program is dependent on donor support whose priorities and fiduciary requirements may differ from those of some stakeholders. It could be particularly appropriate model for the pilot/demonstration phase of such programs, to allow some time for its own secretariat to become established and ready to raise and administer the funds on its own.

- **Lesson 2: A focus on narrow, achievable objectives can enable progress to be made in a sensitive area and create a platform for a broadening of the agenda at a later date.** The narrow, sharp focus on revenue transparency selected for the first phase of the MDTF-EITI, setting aside the broader agenda required to address the resource curse, made the program non-threatening and acceptable to a sizeable cluster of the poorer resource-dependent countries, which enable the initiative to take off and establish itself as a global standard. This created the momentum and opportunity needed to extend the reach of the program and enable it to address a more ambitious objective for its next phase.

- **Lesson 3: A well-structured results framework is essential to build on the platform created by the progress already achieved and to deliver on the long-term goals, by measuring progress, maintaining a feedback loop, and reviewing and revising its strategy.** In the absence of a sound logical framework from the start of the program, the focus of the MDTF-EITI has been on producing outputs and outcomes — i.e., EITI candidates and reports — rather than on demanding and catalyzing the right conditions for delivering the benefits. This has left the program short of monitoring evidence that it is creating a robust platform for future progress towards toward the achievement of improved revenue management and accountability, and unable to address emerging doubts about the relevance and adequacy of its approach to obtaining tangible benefits. The remediation of this important gap should become a major benchmark for the continuation of the program.

5.4 In IEG's view, the WBG's continued engagement with the second phase of the program will need to focus on achieving the expected benefits from EITI, such as improved revenue management and reduced corruption. On this basis, we can envision a three-step roadmap along the following lines:

a. As a first step, the MDTF-EITI will need to develop a logical, cause and effect framework that links its outputs and outcomes to the expected benefits, with identification of all intermediate milestones, necessary conditions, and associated risks. Should the achievement of the expected benefits necessitate much closer integration with the countries' broader governance and sector strategies, for example, along the lines of the WBG's "EI Value Chain" approach[86] — also known as "EITI++" strategy[87] — these linkages need to be made explicit;

b. As a second step, the program needs to integrate EITI into the entire set of complementary activities, within the EI sector, and likely also with the country's governance and fiscal revenue management agenda. Where some integration already exists, such as in the five countries where the EITI++ strategy is already under way,

86. Mayorga Alba (2009)

87. World Bank (2008c)

this could be relatively straightforward. Where there has been no integration, this step may require a substantial review and revision of how EITI is being implemented; and

c. As the final step, the program needs to rigorously apply the principle that it will only support countries where there is a high likelihood that the EITI goals can be achieved. This already is, of course, the first "key guiding principle" for MDTF funding, but in the absence of a sound logical framework, the focus of the first phase program has been on producing outputs and outcomes — growing the number of EITI candidates and reports — rather than on demanding and catalyzing the right conditions for creating the benefits, such as improved revenue management and reduced corruption. At the same time, promoting greater awareness of, and support for, the principles of EITI should remain a key component of the World Bank's policy dialogue.

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N.B.: All documents from the EITI can be retrieved on http://eiti.org/
And all documents from World Bank Group can be retrieved on http://www.worldbank.org/

Annex A. Evaluation Framework for Global Program Reviews

Note: This evaluation framework is a general framework that has been designed to cover the wide range of such programs in which the World Bank is involved, encompassing policy and knowledge networks, technical assistance programs, and investment programs. It is not expected that every global program review will cover every question in this table in detail.

Annex Table 1. Assessing the Independence and Quality of the Evaluation

Evaluation Questions
1. Evaluation process To what extent was the GRPP evaluation independent of the management of the program, according to the following criteria: • Organizational independence? • Behavioral independence and protection from interference? • Avoidance of conflicts of interest? Factors to take into account in answering these questions include: • Who commissioned and managed the evaluation? • Who approved the terms of reference and selected the evaluation team? • To whom the evaluation team reported, and how the evaluation was reviewed? • Any other factors that hindered the independence of the evaluation such as an inadequate budget, or restrictions on access to information, travel, sampling, etc.?
2. Monitoring and evaluation framework of the program To what extent was the evaluation based on an effective M&E framework of the program with: • Clear and coherent objectives and strategies that give focus and direction to the program? • An expected results chain or logical framework? • Measurable indicators that meet the monitoring and reporting needs of the governing body and management of the program? • Systematic and regular processes for collecting and managing data?
3. Evaluation approach and scope To what extent was the evaluation objectives-based and evidence-based? To what extent did the evaluation use a results-based framework — constructed either by the program or by the evaluators? To what extent did the evaluation address: • Relevance • Efficacy • Efficiency or cost-effectiveness • Governance and management • Resource mobilization and financial management • Sustainability, risk, and strategy for devolution or exit
4. Evaluation instruments To what extent did the evaluation utilize the following instruments: • Desk and document review • Literature review • Consultations/interviews and with whom • Structured surveys and of whom • Site visits and for what purpose: for interviewing implementers/beneficiaries, or for observing activities being implemented or completed • Case studies • Other

Evaluation Questions
5. Evaluation feedback To what extent have the findings of the evaluation been reflected in: • The objectives, strategies, design, or scale of the program? • The governance, management, and financing of the program? • The monitoring and evaluation framework of the program?

Annex Table 2. Providing an Independent Opinion on the Effectiveness of the Program

Every review is expected to cover the first four criteria in the following table: (a) relevance, (b) efficacy, (c) efficiency, and (d) governance and management. A review may also cover (e) resource mobilization and financial management and (f) sustainability, risk, and strategies for devolution or exit if the latter are important issues for the program at the time of GPR, and if there is sufficient information available on which to base an independent opinion.

Evaluation Criteria and Questions
Relevance: The extent to which the objectives and design of the program are consistent with (a) current global/regional challenges and concerns in a particular development sector and (b) the needs and priorities of beneficiary countries and groups.
1. Supply-side relevance — the existence of an international consensus that global/regional collective action is required. To what extent does the program reflect an international consensus on the need for action, on the definition of the problem being addressed, on priorities, and on strategies for action? Is the original consensus that led to the creation of the program still present? Is the program still needed to address specific global/regional public concerns? Take into account the origin of the program in answering these questions: • Is the program formally responsible for implementing an international convention? • Did the program arise out of an international conference? • Is the program facilitating the implementation of formal standards and approaches? • Is the program primarily donor-driven? Did donors establish the program with little consultation with developing countries? • Is the program primarily Bank-driven? Did the World Bank found the program and then seek other partners?
2. Demand-side relevance — alignment with beneficiary needs, priorities, and strategies. To what extent are the objectives consistent with the needs, priorities, and strategies of beneficiary countries as articulated in the countries' own PRSPs, and in donors' strategies such as the World Bank CASs, and the UN Development Assistance Frameworks? To what extent has the voice of developing and transition countries been expressed in the international consensus underlying the program?
3. Vertical relevance — consistency with the subsidiarity principle. To what extent are the activities of the program being carried out at the most appropriate level — global, regional, national, or local — in terms of efficiency and responsiveness to the needs of beneficiaries? To what extent are the activities of the program competing with or substituting for activities that individual donors or countries could do more efficiently by themselves? Pay particular attention to those programs that, on the face of it, are primarily supporting the provision of national or local public goods.
4. Horizontal relevance — the absence of alternative sources of supply. What is the comparative advantage, value added, or core competency of the program relative to other GRPPs with

Evaluation Criteria and Questions
similar or complementary objectives? To what extent is the program providing additional funding, advocacy, or technical capacity that is otherwise unavailable to meet the program's objectives? To what extent are the good and services being provided by the program in the nature of public goods? Are there alternative ways of providing these goods and services, such as by the private sector under regular market conditions?
5. Relevance of the design of the program To what extent are the strategies and priority activities of the program appropriate for achieving its objectives? What are the major activities of the program: • Policy and knowledge networking? • Financing country and local-level technical assistance? • Financing investments to deliver national, regional, or global public goods? (See Annex Table 7.) Has the program articulated an expected results chain or logical framework, along with assumptions that relate the progress of activities with the achievement of the objectives? Does the results chain identify the extent to which the achievement of the objectives depends on the effective functioning of bureaucracies, markets, or collectivities? If so, to what extent are these assumptions valid? For programs providing global or regional public goods, is the design of the program consistent with the way in which the individual efforts of the partners contribute to the collective outcome for the program as a whole — whether "best shot", "summation", or "weakest link?"
Efficacy: The extent to which the program has achieved, or is expected to achieve, its objectives, taking into account their relative importance.
6. Achievement of objectives To what extent have the stated objectives of the program been achieved, or has satisfactory progress been made towards achieving these objectives? To what extent are there implicit objectives that are well understood and agreed upon by the partners and to which the program should also be held accountable? To what extent are there any positive, unintended outcomes of the program that have been convincingly document? To what extent have these assessments by the program or the evaluation been evidence-based?
7. Progress of activities, outputs, and outcomes. To what extent has the program or the evaluation measured the progress of activities, outputs, and outcomes? How did the program or the evaluation aggregate its outputs and outcomes at all levels — global, regional, national, and local — to provide an overall summary of its results? To what extent have factors such as changes in the location of the program, its legal structure, or governance processes affected the outputs and outcomes of the program? To what extent have there been outcomes that can be uniquely attributed to the partnership itself — such as the scale of or joint activities made possible by its organizational setup as a GRPP, or its institutional linkages to a host organization?
8. Linkages to country or local-level activities. To what extent has the program established effective operational linkages with country-level activities, taking into account that: • The desired nature of these linkages will vary according to the objectives, design, and implementation of each program? • Positive outcomes at the country or local level are generally a joint product of both global/regional and county-level activities?
Efficiency or cost-effectiveness: **Efficiency** — the extent to which the program has converted or is expected to convert its resources/inputs (such as funds, expertise, time, etc.) economically into results. **Cost-effectiveness** — the extent to which the program has achieved or is expected to achieve its results at a lower cost compared with alternatives.

Evaluation Criteria and Questions
9. Efficiency To what extent is it possible to place a monetary value on the benefits arising from the activities of the program? To what extent has the program or the evaluation conducted impact evaluations of representative program activities? To what extent has the program or the evaluation analyzed the program's costs in broad categories (such as overhead vs. activity costs), and categorized the program's activities and associated benefits, even if these cannot be valued in monetary terms?
10. Cost-effectiveness To what extent is the program measuring up against its own business plans: • Has the program cost more or less than planned? How did it measure up against its own costing schedule? • Have there been any obvious cases of inefficiency or wasted resources? To what extent is the program delivering its activities cost-effectively in comparison with alternatives: • How do actual costs compare with benchmarks from similar programs or activities? • Are the overhead costs of governing and managing the program reasonable and appropriate in relation to the objectives and activities of the program? How does the program compare with traditional development assistance programs: • For beneficiary countries, has receiving the development assistance through the GRPP increased the transactions costs compared with traditional development assistance programs? • For donors, has delivering the development assistance through the GRPP reduced donor costs by harmonizing efforts among donors or by reducing overlapping work (such as through joint supervision, monitoring and evaluation)?
Governance and management: **Governance —** the structures, functions, processes, and organizational traditions that have been put in place within the context of a program's authorizing environment to ensure that the program is run in such a way that it achieves its objectives in an effective and transparent manner. **Management** — the day-to-day operation of the program within the context of the strategies, policies, processes, and procedures that have been established by the governing body. Whereas governance is concerned with "doing the right thing," management is concerned with "doing things right."
11. Compliance with generally accepted principles of good governance. To what extent are the governance and management structures and processes well articulated and working well to bring about legitimate and effective governance and management? To what extent do governance and management practices comply with the following seven principles: • Legitimacy — the way in which governmental and managerial authority is exercised in relation to those with a legitimate interest in the program — including shareholders, other stakeholders, implementers, beneficiaries, and the community at large? • Accountability — the extent to which accountability is defined, accepted, and exercised along the chain of command and control within a program, starting with the annual general meeting of the members or parties at the top and going down to the executive board, the chief executive officer, task team leaders, implementers, and in some cases, to the beneficiaries of the program? • Responsibility — the extent to which the program accepts and exercises responsibility to stakeholders who are not directly involved in the governance of the program and who are not part of the direct chain of accountability in the implementation of the program? • Fairness — the extent to which partners and participants, similarly situated, have equal opportunity to influence the program and to receive benefits from the program? • Transparency — the extent to which a program's decision making, reporting, and evaluation processes are open and freely available to the general public? • Efficiency — the extent to which the governance and management structures enhance efficiency or cost-effectiveness in the allocation and use of the program's resources? • Probity — the adherence by all persons in leadership positions to high standards of ethics and professional

Evaluation Criteria and Questions
conduct over and above compliance with the rules and regulations governing the operation of the program?
12. Partnerships and participation To what extent has the program identified a complete list of stakeholders, or "stakeholder map", including the agreed-upon or perceived roles and responsibilities of the categories of stakeholders identified? To what extent is this a routine programmatic function, updated regularly, and transparently available? Has the program adopted primarily a shareholder model of governance (in which membership on the governing body is limited to financial and other contributors), or a stakeholder model (in which membership also includes non-contributors)? To what extent, if any, is the program's legitimacy being sacrificed in order to achieve greater efficiency, or vice-versa?
13. Programs located in host organizations To what extent is the location of the program in the Bank or other partner organization adversely affecting the governance, management, or other aspects of the program, such as compliance with the principles of transparency and fairness? For which functions is the program manager accountable to the host organization and the governing body of the program, respectively? Are conflicts of interest being managed appropriately? To what extent does the host organization play such a dominant role in the program, thereby reducing the incentives of other partners to participate effectively, or reducing the ability of the host organization to look at the weaknesses of the program objectively?
Resource mobilization and financial management: **Resource mobilization** — the processes by which resources are solicited by a program and provided by donors and partners. **Financial management** — the processes that govern the recording and use of funds, including allocation processes, crediting and debiting of accounts, controls that restrict use, accounting, and periodic financial reporting systems. In cases where funds accumulate over time, this would also include the management of the cash and investment portfolio.
14. Resource mobilization To what extent has the program succeeded in raising financial resources commensurate with its objectives? And from what sources — the Bank, bilateral donors, foundations, etc.? To what extent has the program succeeded in diversifying its funding beyond a small number of donors? To what extent are the sources of funding for the program (including donor restrictions on the use of resources) affecting, positively or negatively: • The strategic focus of the program? • The outputs and outcomes of the program? • The governance and management of the program? • The sustainability of the program?
15. Financial management Are there any issues that have emerged during the course of the review in relation to: • The quality of financial management and accounting? • The methods, criteria, and processes for allocating funds among different activities of the program? • Financial management during the early stages of the program?
Sustainability, risk, and strategy for devolution or exit: **Sustainability** — When applied to the **activities of a program**, the extent to which the benefits arising from these activities are likely to continue after the activities have been completed. When applied to a **program** itself, the extent to which the organization or program is likely to continue its operational activities over time. **Devolution or exit strategy** — a proactive strategy to change the design of a program, to devolve some of its implementation responsibilities, to reduce dependency on external funding, or to phase out the program on the

Evaluation Criteria and Questions
grounds that it has achieved its objectives or that its current design is no longer the best way to sustain the results which the program has achieved.
16. Sustainability of the benefits of the program's activities What is the risk, at the time of evaluation, that the development outcomes (or expected outcomes) of the program will not be maintained (or realized)? This depends on (a) the likelihood that some changes may occur that are detrimental to maintaining or realizing the expected outcomes, and (b) the affect on the expected outcomes if some or all of these changes actually materialize?
17. Sustainability of the program This will depend on a number of factors, such as the continued legitimacy of the program, its financial stability, its continuity of effective management, and its ability to withstand changing market or other conditions. To what extent is there still a sufficient convergence or accommodation of interests among the major partners to sustain the program financially? To what extent has the program developed institutional capacity such as performance-based management, personnel policies, learning programs, and knowledge management that help to sustain a program? In what areas could the program improve in order to enhance its sustainability, such as better marketing of the program's achievements in order to sustain its reputation?
18. Prospects for continuation and strategies for devolution or exit To what extent should the program be sustained? Is the continuation of the program the best way of sustaining the results achieved? Should the design of the program be modified as a result of changed circumstances, either positive or negative? What other alternatives should be considered to sustain the program's results more cost-effectively, in the light of the previous evaluation findings with respect to relevance, efficacy, efficiency, and sustainability: • Reinventing the program with the same governance? • Phasing out the program? • Continuing country or local-level activities with or without devolution of implementation? • Seeking alternative financing arrangements, such as revenue-generation, or self-financing to reduce dependency on external sources? • "Spinning off" from the host organization?

Annex Table 3. Assessing the Bank's Performance as a Partner in the Program

Evaluation Questions
1. Comparative advantage at the global/regional level. To what extent is the Bank playing up to its comparative advantages at the global/regional level — its global mandate and reach and convening power? To what extent is the Bank's presence as a partner in the program catalyzing other resources and partners for the program?
2. Comparative advantage at the country level. To what extent is the Bank contributing multi-sector capacity, analytical expertise, and country-level knowledge to the program? To what extent has the Bank's country operations established linkages to the GRPP, where appropriate, to enhance the effectiveness of both?
3. Oversight. To what extent is the Bank exercising effective and independent oversight of its involvement in the program, as appropriate, whether the program is housed in the Bank or externally managed? To what extent is the Bank's oversight independent of the management of the program? To what extent does the Bank's representative on the governing body have a clear terms of reference?
4. Risks and risk management. To what extent have the risks associated with the program been identified and are being effectively managed? For example, IEG identified the following risks in its global review: • Bank bears a disproportionate share of responsibility for governing and managing in-house programs? • Confusion at the country level between global program activities, Bank activities, and Borrower activities? • Representation of CSOs and the commercial private sector on program governing bodies? • Unclear role and application of Bank's safeguards? • Trust-funded consultants and seconded staff representing the Bank on some program governing bodies?
5. Disengagement strategy. To what extent is the Bank engaged at the appropriate level in relation to the Bank's new strategic framework: • Watching brief? • Research and knowledge exchange? • Policy or advocacy network? • Operational platform? To what extent is the Bank facilitating an effective, flexible, and transparent disengagement strategy for the program, in relation to the Bank's objectives for its involvement in the program: • The program declares "mission accomplished" and closes? • The program continues and the Bank withdraws from all aspects of its participation? • The program continues and the Bank remains engaged, but the degree of the Bank's engagement in some or all aspects (such as financing) declines over time?

Annex Table 4. Common GRPP Activities

Knowledge, Advocacy and Standard-Setting Networks	
1. Facilitating communication among practitioners in the sector	This includes providing a central point of contact and communication among practitioners who are working a sector or area of development to facilitate the sharing of analytical results. It might also include the financing of case studies and comparative studies.
2. Generating and disseminating information and knowledge	This comprises three related activities: (a) gathering, analyzing and disseminating information, for example, on the evolving HIV/AIDS epidemic and responses to it, including epidemiological data collection and analysis, needs assessment, resource flows, and country readiness; (b) systematic assembling and dissemination of existing knowledge (not merely information) with respect to best practices in a sector on a global/regional basis; and (c) social scientific research to generate new knowledge in a sector or area of development.
3. Improving donor coordination	This should be an active process, not just the side effect of other program activities. This may involve resolving difficult interagency issues in order to improve alignment and efficiency in delivering development assistance.
4. Advocacy	This comprises proactive interaction with policymakers and decision makers concerning approaches to development in a sector, commonly in the context of global, regional, or country-level forums. This is intended to create reform conditions in developing countries, as distinct from physical and institutional investments in public goods, and is more proactive than generating and disseminating information and knowledge.
5. Implementing conventions, rules, or formal and informal standards and norms	Rules are generally formal. Standards can be formal or informal, and binding or nonbinding, but establishing standards involves more than simply advocating an approach to development in a sector. In general, there should be some costs associated with noncompliance with established rules and standards. Costs can come in many forms, including exposure to financial contagion, bad financial ratings by the IMF and other rating agencies, with consequent impacts on access to private finance; lack of access to OECD markets for failing to meet food safety standards, or even the consequences of failing to be seen as progressive in international circles.
Financing Technical Assistance	
6. Supporting national-level policy, institutional, and technical reforms	This is more directed to specific tasks than advocacy. This represents concrete involvement in specific and ongoing policy, institutional, and technical reform processes in a sector, from deciding on a reform strategy to implementation of new policies and regulations in a sector. It is more than just conducting studies unless the studies are strategic in nature and specific to the reform issue in question.
7. Capacity strengthening and training	This refers to strengthening the capacity of human resources through proactive training (in courses or on-the-job), as well as collaborative work with the active involvement of developing country partners.
8. Catalyzing public or private investments in the sector	This includes improving regulatory frameworks for private investment and implementing pilot investments projects.
Financing Investments	
9. Financing country-level investments to deliver national public goods	This refers primarily to physical and institutional investments of the type found in Bank loans and credits (more than the financing of studies), the benefits of which accrue primarily at the national level.
10. Financing country-level investments to deliver global/regional public goods	This refers primarily to physical and institutional investments of the type found in Bank loans and credits (more than the financing of studies) to deliver public goods such as conserving biodiversity of global significance and reducing emissions of ozone-depleting substances and carbon dioxide, the benefits of which accrue globally.
11. Financing global/regional investments to deliver global/regional public goods	This refers to financing research and development for new products and technologies. These are generally physical products or processes — the hardware as opposed to the software of development.

Annex B: MDTF-EITI Results Framework and Country Portfolio

Table B-1. MDTF-EITI Program Results Framework: Activities, Intermediate Outcomes, and Final Outcomes/Goals

Specific activities to achieve EITI results	Progress indicators to measure progress (of activities)	EITI Results — intermediate outcomes contributed to by country EITI work and MDTF/WBG TA support	Progress indicators to measure progress (of intermediate outcomes)	EITI Results – Final Outcomes (EITI Goals)
(a1) MDTF-funded activities: ***(a2) Donor activities (if avail.):*** <u>Capacity Building and Outreach</u> – public information campaigns – training for government officials <u>Technical Assistance</u> – implementation support – financial support for EITI report issuance	***– of MDTF activities:*** ***– of donor activities (if avail.):*** ● number of participants ● user feedback ● number of supported activities ● quality of EITI Reports ● county achieves EITI-compliant status via validation ● concrete follow-up steps underway to implement recommendations in EITI Reports and external Validation Reports	***– of MDTF activities:*** ***– of donor activities (if avail.):*** ● MDTF can be linked to country intermediate outcomes, specifically to sustainable EITI ● MDTF-funded work plan completed successfully on time plan and on budget — helping country to be EITI-validated ● Country phase-out from reliance on MDTF-funded TA support - mobilizing of incremental resources for EITI	Improved TI Rankings (separating absolute changes and technical changes relative to composition of TI list) Better CPIA Ratings Increased flow of FDI Greater Corporate Uptake of EITI Better country credit score ratings (credit agencies)	Better accountability and improved social compact with citizens on resource revenues and use for common benefit Better Investment Climate for Extractive Industries Sector Platform for Governance and public financial management — beyond EITI Improved management of EI resources (leading to economic growth and poverty reduction) Etc.
(b) country EITI activities: <u>EITI sign-up</u> – government intention publicly announced – MSWG formed – Work plan published – senior official to lead EITI designated <u>EITI Reports</u> – EITI data collected – EITI Report Issued – Outreach on EITI – Etc. <u>EITI Reports</u> – EITI validation done – EITI follow-up steps including on quality of process and Reports	***(b) of country EITI activities:*** ● decree issued to launch EITI ● MSWG formed – xx participants ● work plan agreed / published ● lead role allocated ● EITI reports issued ● EITI process successfully validated by external validator ● EITI quality improvement steps ● concrete steps to ensure EITI is embedded in national systems	***(b) of country activities*** ● EITI Reports produced / disseminated satisfactorily ● broad consensus on EITI including all stakeholders ● Improved EI tax and revenue collection (calculation) ● Trend in reported discrepancies, if any, in successive EITI Reports published by the country ● EITI validation is successful ● EITI process is sustainable (people, funding, legal basis — i.e. irreversible with strong CSO role		

Table B-2. MDTF-EITI Country Portfolio Summary Table (as of December 31, 2010)

Countries which have adopted EITI (or have committed to EITI publicly) — of which:					In dialogue
EITI-compliant /1	**EITI candidate /1**				
Implementing EITI (validated as compliant — and issued EITI Reports) (5 countries)	**Implementing EITI (to the stage of having published one or more EITI Reports — and validation process done or underway)** (18 countries)		**EITI implementation in progress (working towards their first EITI Report)** (10 countries)	**Endorsed EITI (with some making progress towards candidate status)** (9 countries)	**Pipeline countries that WBG / other agencies are in contact with** (16 countries)
Azerbaijan	*Cameroon*	Mali *	Candidacy gained 2009:	Botswana	Angola
Liberia *	*Gabon*	Niger *	Tanzania *	Ethiopia +	Malawi
Timor Leste *	Guinea /2 *	Cote d'Ivoire *	Albania *		Rwanda
Mongolia *	Kazakhstan *	DR Congo *	Burkina Faso *	Papua New Guinea +	South Africa
Ghana *	Kyrgyz Republic *	Sierra Leone *	Mozambique *		Zimbabwe
	Mauritania *	Madagascar (pilot) *	Zambia *	Ukraine	
	Nigeria *	Yemen *			Cambodia
	Central African Rep *			Colombia	Solomon Islands
	Rep of Congo		Recent candidacy (2010):	Guatemala	Tajikistan
	Norway		Afghanistan	Guyana	Bulgaria
	Peru *		Iraq *	Trinidad & Tobago +	
			Chad	Suriname +	Senegal
			Indonesia **		Sudan
			Togo **		Uganda
					Lao PDR
					Philippines
					Vietnam
					Egypt
By WBG Region:					
AFR – 2 countries		AFR – 13 countries	AFR – 6 countries	AFR – 2 countries	AFR – 5+3 countries
EAP – 2		EAP	EAP – 1	EAP – 1	EAP – 2+3
ECA – 1		ECA – 2	ECA – 1	ECA – 1	ECA – 1+1
LAC		LAC – 1	LAC-	LAC – - 5	LAC
MNA		MNA – 1	MNA – 1	MNA	MNA – 1
SAR		SAR	SAR – 1	SAR	SAR
		OECD – 1			

/1 By decision of EITI Board, as reflected on International EITI web site. Candidate countries expected to complete validation process (for EITI-compliant status) within two years. Sao Tome e Principe and Equatorial Guinea, previously EITI candidate countries, were delisted from EITI effective April 16, 2010 (at that date, latter country had issued its EITI

Report and a validator had issued draft validation report).

/2 Guinea has undertaken voluntary suspension from EITI candidacy until 12/18/2010, under EITI Board rules (status "EITI candidate country – suspended"). This status currently under review.

MDTF grant status to country (*countries in italics* are shown for completeness - no EITI MDTF-related technical assistance /grant yet (but other WBG departments do engage with this country including on EITI)

* = MDTF-EITI grant to country **in place and under execution**

** = MDTF-EITI grant to country **in process** through WB Legal Dept. etc – i.e. request for TF grant received and trust fund agreement in progress (to be signed in next 1–2 months)

+ = **Active pipeline** – working towards EITI candidacy. MDTF grant proposal activities will only then be agreed (i.e. MDTF trust fund grant agreement not likely for next 6 months or more)

Annex C. MDTF-EITI Program Timeline

September 2002	EITI announced at World Summit for Sustainable Development in Johannesburg
June 2003	G-8 issues its "Fighting Corruption and Improving Transparency" declaration which prioritizes extractive industry transparency.
June 2003	EITI launched at Lancaster House Conference in London.
August 2004	The Multi-Donor Trust Fund for the EITI established with first administration agreement between the World Bank Group and UK-DFID.
September 2004	The World Bank Group issues its Management Response to the Extractive Industries Evaluation and the Extractive Industries Review
May 2005	World Bank Group approval of DGF grant to support EITI for a three-year pilot phase, subsequently extended to December 2010.
October 2006	First EITI Board elected at EITI Conference in Oslo
March 2008	Memorandum of Understanding between EITI and MDTF
May 2009	External evaluation of MDTF-EITI presented to MDTF Management Committee.

Annex D. MDTF-EITI External Evaluation: Summary of Major Recommendations and Management Response

Evaluation recommendations	Program response
Strategic Clarity and Coherence (para. 24) MDTF (should) fundamentally reappraise its objectives and operating strategies as a funding instrument closely aligned to EITI. Such a reappraisal could involve considering a number of options, including: ▪ focusing the program more closely on countries with demonstrated host government commitment and WB regional management support; ▪ assisting improvement in revenue transparency through broader, slower track measures .. with consequential changes to funding and management arrangements; or ▪ phasing out the global MDTF program at the current termination date December 2010 ...	**Disagreed:** SEGOM's "Follow-up Actions…" states that "Notwithstanding that the major message of the evaluation in so far as focus is concerned (is) not supported by Management, the evaluation does draw attention to the large number of countries that the MDTF is engaged with and the need to reflect on how the MDTF and the WBG are becoming spread and how to best meet demand that seems still to be growing." Following the evaluator's presentation at the MC meeting in May 2009, the MC decided to keep this recommendation under review and scheduled a follow-up discussion. At the MC follow-up meeting on February 2010 this recommendation was not specifically discussed, but SEGOM prepared a strategy directions paper for April 2010 EITI Roundtable.
Programs Delivery and Effectiveness: (para 47) "…to improve WBG management and donors' ability to assess…the effectiveness and efficiency of the …program," MDTF should: Operationalize the Results Framework by basing Work Plan and Country Status Reports on verifiable performance indicators; Base target setting and progress reporting on fixed accounting periods comparison between actual and planned results; Clarify MDTF's funding requirement based on a realistic assessment of implementation of REGs and country programs; Establish a consolidated MDTF budget covering both COCPO and WBG expenses, classifying expenses by the program's activities and report actual expenses against budget targets; Review the existing fee structure and cost sharing arrangements to ensure these are sustainable and appropriate; Set up a mechanism for cooperating with WBG country departments to embed the use of transparency indicators as benchmarks in CASs for resource-rich countries.	**Partially Agreed:** SEGOM's "Follow-up Actions…" to each of these recommendations can be summarized as follows: **Agreed:** "The MDTF has expanded on the existing EITI country results framework and completed it for a few countries." **Agreed:** "The MDTF Financial Reports have been refined and simplified to make them more user-friendly and meaningful." **Noted:** "...WBG fiduciary rules (require) that TF balances exist in cash before (grant) commitments to countries can be made)." **Noted:** "…options will (be) explored to further consolidate the information in an easy-to-use manner…" **Agreed:** "…work on this matter is in progress as part of review of legal arrangements for the MDTF…" **Noted:** "although not of direct relevance to MDTF…(this) will (be) kept under review."

Evaluation recommendations	Program response
<u>Governance and Management</u> (para. 64) …the donors (and the) World Bank could consider the following measures to improve the governance of the MDTF program: Clarify governance and management arrangements (perhaps in the form of a Program Charter) that provide for greater accountability, participation and transparency; Strengthen the role of the Management Committee by formally expanding the scope of its powers — to include establishing the strategy for the Program, reviewing the operating budget and clarifying the functions of the chair; (Give greater EITI stakeholders voice and representation in the governance of the MDTF. This could include direct participation in the Management Committee or the establishment a separate consultative/advisory body.	**Disagreed:** SEGOM's Management Response states that "… the MDTF, as all partnerships of the WBG and donors — has a governance, operating and management process that is designed and implemented by mutual agreement, suiting the circumstances of the particular partnership, in this case a rapid-response and agile technical advisory service well-suited to cope with the multiple demands of the EITI architecture. Indeed in this context some of recommendations about the MDTF governance structure could, we believe, be disruptive and add complications to a balanced arrangement that works, with no apparent benefit." At its February 2010 follow-up discussion, the MC concluded that there was no need to change the MC structure, but that it will continue to invite the EITI Secretariat and IMF to participate/observe (the non-fiduciary portion of) the MC meetings, and to revisit all of these conclusions occasionally as the situation changes.
Sources: Jordan, Michael (2009): Evaluation of EITI Multi-donor Trust Fund, March 15, 2009, unpublished report. World Bank Group (2009a): COPCO Management Response to EITI MDTF Evaluation Report, May 11, 2009, unpublished document. World Bank Group (2009b): MDTF- EITI Management Committee Minutes, May 14, 2009, Washington, DC. World Bank Group (2009c): Follow-up Actions by COPCO Management in Response to EITI MDTF Evaluation Report, October 1, 2009, unpublished document. World Bank Group (2010b): MDTF-EITI Management Committee Minutes , February 10, 2010, Oslo Norway.	

Annex E. Members of the Governing Bodies

Members of the MDTF-EITI Management Committee

Ms. Karla Basselier, FPS Foreign Affairs, Ministry of Foreign Trade and Development Cooperation, Belgium

Mr. Wouter Biesterbos, Sr. Policy Officer, Human Rights, Good Governance and Humanitarian Aid Dept., Ministry of Foreign Affairs, Netherlands

Mr. Paulo De Sa, Manager, Oil, Gas and Mining Unit (SEGOM), World Bank

Mr. Lennart Deridder, Dir. Gral., Energy, European Commission

Mr. Stephen Gallogly, Dir. For International Energy and Commodity Policy, State Dept. United States

Mr. Joe Hedger, Director, Governance and Anti-Corruption, Australian Agency for International Development

Ms. Tina Johanna Kajakoski, Ministry of Foreign Affairs, Finland

Ms. Magadi Kreitmann, Ministry of Foreign and European Affairs, France

Ms. Geraldine Murphy, Team Leader, Business Alliances Team, UK Dept. for International Development

Ms. Donica Pottie, Dept. of Foreign Affairs and International Trade, Canada

Mr. Manuel de la Rocha Vazquez, Advisor, Dir. Gral. For Development Policies, Ministry of Foreign Affairs and Cooperation, Spain

Mr. Markus Schrader, State Secretariat for Economic Affairs, Switzerland

Ms. Bente Weisser, Sr. Adviser, Multilateral Bank and Finance Section, Ministry of Foreign Affairs, Norway

Ms. Gabrielle Zoeller, Governance, Democracy and Rule of Law, Federal Ministry for Economic Cooperation and Development, Germany

Members of the EITI Board 2009–2011

Chair

Dr. Peter Eigen

Implementing Country Governments

Mr. Abdoul Aziz Askia, Permanent Secretary, EITI Niger

Alt: Mr. Sidi Ould Zeine, Chairman, EITI Mauretania

Mr. Essimi Menye, Minister of Finance, Chairman EITI, Cameroon

Alt: Mr. T. Negbalee Warner, National Coordinator, EITI Liberia

Prof. Humphrey Assisi Asobie, Chairman, NEITI Nigeria

Alt: Ms. Effie Simpson Ekuban, Chairman EITI, Ghana

Mr. Shahmar Movsumov, Executive Director, State Oil Fund, Azerbaijan

Alt: Mr. Dashdorj Zorigt, Minister for Mineral Resources and Energy, Mongolia

Mr. Kairat Djumaliev, Head, Energy and Mineral Resources Dept., Kyrgystan

Alt: Mr. Alfredo Pires, Secretary of State for Natural Resources, Timor Leste

Supporting Country Governments

Mr. Mark Pearson, Dir. Gral., External Relations, Science and Policy Integration, Natural Resources Canada

Alt: Mr. Stephen Gallogly, Dir. For International Energy and Commodity Policy, State Dept. United States

H.E. Birgitta Nygren, Ambassador, Ministry of Foreign Affairs, Sweden

Alt: Ms. Cathy Buggenhout, Conseiller d'Ambassade, Dept. for Economic Issues, Ministry of Foreign Affairs, Belgium

Dr. Ulla Mikota, Dep. Dir. Gral., Federal Ministry for Economic Cooperation and Development, Germany

Alt: Ms. Alice Guitton, Head of Democratic Governance Mission Ministry of Foreign and European Affairs, France

Civil Society Organizations

Mr. Ingilab Ahmadov, Dir. Of the Public Finance Monitoring Centre — Baku, Azerbaijan

Alt: Mr. Dorjdari Namkhaijantsan, Open Society Forum, Mongolia

Mr. Alfred Brownell, Green Advocates, Liberia

Alt: Mr. Eduardo Bohorquez, Transparencia Mexicana/Transparency International, Mexico

Mr. Christian Mounzeo, Coordinator, PWYP Congo/President, Rencontre Pour la Paix et les Droits de l'Homme, Republic of the Congo

Alt: Mr. Gilbert Maoundonodji, Coordinator, Groupe de Recherches Alternatives et de Monitoring du Projet Petrole Tchad-Cameroun

Mr. Michel Roy, International Advocacy Director, Secours Catholique, France

Alt: Mr. Diarmid O'Sullivan, Team leader, Oil Campaign, Global Witness

Mr. Anthony Richter, Chairman of the Governing Board, Revenue Watch Institute, United States

Alt: Ms. Radhika Sarin, Coordinator, Publish What You Pay

Companies including Investors

Mr. Mariano Ruiz Funes, Chief of Staff, PEMEX

Alt: Mr. Reidar Gjaerum, Sr. VP, Corporate Communication, StatoilHydro

Mr. Stuart Brooks, Manager, International Relations, Chevron

Alt: Mr. Michael D. Maher, Coordinator, Upstream Public Policy Issues, Public Affairs, ExxonMobil Corporation

Mr. Jim Miller, VP Environmental Affairs, Freeport-McMoRan Copper and Gold Inc.

Alt: Mr. Olivier Loubiere, Corporate Business Ethics Advisor, Areva

Dr. R. Anthony Hodge, President, International Council on Mining and Metals

Alt: Mr. Edward Bickham, International Council on Mining and Metals

Mr. Jean-Francois Lassalle, VP of E&P Public Affairs, Total

Alt: Mr. Keith Ruddock, Gral. Counsel — Upstream International, Royal Dutch Shell

Ms. Julie McDowell, Standard Life Investments

Alt: Mr. David Diamond, Co-Head of SRI Development, Allianz Global Investors, France

Annex F. MDTF-EITI Donors and Contributions

Donor Name	**Cash Contributions as of March 30, 2010 (US$ millions)**		
Inception to Date	Committed Amounts	Total	
Australian Agency for International Development (AUSAID)	1.2		1.2
Belgium, Directorate General for Development Cooperation (DGDC)	0.7		0.7
Canadian International Development Agency (CIDA)	0.9	1.5	2.4
EU-Commission of the European Communities	0.8		0.8
Finland, Ministry for Foreign Affairs	0.4	0.7	1.1
France, Ministry of Economy, Finance and Industry	1.6		1.6
Germany, Bundesministerium für Wirtschaftliche Zusammenarbeit	1.3	0.7	2.0
Netherlands Minister for Development Cooperation (MDC)	1.5		1.5
Norway, Ministry of Foreign Affairs	1.2	0.2	1.4
Spain, Ministry of Foreign Affairs	2.2	1.5	3.7
Switzerland, Federal Department of Economic Affairs		1.5	1.5
United Kingdom, Department for International Development (DFID)	6.5		6.5
United States of America, USAID	6.0		6.0
Investment income: $1,140.60, net of 5% Administration Fee of $831.10	0.3		0.3
TOTAL	24.7	6.1	30.8

Annex G. Persons Consulted

Name	***Organization***
Edward Bickham	Alternate member of EITI Board & International Council on Mining and Metals
Stuart Brooks	Member of EITI Board & Manager, International Relations, Chevron
Christopher Eads	Senior Advisor, EITI International Secretariat
Peter Eigen	Chairman, EITI Board & Former Chairman, Transparency International
Michael Jordan	Finance & Development Consultant
William Kingsmill	Senior Advisor, Africa Region, World Bank
Jonas Moberg	Head of Secretariat, EITI International Secretariat
Geraldine Murphy	Member of MDTF-EITI Management Committee & Team Leader, Business Alliances Team, UK Dept. for International Development
Petter Nore	Director, Energy Dept., Norwegian Agency for Development Cooperation
Anwar Rawat	Program Manager, Oil, Gas and Mining Policy Division, World Bank
Eddie Rich	Deputy Head of Secretariat, EITI International Secretariat
Anthony Richter	Member of EITI Board & Chairman, Revenue Watch Institute
Radhika Sarin	Alternate member of EITI Board & International Coordinator, Publish What You Pay
Richard Stern	Team Leader, MDTF-EITI external evaluation
T. Negbalee Warner	Alternate member of EITI Board & Former Head of Liberia EITI
Bente Weisser	Senior Adviser, Multilateral Bank and Finance Section, Norwegian Ministry of Foreign Affairs

Annex H. Governance Indicators in Resource-Rich Countries: EITI Endorsers vs. Non-Endorsers

Review of Changes in Key Governance Indicators in Resource-Rich Developing Countries — EITI Endorsers vs. Non Endorsers

In an attempt to assess the influence, if any, of the EITI on the key governance parameters, IEG compared the performance of EITI countries vs. non-EITI countries using generic but publicly available indicators. These include, for accountability, the World Bank's Voice and Accountability Index; and for corruption, Transparency International's Corruption Perceptions Index. No suitable indicator was available for the quality of revenue management. The findings, summarized on Table 2, are discussed below:

Endorsed EITI?	Changes in Voice and Accountability Index (2006–2009)			Changes in Corruption Perceptions Index (2006–2010)		
	No. of countries	Positive Change	Negative Change	No. of countries	Positive Change	Negative Change
Yes	27	12	15	27	10	17
No	15	5	10	15	1	14
Total	42	17	25	42	11	31
Chi-square test of independence	Variables are independent.			Variables are dependent at 95% confidence level. P=3.19		

Voice and Accountability 2000–2009

Voice and Accountability (VA) captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Percentile rank indicates the percentage of countries that rate below the particular country. Higher value indicates better governance ratings.

Chart 1:Change in Percentile Ranking in Voice and Accountability in Resource-rich EITI Countries, 2006–2009 (n=27)

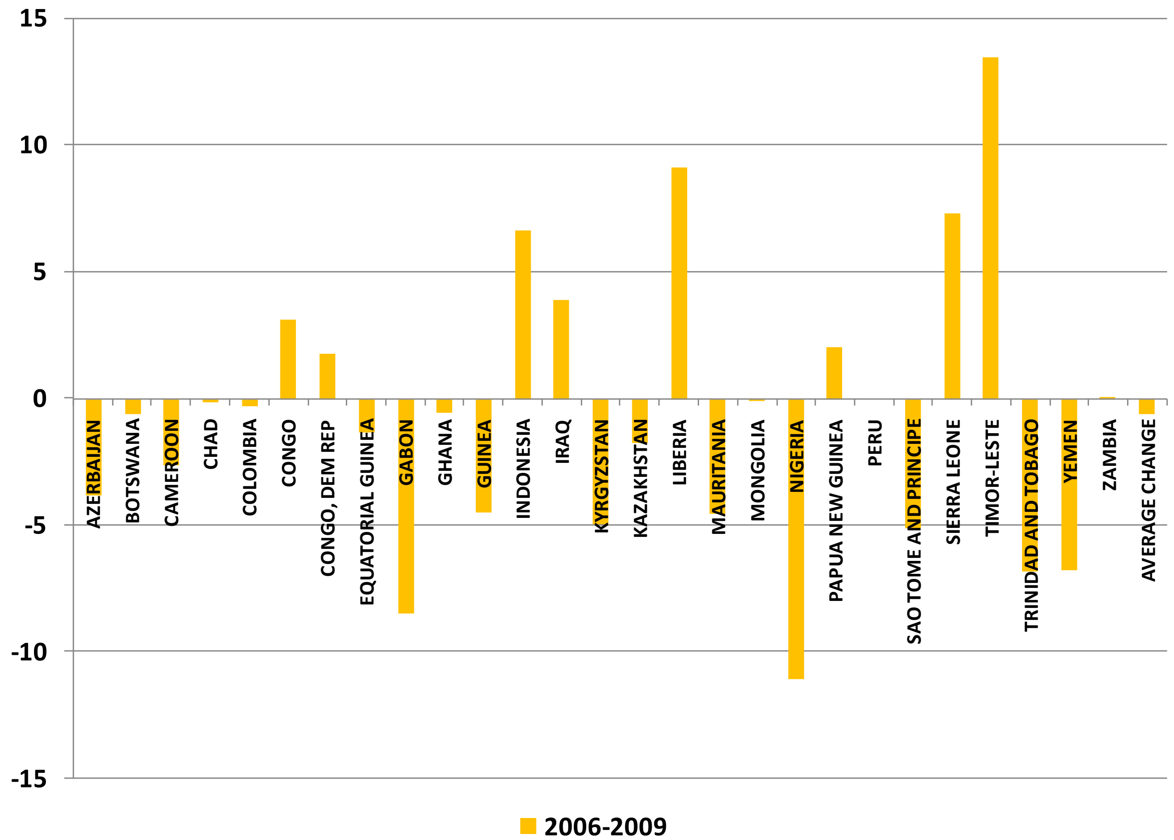
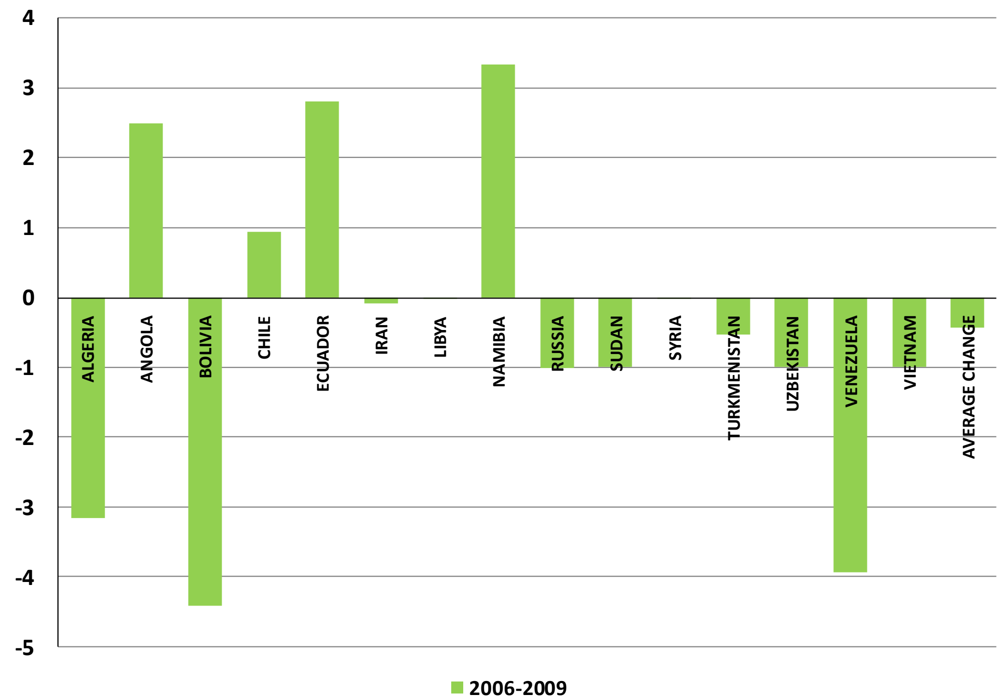


Chart 2: Change in Percentile ranking in Voice and accountability in resource-rich non-EITI Countries 2006–2009 (n=15)



EITI membership does not have a significant impact on improving public participation and government accountability in resource-rich developing countries. While the improvement in voice and accountability ranking was greater in EITI countries than in non-EITI countries, the decline in EITI countries was also relatively sharper than in non-EITI countries.

In 2006–2009 period somewhat more than 40 (12) percent of 27 EITI countries experienced positive change in their voice and accountability ranking and the average improvement was four, while more than half (15) of EITI-endorsed countries have experienced decline by five points (Chart 1).In the same way, only 30 percent (5) of 15 non-EITI resource-rich countries improved their voice and accountability ranking and the average improvement was two points. Seventy percent (10) of non-EITI countries experienced decline in their voice and accountability ranking and the average decline was -2 (Chart 2).

A comparison of average ranking in 2006–2009 period shows that EITI-endorsed countries on average ranked 9 points higher than non-EITI countries for the same period (Chart 4). However, these EITI countries were experiencing positive changes in their governance even before endorsing EITI, as the comparison of EITI country performance in voice and accountability in pre- and post-EITI periods (2000–2005 and 2006–2009) indicates (Chart 3). In general, throughout 2000–2009 the EITI countries scored better than non-EITI countries in voice and accountability (Chart 4).

Chart 3 Change in Voice and Accountability in EITI-endorsed countries in 2000–2005 and 2006–2009 periods

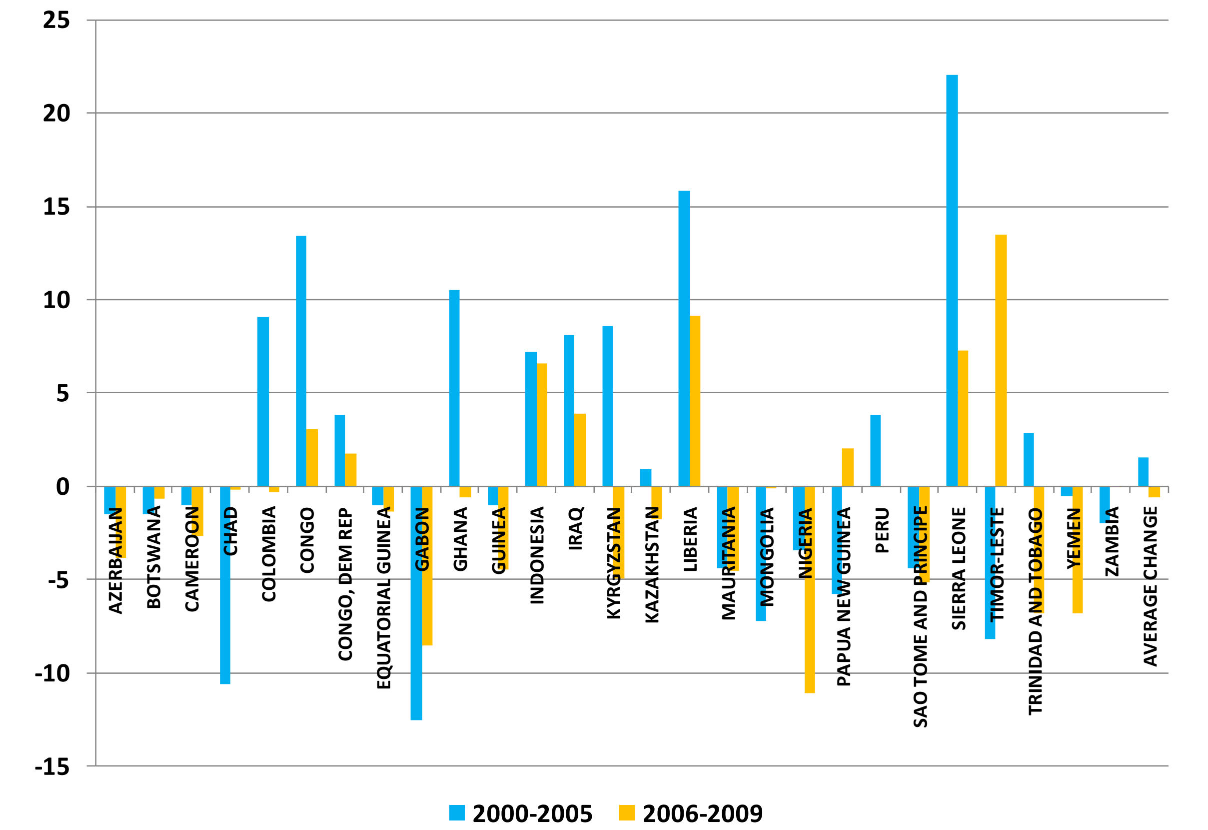
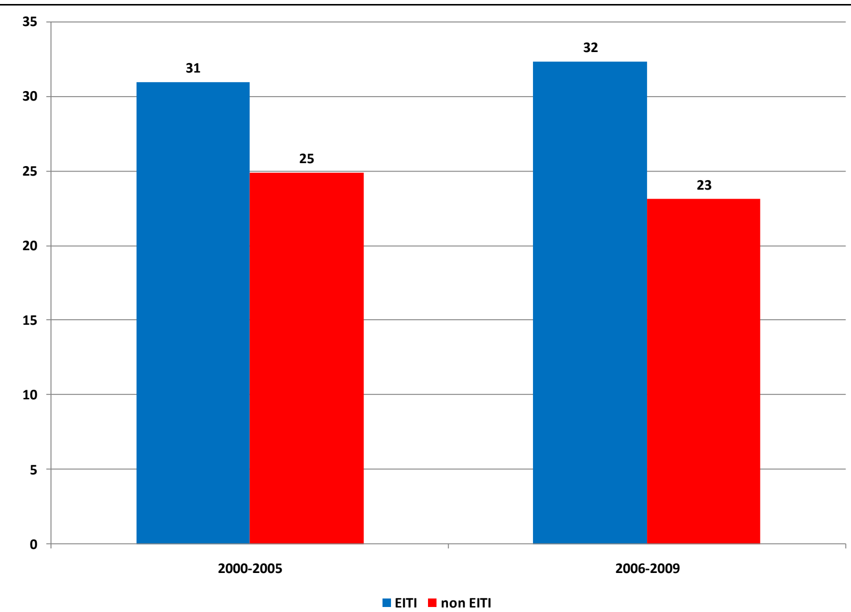


Chart 4: Average Ranking in Voice and Accountability for EITI and non-EITI Countries in the 2000–2009 Period



Corruption Perceptions Ranking 2006–2009

Chart 5: Change in Corruption Perception Ranking in Resource-rich EITI-endorsed countries 2006–2010 (n=27)

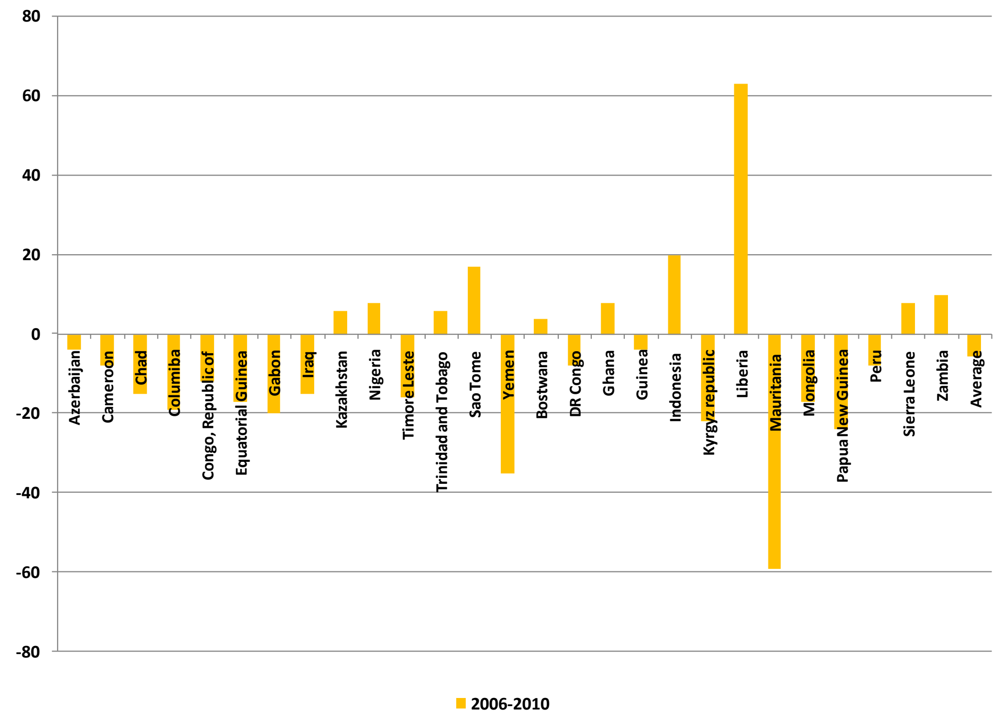
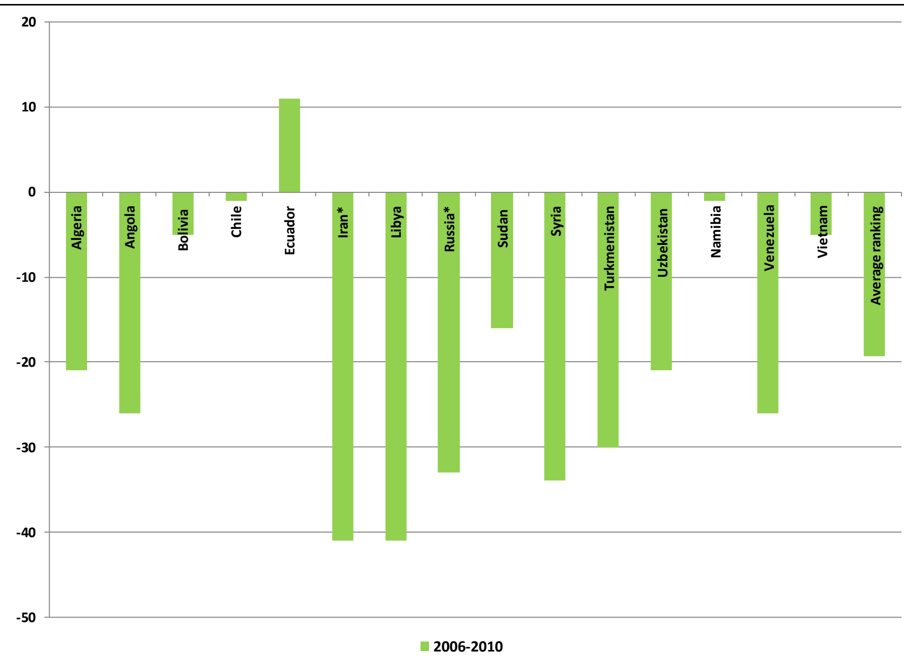


Chart 6: Change in Corruption Perception Ranking in Resource-rich non-EITI countries (n=15). 2006–2010



The EITI-endorsed countries experienced some improvement in their governance and transparency, while almost all resource- rich non-EITI countries experienced decline (Charts 5 & 6). However, these positive changes are not widespread in EITI countries. Only ten resource-rich EITI countries (fewer than 40 percent) out of 27 improved their relatively low CP ranking.[88] The average improvement in the rankings of these countries is 15 points (Liberia is an outlier with a positive change of 63 points). In contrast, all 15 resource-rich non-EITI countries experienced decline in their CP ranking, except Ecuador. The degree of decline for resource rich EITI countries is only slightly less (-18 for EITI endorsed countries and -22 for non-EITI's) than for non-EITI countries, again suggesting that these positive changes can hardly be attributed to EITI-membership.

Synthesis

At least in the short term (3–5 years) EITI did not induce significant improvements in the governance of those developing and transition countries that endorsed the program. Only about 40 percent of 27 EITI countries improved their governance indicators after endorsing EITI. Certainly, compared with resource-rich non-EITI countries, the degree of improvement in governance is relatively higher in EITI countries. However, in those countries where the quality of governance deteriorated, EITI membership does not seem to make any difference.

Overall, the comparison of these selected governance indicators supports the hypothesis that EITI may be associated with governance reforms and improvement in EITI-endorsing countries. However, EITI membership alone is not a sufficient factor for governance reforms. The comparison of performance of EITI-endorsing countries in pre- and post-EITI periods (2006–2008 and 2000–2005) for some governance indicators, such as voice and accountability, shows that these countries started to improve their governance record well before joining the program. This indicates that many countries that joined EITI were already embarked in reforms to improve their governance to some extent and EITI is only a part of that effort.

The statistical testing of correlation between the EITI membership and these governance indicators also mostly confirms these observations. The Chi-square test shows no correlation between EITI membership and Voice and Accountability Index. There is some correlation between Corruption perception ranking and EITI membership. P-value for the last two variables is less than 5 percent, indicating that these two variables are associated. This result, however, does not imply causality either way.

88. Some experts contend that CPI and CP rankings may not be useful for doing cross-country and year-to-year comparisons because of its specific methodology. In that sense, some argue that the Index is nearly useless as a tool for evaluating the impact of new policies. (see UNDP, *Users' Guide to Measuring Corruption*, 2008). This concern is partly shared by the CPI authors as well.

Annex I. SEGOM Management Response to IEG's Global Program Review of MDTF-EITI

Background

1. In the context of the global programs and partnerships managed by SEGOM within SDN Network VPU, the Extractive Industries Transparency Initiative (EITI) Multi-donor Trust Fund (MDTF) has been in operation since 2004, supported by thirteen donor agencies currently and, in the initial years, by the WB's Development Grant Facility.

2. The purpose of the EITI MDTF program is (i) to support resource-rich countries to implement the global EITI standard on revenue transparency; (ii) promote global knowledge sharing and exchange on EITI and; (iii) provide direct support to civil society groups (CSO) in EITI countries to strengthen the CSOs ability to participate in EITI and help build demand for accountability.

3. As noted, this review by the WB's Independent Evaluation Group (IEG) of the external evaluation undertaken by MDTF-EITI in 2009, is part of the program of such reviews performed by IEG and are completed under IEG's Evaluation Framework for Global Program Reviews, involving a desk review of the 2009 external evaluation report; review of relevant MDTF and EITI documents and independently-obtained opinions on MDTF-EITI and its activities from external stakeholders and WB staff.

Overall Comments

A Comprehensive Review

4. On behalf of SEGOM and SDN vice presidency, we want to thank IEG for a comprehensive and thorough review of the MDTF-EITI program and of the 2009 evaluation. We find the IEG findings and conclusions to be well-analyzed and cogent. They provide us in SEGOM and the MDTF partners (Management Committee) with a sound framework with which to continue to improve the functioning of the MDTF program—strategic direction, program delivery and results for EITI countries.

5. We especially welcome the IEG's finding that "the MDTF-EITI program is highly relevant for the development of resource-rich developing and transition countries, as reflected in the broad and expanding consensus of stakeholders that support it, the carefully designed architecture of the program, and the absence of alternative sources of supply."

6. Similarly, we and MDTF donor partners welcome the major finding (and lesson) that an appropriate balance has been achieved so far in managing the tensions inherent in a WB-managed trust fund (shareholder model) with the goals of EITI multi-stakeholder process in individual EITI countries and globally (stakeholder model). We believe this to be mainly a result of clarity of goals of the different participants in the structure and clear operating modalities, but is also a tribute to collaborative working arrangements established by the people and teams working in this complex structure.

RESULTS—THE NEED FOR A LOGICAL FRAMEWORK FOR MDTF ACTIVITIES

7. With the MDTF-EITI program now beyond its initial phases, and a growing number of EITI-implementing countries now validated as compliant (or on its cusp), the core message of the review regarding results and impact is timely. SEGOM management and the MDTF partners fully share the view that the program's relevance over time is dependent on a good demonstration of the causal chain from revenue transparency and the EITI process to tangible benefits.

8. In this respect, it will be priority for the SEGOM team to improve on the existing M&E and results frameworks and create a logical framework which relates a country's (and the program's) EITI activities to its expected benefits and contribution to higher-order goals. We find the narratives in Section 3 of the draft report very valuable, as well as the pointers on ways to measure and report MDTF's contribution to EITI countries' achievement of the "higher order" outcomes. We will focus on ways of systematically reporting this to and discussing it with the MDTF Management Committee.

ONGOING THINKING ABOUT MDTF STRATEGY

9. The core concluding message of the review—the need to match the strategic options for the continuance of the program to assurance that tangible benefits can be achieved—is well-taken. Indeed, as noted, SEGOM and MDTF donors frequently address this topic in strategy discussions, which parallel the discussions on these among EITI stakeholders more broadly. Indeed, MDTF Management Committee members are also represented on the EITI Board and attend the Board meetings prior to the MDTF meetings, and are aware of the Board's discussions and priorities. We expect these discussions will continue in 2011 , and a plan of action agreed to serve as framework to help make trade-offs and establish priorities for future phases of the MDTF and its activities, especially as more and more countries become EITI-compliant and whose goals (and TA needs) begin to shift.

Other Specific Comments

10. At paragraph 2.3, we believe the wording should be more nuanced in that WBG-SEGOM did not "reject[ing] *all* the recommendations." Rather, as paragraph. 2.4 notes, there were various recommendations that were adopted and changes made in MDTF operating procedures. Similarly, at paragraph 2.5, the 2009 evaluation report was disseminated to SDN senior management and to the DGF team.

11. At paragraphs 2.6 – 2.13 which assess the 2009 evaluation it would be useful for readers to know three important points of context:

- For efficiency, the evaluations were designed as a *consolidated* exercise to cover three separate global programs, under a single consolidated terms of reference (TORs);
- The resources assigned were also determined by the fact that a main purpose for the evaluations was to meet the requirements of the DGF process; and

- The initial design of the external evaluations began in 2006 or so, when the programs were smaller and the resources assigned were deemed commensurate for the task.

12. Regarding paragraph 3.33 "Achievement of Attributable Outcomes," we believe progress should be reflected in this regard. Following the 2009 evaluation at the EITI Board meeting in Berlin in April 2010, the World Bank and German government partners convened a workshop with EITI stakeholders titled: Open Discussion Session on EITI Outcome/Impact Indicators. The World Bank team sought guidance from IEG colleagues as well as the OPCS Results Secretariat in preparing this session. The Manager of OPCRX (Gisu Mohadjer) came to the workshop in Berlin and presented the methodology used by the World Bank to review the impact of IDA interventions. At the EITI Board meeting just after this workshop, the EITI Board decided to establish a Working Group on Outcome Indicators, and SEGOM staff member Diana Corbin was chosen to Chair the working group. The working group put together a list of relevant indicators, as well as a Terms of Reference for an evaluation of the EITI. ScanTeam of Norway was chosen to do the evaluation and is expected to present preliminary findings of the evaluation at the 5th EITI Global Conference in Paris, at a pre-conference meeting on March 1, 2011.

13. At paragraph 3.35 regarding quality of reporting, it would be appropriate to note that it was the WB's MDTF team, based on the emerging sample of EITI reports at the time, that proactively took up the issue. The team worked closely with the EITI International Secretariat, provided the necessary lead and organizing energy for consultation workshops, and issued a publication which helped build consensus for the need for improvements in EITI Reporting.

14. We note the finding at paragraph 3.45 on the need to capture the full extent of the funding devoted to EITI program activities in countries, and internationally. We would point out that as implementation models become increasingly complex (with a number of supporting agencies providing support in various ways), it is harder to meet this goal of determining a single consolidated funding number, but will look for ways to address this concern in an efficient way.

15. Paragraphs 3.56–3.58 with respect to stakeholder voice in MDTF decision-making fairly presents the inherent tension between authority and accountability, and finds that the MDTF-EITI appears to be working reasonably well in this regard. It would be good to also emphasize, in particular, that no request for MDTF funding and/or TA support by a current or potential EITI country for EITI implementation has ever remained unmet. *In short, MDTF's core operating modality is always to be highly proactive in identifying and meeting resource and TA needs*, subject to MDTF Selection Criteria and MDTF donor approval, and within the overall context of broad priorities set by the EITI Board as expressed in the MOU between the EITI Board and MDTF.

16. Finally, the findings at paragraph 3.61 on the MDTF needing to seek ways to further increase information on the MDTF and its activities are accepted. The recent efforts by the team in this regard (including presentations/updates at EITI Board Meetings) will continue and ways found to expand this.

The Global Program Review Series

The following reviews are available from IEG.

GPR

The Extractive Industries Transparency Initiative (EITI) was launched at the World Summit on Sustainable Development in Johannesburg in 2002 to encourage governments, companies involved in extractive industries, international organizations, nongovernmental organizations, and others to work together voluntarily to promote transparency of payments and revenues in order to address the paradoxical “resource curse,” which is that two-thirds of the world’s poorest people live in countries that are rich in natural resources. Two related organizations—EITI in Oslo and a Multi-Donor Trust Fund (MDTF-EITI) in the World Bank—work together to achieve shared objectives, with the MDTF-EITI providing technical assistance in support of country-level EITI processes. The EITI and MDTF-EITI are in the process of achieving their narrowly defined, specific objective of increasing transparency over payments and revenue from the extractive sector: 42 resource-rich countries have publicly endorsed the EITI process, and an additional 14 are at some stage in the endorsement process. But promoting transparency will only bring benefits if it can be linked to higher-order goals that will help resource-dependent countries address the resource curse in a way that contributes to reducing poverty. To show that EITI and MDTF-EITI can contribute to achieving tangible welfare benefits, in the form of improved revenue management and reduced corruption, for example, remains a challenge for the second phase of the programs.

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