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Executive Summary

Since 2006, the German agency for international cooperation, GIZ, on behalf of the Federal Ministry of Economic Cooperation and Development (BMZ), has planned and implemented technical cooperation projects aiming to strengthen natural resource governance worldwide, in particular in resource-rich countries with fragile political systems and weak public institutions. As part of its overall concept for policy advising in the area of natural resource governance, the GIZ has supported the Extractive Industries Transparency Initiative (EITI), recognizing the fact that lack of information prevents many stakeholders from participating effectively in resource governance, which in turn undermines accountability and democratic control of public action. GIZ's bilateral and regional technical cooperation projects and programmes contribute to the achievement of EITI's goals, both internationally as well as at the level of individual partner countries. GIZ also participates in EITI's "Working Group for EITI Outcome Indicators". One of the main issues being dealt with by GIZ in this context concerns possibilities to measure the impacts of EITI.

Against this background, the present discussion paper aims to explain how the above issues might be addressed using the notion of the results chain, which has been at the core of GIZ's planning methodology for many decades. Practical examples are given, relating to EITI, to policy advising for natural resource governance at the national level, and to the work of multi-stakeholder groups (MSGs) in extractive industries. Based on this review, the author draws conclusions and puts forward recommendations for further application of the results chain approach in these and related areas.

The recommendations, which relate to both concrete measures to be taken as well as topics for further discussion, may be summarized as follows: (1) All key stakeholder groups in extractive industries should be encouraged to develop and apply results chains. In stakeholder groups where the necessary skills are still lacking, appropriate capacity building measures should be carried out. (2) Causal relationships, underlying assumptions and the measurement of change should be the objects of permanent, critical and self-critical debate. The results chain approach should be part of a broader process of change management. The necessary skills to pilot such a process should be made available to all stakeholder groups engaged in natural resource governance. (3) EITI and its partners commissioned the elaboration of an EITI evaluation report and created a good basis for further work on impact evaluations. They should build on the results of this review of global, outcome and effectiveness indicators in order to develop and apply a logic model that is well suited to their existing or potential spheres of influence. (4) More priority should be assigned to risk management in the design of EITI interventions. With this in mind, EITI and its partners should consider the creation of a (sub) working group on risk assessment in transparency and accountability, in follow up to the results of the working group for EITI outcome indicators. (5) More attention should be paid to issues of disparity between stakeholders, both within the EITI process as well as at the level of EITI impacts. The possibility that EITI might tend to perpetuate or even exacerbate the existing disparities between stakeholders in extractive industries merits closer scrutiny. (6) Another question that merits more attention is whether EITI's impacts can be sustainable in political environments that are not conducive to good governance. (7) More research should be conducted to identify concepts and tools that meet the demands of process-oriented approaches to policy advising in this area while not compromising the principle of broad participation in good natural resource governance.

1 Context

The Extractive Industries Transparency Initiative (EITI) is a global initiative to increase the transparency of payments by extractive industries (mining, oil and gas firms) to governments and government-related entities and the transparency of revenues received by those same governments and entities from these industries. The initiative was announced by Tony Blair, the then-Prime Minister of the United Kingdom, at the World Summit on Sustainable Development in Johannesburg, South Africa in September 2002. Ghana, Nigeria and Azerbaijan piloted the EITI approach. Currently, EITI is being implemented in 35 resource-rich countries around the world.¹

BMZ, through the German agency for international cooperation (GIZ), supports EITI with bilateral and regional technical cooperation. Conceptual issues related to the EITI are dealt with through the Sector Program “*Public Finance, Administrative Reform and Transparency Initiatives*”. Support to EITI is part of GIZ’s overall concept for policy advising in natural resource governance (cf. GTZ 2010).

One of the main issues being dealt with by GIZ in this context concerns possibilities to measure the impacts of EITI. GIZ participates in the “*Working Group for EITI Outcome Indicators*” which was set up in May 2010 by the EITI International Secretariat in Oslo. This working group has contracted the Norwegian company Scanteam to evaluate EITI on the basis of three categories of indicators:

- Global indicators (“*big picture indicators*”) that relate to improvements in living conditions, levels of corruption etc. in the beneficiary countries,
- “*Attributable outcome indicators*” that describe, for example, the number of EITI implementing countries and the number of reports published, and
- “*Agency effectiveness indicators*” which relate to the effectiveness of EITI structures (e.g. its International Secretariat) as well as reporting.

In the context of the MDTF, the World Bank has announced that it aims to look more closely at a systematic approach to measure EITI impacts, given the current “*lack of a logical framework for assessing progress on achievement*”. To date, however, concrete measures in this sense have not been proposed or agreed upon.

At the same time, the World Bank and other international organizations have put forward a more comprehensive approach to natural resource governance, based on Paul Collier’s concept of the extractive industries value chain (cf. Alba 2009a). This approach comprises, among other things, five basic “links”:

- (i) award of contracts and licenses,
- (ii) regulation and monitoring of operations,
- (iii) collection of taxes and royalties,
- (iv) revenue management and allocation and
- (v) implementation of sustainable development policies and projects.²

¹ Source: <http://eiti.org/implementingcountries> (06.06.2011)

² The definitions applied in the present report are based mainly on the OECD’s terminology for results-based management (RBM), see OECD 2002.

Against this background, the present discussion paper aims to explain how the above issues might be addressed using the notion of the results chain, which has been at the core of GIZ's planning methodology for many decades. Practical examples are given, relating to EITI, to policy advising for natural resource governance at the national level, and to the work of multi-stakeholder groups (MSGs) in extractive industries. Based on this review, the author draws conclusions and puts forward recommendations for further application of the results chain approach in these and related areas.

The present review is based *inter alia* on the results of the Africa Regional Meeting of "Publish What You Pay" (PWYP), held from May 24th to 27th, 2011 in Kinshasa, Democratic Republic of Congo (RDC). In particular, the results of a side event organized by GIZ in this context are taken into account here. The author would like to take this opportunity to express his special thanks to Jana Leutner and Michael Roesch for their joint contributions to this side event and their assistance in processing and assessing its results.

2 Introduction to the results chain approach³

2.1 The basic concept

A *results chain* is a set of interlinked cause-effects relationships. It describes a desired change and the means by which to attain it. Typically, the desired change relates to the situation of a target group, their pattern of behavior, or their capacity to act. Results chain are also known as "impact chains" and "chains of effects".

The notion of change is used here in a broad sense: It can be used in the conventional sense of passing from situation A to situation B, in which B is new and different than A, or to describe the conservation of an existing situation (status quo) if the perceived alternative is an undesirable deviation from the existing situation. For example, the conservation of a forest can be perceived as a desired change if the perceived alternative is the deterioration or even destruction of the forest.

A typical results chain includes the following elements:

- **Inputs** = available resources (human, physical etc.),
- **Activities** = processes to transform inputs into...
- **Outputs** = goods and services for...
- **Outcomes** = utilization of outputs by target groups or intermediaries,
- **Direct impacts** on their situation, behaviour or capacity and
- **Indirect impacts** in the same sense, or on a larger scale (e.g. on the MDGs).

³ The definitions applied in the present report are based mainly on the OECD's terminology for results-based management (RBM), see OECD 2002.

In its generic graphic form, a results chain can look like this:

Diagram 1 The basic structure of a results chain



Source: Own diagram

Results chains are typically presented such that the direction of causality, indicated by arrows, is from left to right (horizontal), or from the bottom up (vertical). The relation between one component and the next is therefore often described as “downstream” or “higher”, respectively. Of course, a results chain can also be presented in narrative form, which is normally the case in project proposals, progress reports and evaluation reports.

For a given intervention (project, program or strategy), each element of the results chain responds to a specific question:

- **Inputs:** What resources are available to the intervention (from local contributors, from foreign donors etc.)?
- **Activities:** What does the intervention team do, together with whom, how and when?
- **Outputs:** What does the intervention produce and deliver during implementation?
- **Outcomes:** How do the users utilize the outputs provided by the intervention?
- **Direct impacts:** What immediate changes occur as a consequence of this utilization?
- **Indirect impacts:** How does the intervention contribute to achieving higher-level, longer-term development goals?

The notion of the **results chain approach** refers to the manner in which results chains are elaborated. The approach can be top-down (authoritarian), bottom-up (participatory) or anything between the two. The approach can also be gradualistic, drawing on empirical research, comparative studies, scenario, stakeholder and problem analyses etc., or direct, based on the authors’ immediately available knowledge.

Results chains belong to a larger category of planning instruments often referred to as **logic models**. In their simplest form, logic models describe sets of if-then relationships.

For example:

- **If** a public servant receives an adequate salary, **then** he or she will be less prone to corruption.
- **If** a public servant is less prone to corruption, **then** more resources will be available for public investment.

And so on. Extended logic models may incorporate assumptions, probabilities, uncertainties, scenarios, alternative change pathways and other information related to the if-then relationships. Extensions of the results chain approach are the subject of the next chapter.

2.2 Some extensions

Results chains can be extended for purposes of **risk assessment**. Risks are factors that may have a negative effect on the success of an intervention. They can be internal, in the sense of being within the direct sphere of influence of the intervention, or external:

- Internal risk factors include, for example, the number and diversity of parties participating in an intervention, the level of engagement required from the participating parties, tight schedules, instability in management and/or staffing, the complexity of the concerned technologies and the need for innovative, largely untested technologies.
- External risk factors arise through political instability, cultural factors, social conflicts, negative environmental impacts and economic crises.

Risks can be assigned to each component of a results chain. In general, the key question is as follows: Even if that specific component is realized as planned, what risk factor might prevent the next higher level (or downstream component) from being realized as well?

Some potential important sources of risk in natural resource governance are the quality of information, the quality of available expertise, the timing of project activities, administrative obstacles and changes in the political and institutional context (political will etc.).

The desired evolution of important risk factors may be expressed in terms of assumptions. For example,

- The assumption that “civil society organizations (CSOs) are adequately represented in the multi-stakeholder group (MSG)” addresses the risk that CSOs may not have a clear mandate from their constituencies to represent them in the MSG.
- The assumption that “key government officials assign high priority to transparency and accountability in the extractive industries” relates to the need for strong political will in order to make good progress in this area of reform.

A second important extension of the results chain approach is the **formulation of indicators**. Indicators are variables that provide information on change. They can relate to the elements of a results chain, to assumptions (i.e. to risk factors) or to any other change that is relevant for planning and implementing an intervention. They should reflect a common understanding of the intervention’s objectives, the means by which to attain them, and the external factors that may affect them. Indicators can be either quantitative or qualitative, with the latter based mainly on perceptions of the change in question.

Indicators can be assigned to each component of a results chain. Often, they comprise baseline (initial) values and/or target (intermediate or final) values of the indicator. In general, indicators should be objectively verifiable i.e. not affected by subjective influences e.g. someone's opinion or level of expertise. For example: Tax payments and other transfers made by mining companies to the public sector should be verifiable by means of bank statements and government revenue reports.

Results chains are often used as a starting point for the definition of **logical framework** (or logframe).

Typically, a logframe is a matrix with four columns:

- **Column 1** describes the different levels of a results chain in a bottom-up manner,
- **Column 2** attributes indicators to each level of the results chain,
- **Column 3** specifies sources of information for each indicator, and
- **Column 4** defines assumptions for each level of the results chain.

Logframe often include other information as well (inputs, milestones etc.). In analogy to the results chain approach (see above), the logical framework approach (LFA) refers to manner in which the logframe is elaborated.

The logframe is a highly regarded tool of international development cooperation, in natural resource governance as well as in other areas of cooperation. In its recent review of the World Bank's Multi-Donor Trust Fund (MDTF) for the EITI, the Independent Evaluation Group (IEG), for example, draws the following lesson: *"In the absence of a sound logical framework from the start of the program, the focus of the MDTF has been on (increasing) the number of EITI candidates and producing reports rather than on demanding and catalysing the right conditions for delivering the benefits."* (IEG 2011, p. xx). Based on this conclusion, the IEG recommends that the MDTF should *"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"* (idem, p. 43).

In a similar vein, another IEG review (IEG 2011b) looked at 17 World Bank-supported Global and Regional Partnership Programs (GRPPs), including the above-mentioned MDTF. The IEG found, among other things, that many programs under review, including the MDTF, lacked a well-articulated **theory of change** to indicate how each program's strategy and priority activities were expected to lead to the achievement of the program's objectives.

While results chains can contribute to the formulation of a theory of change, the latter may take a wider view of desired change than traditional logic models. Theories of change can comprise non-linear chains of cause and effect, take unexpected and negative outcomes and impacts into account, and even leave outcomes and impacts open, rather than defining a pre-determined roadmap for change. In general they are more process-oriented than results chains, although both approaches comprise both processes and products. While theories of change are also more flexible, they tend to place higher demands on consultation, comprehension and communication.

2.3 Potential benefits and limitations

Results chains are useful because they can facilitate consensus building between diverse stakeholders. In the context of stakeholder workshops, for example, they can serve as tools for moderation, visualization and documentation. They can help structure complex change processes around clearly defined objectives and the means by which to obtain them. They can serve as a frame of reference for more in-depth analyses, relating for example to the obstacles and risks to implementation, to the definition of indicators at various levels of implementation to measure progress towards expected outcomes and impacts, and to the alignment of expected results to available resources and time. More importantly, results chains help to ensure **transparency and accountability**: They help us to explain to others what we want to do, how we want to do it, and what we will be accountable for.

Results chains are crucial for meaningful monitoring and evaluation:

- **Monitoring** is the process of continuous observation and analysis to ascertain whether a given intervention (project, program or policy) is “on track” i.e. proceeding according to plan (i.e. the agreed results chains) and, if not, to propose corrective measures. Monitoring requires that adequate **indicators** are available for all or at least most of the elements of an intervention by which to measure progress towards the intervention’s objectives. Monitoring focuses on **efficiency** i.e. whether the available inputs are being transformed properly into outputs, and on **effectiveness**, i.e. whether these outputs are being used properly to achieve the intervention’s specific objectives.
- **Evaluation** is episodic (periodic) and looks at whether the agreed results chains (or logic models) were well defined and applied. Evaluation focuses on issues of **relevance** (whether the problems to be solved are perceived to be important by the target groups), **quality of design** (whether the intervention is well suited to solving the perceived problems), **impact** (the positive or negative changes in the target group’s situation, behaviour and capabilities, whether intended or unintended), and **sustainability** (whether the benefits of the intervention will continue to flow once the intervention has been terminated).

In practice, evaluation can also look at efficiency and effectiveness, while monitoring might look at impacts as well. However, as monitoring is normally conducted during implementation only, it will not be able to capture important impacts that occur after the intervention has been completed. Nevertheless, in many cases monitoring will be able to provide information by which to assess the probability of future impacts, whether during or after implementation.

It is important to understand the potential sphere of influence of an intervention in order to agree on the limits of individual and group responsibility and the degree to which observed changes can be attributed to that intervention. Results chains, together with indicators and assumptions, can help us to define these limits and thereby cope with the so-called “attribution gap”. At the same time, anticipation of this “attribution gap”, using the results chain approach, can help us to reduce the risk that no one feels responsible, and that the success or failure of an intervention cannot be credibly verified.

Results chains are useful tools, but they have their limits. There is an obvious trade-off between being simple and easy to understand and communicate on the one hand, and taking the complex, non-linear dynamics of reality into account on the other. If results chains are based on implicit underlying assumptions, then they can give rise to false expectations and, with that, induce disappointment or even conflict. Results chains should not imply that the best possible solution to a given problem has already been found. In many cases, what appears to be the best possible solution at one point in time will reveal itself sometime later to be suboptimal or even counterproductive. If results chains or their extensions are too rigid, then appropriate adaptation to changing conditions will be difficult or impossible. This is often the case when results chains are used as the basis for contractual agreements, and when they are elaborated through a long and tedious process with participation from many diverse stakeholders. Under such circumstances, it can become difficult to adjust a results chain, even if the need for adjustment is clearly evident. In other words: the existence of well-defined, largely consensual results chain is no reason to become lazy in our thinking.

3 Exemplary applications to interventions in extractive industries

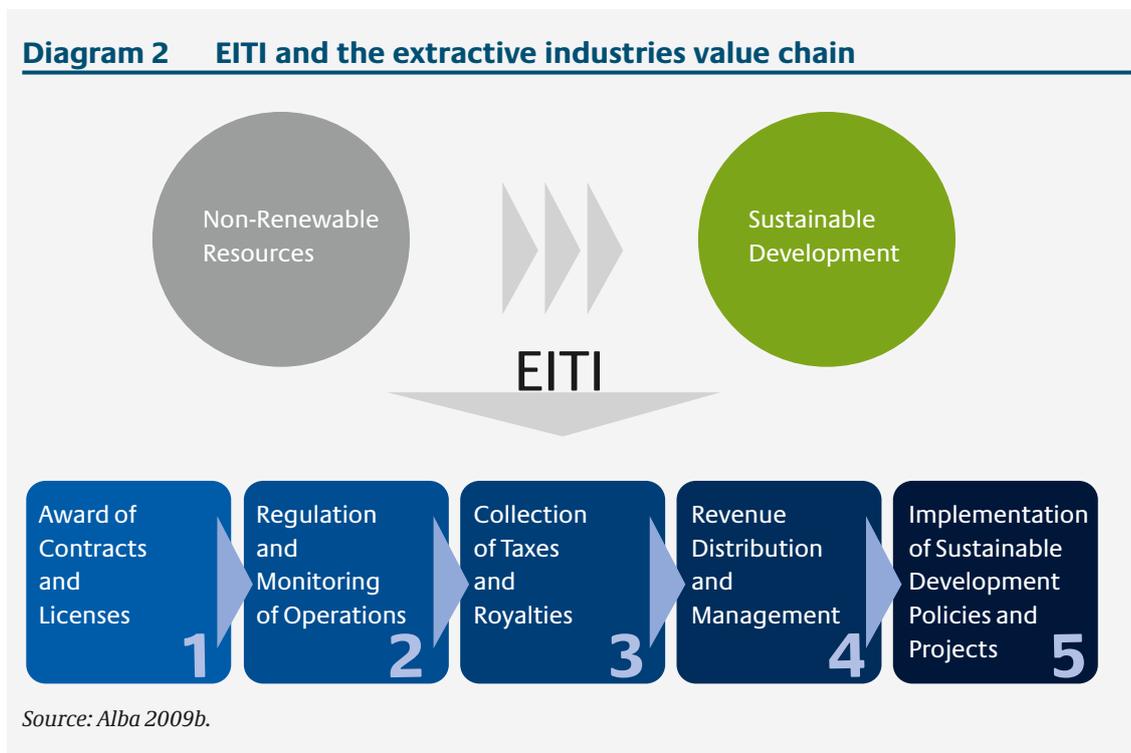
3.1 The Extractive Industries Transparency Initiative (EITI)

The EITI is a coalition of governments, companies, civil society groups, investors and international organizations. It aims to strengthen governance by improving transparency and accountability in the extractives sector through the verification and full publication of company payments and government revenues from oil, gas and mining. *“With good governance the exploitation of these resources can generate large revenues to foster growth and reduce poverty. However, when governance is weak, it may result in poverty, corruption, and conflict.”* The EITI has an international secretariat in Oslo, Norway. Currently, 35 countries worldwide have either EITI candidate or compliant status.⁴

The role of EITI in the governance of extractive industries is sometimes described in terms of the so-called **“extractive industries value chain”**. This concept was first popularised by Professor Paul Collier in his book *“The Bottom Billion”* (Collier 2007). Since then it has been adopted by international organizations, such as the World Bank Group and the Revenue Watch Institute, as a frame of reference for their work in natural resource governance. The basic elements of Collier’s value chain and its interface with EITI are described in the Diagram 2 (below).

Diagram 2 indicates that EITI aims to influence one specific link in the value chain, namely the collection of taxes and royalties. Nevertheless, in many of its official statements and in the words of many of its advocates, EITI influence is expected to go well beyond the relatively narrow sphere of tax, fee and royalty collection. In the words of Jonas Moberg, for example, head of the EITI International Secretariat: *“Our ambition lies in ensuring that more countries implement the EITI in order to create a high global standard for revenue transparency. It is by doing our part of the value chain better that we can best contribute to changes elsewhere along the chain”* (Moberg 2009). According to its basic principles, EITI is also expected to have impacts beyond the extractive industries value chain. The first of its 12 principles puts forward the hypothesis that: *“... prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts”*.

⁴ See <http://eiti.org/eiti> for more information.



Participants of a recent meeting of “*Publish What You Pay*” (PWYP), a global civil society movement for transparency and accountability in the extractive industries and one of EITI’s main international partners, expressed similarly far-reaching expectations during their regional meeting, held in late May 2011 in Kinshasa, Democratic Republic of Congo (DRC). At this occasion, the GIZ organized a side event for about 30 participants who, among other things, expressed their expectations with regard to EITI’s impacts in the future.

The results of this inquiry may be summarized as followings:

- **Development impacts:** MDGs attained, poverty reduced, fair distribution of revenues, infrastructure developed, good school and hospitals provided, situation in zones of extraction improved, and resource-related conflicts reduced.
- **Governance impacts:** Transparency and accountability ensured, revenue management improved, corruption reduced, civil society participation increased, advocacy leading to more pressure and results, tripartite dialog, natural resources monitored, reliable information available to citizens, information better exploited, and public more aware.
- **Impacts in extractive industries:** Contracts renegotiated taking community interests into account.
- **Impacts on capacities:** Civil society capacity to engage with government and other stakeholders enhanced, EITI members’ capacities strengthened.
- **Legislative impacts:** EITI Law adopted.
- **Impacts on EITI process:** Country candidacy, data reconciled, reports according to EITI rules, reports disseminated, government adhesion to all EITI provisions.

How can these high expectations translate into action and results? One starting point for a broad dialog around this question could be the results chain presented below (Table 1). It is derived from the results of a second exercise conducted at the above-mentioned PWYP meeting in Kinshasa, during the said side event. Three working groups, comprising 10-12 participants each, were all given the same task: to elaborate a results chain for EITI and to identify obstacles to its realization at each level of intervention. (Activities and inputs were not included in the results chain, due to the limited time available.)



GIZ side-event on results chains (Kinshasa, May 27, 2011) | Photo: GIZ

Table 1 A results chain for EITI, with obstacles to implementation

Level	Elements of the results chain	Main obstacles
Indirect impacts	<ul style="list-style-type: none"> Poverty is reduced Democracy is strengthened Tax revenue is increased Investment in development is increased Corruption is reduced 	–
Direct impacts	<ul style="list-style-type: none"> Detection of contractual problems regarding taxes etc. Oil companies pay compensation for damages Robust leadership Open dialog Accountability / responsibility Increased citizen participation in decision making and conflict mitigation Freedom of information / figures and information are available Awareness about EITI: resources issues and limitations of EITI 	<ul style="list-style-type: none"> Lack of political will Ruling party dominance Lack of involvement of Parliament Weak enforcement of existing laws Lack of environmental legislation Lack of legislation on use of MSG Less activity in other sectors
Outcomes (use of outputs)	<ul style="list-style-type: none"> Policy dialog Key government agencies (ministries of finance, mining, environment, revenue authorities etc.) strengthened Concentration on communities with mining activities Effective framework for joint action and cooperation is created EI regulation is in the constitution Knowledge and information sharing Public awareness of EITI Public discussions on EITI Use of reports to inform communities 	<ul style="list-style-type: none"> Political will is weak Lack of legal regime to support implementation Extractive industries influence governments Consultant contracted to draft law Illiteracy Lack of communication, media Active involvement of press with mining companies / media as parties
Outputs	<ul style="list-style-type: none"> Government awareness of EITI MSG constituted EITI reconciliation reports EITI validation reports Drafting and approval of new policies and legislation i.e. freedom of information act Strengthened capacities for claims and pleas Improved access to information by media Public communication on EITI based on its communication strategy 	<ul style="list-style-type: none"> Lack of financing Insufficient expertise Limited resources – not possible to reach out to everybody Actors not available Report in English only, not in common languages Insecurity (crime) Media restricted by law
Main activities and inputs	<ul style="list-style-type: none"> (not included here) 	–

Source: GIZ side-event on results chains (Kinshasa, May 27, 2011), own synthesis

Table 1's second column reveals a complex, bottom-up causal logic that addresses many spheres of influence. It is not easy to relate each output to an outcome, each outcome to a direct impact etc. To disentangle the different cause-effect relationships in this table, we might distinguish between different spheres of influence. Applying, for example, OECD's distinction between the five different capabilities that describe the expected outcomes of poverty reduction, we can extract information from Table 1 for each of these capabilities and describe in narrative form how EITI is expected to contribute to poverty reduction.⁵

- **Economic capabilities:** Improved tracking of financial transactions between extractive industries and government, supported through the EITI validation process, will give rise to increased tax revenues, thereby opening opportunities for increased public investment in social infrastructure and other poverty reducing measures.
- **Protective capabilities:** Community and civil society capacities to put forward pleas and claims will be strengthened. When harm is incurred, victims will work through established frameworks to demand compensation. Conflicts will be mitigated, and compensation will be paid according to agreed principles and criteria. Development efforts will benefit from the peaceful social environment.
- **Human capabilities:** Key actors in the extractive industries will be strengthened in their capacities to access, produce, analyze, present and use relevant information. With this, public dialog will be more balanced and based on reliable information. Citizens and communities in the zones of extraction will participate actively in public debate, and the mass media will support public debate in an objective manner. Leadership will be robust within all main stakeholder groups, while decision-making will be broad-based, well informed and less prone to corruption.
- **Socio-cultural capabilities:** Through improved information and communication regarding the aims and means of the EITI process, citizens and their communities, especially those affected by extractive industries, will be better able to articulate their needs and aspirations. The general public will be more aware of the potential impacts of EITI, but also of its limitations. Active participation in decision-making processes will facilitate social coherence and the mitigation of social conflicts. The more stable social environment will be conducive to democracy and poverty reduction.
- **Political capabilities:** Multi-stakeholder groups (MSGs), including representatives of government, civil society and extractive industries, will participate in the EITI process and contribute to its success (validation and its follow-up). At the same time, a broad-based policy dialog will be conducted, bringing forth new policies and legislation including constitutional amendments, drafted and approved with a view to ensuring good natural resource governance. The legal framework and organizational-technical capacities to share knowledge and put forward eventual claims for compensation will be developed and used. Citizens and their communities will easily access information and participate in the policy dialog. The dialog will be open, the leadership will be robust, and all involved actors will be held responsible for their actions. As a consequence, corruption will be reduced and democracy will be strengthened.

⁵ For more information on OECD capabilities framework, see OECD 2001. Note that the narrative examples given here use verbs in the future tense, with a view to facilitating comprehension. The reader should be aware that many organizations prefer to use the present tense for the formulation of results chains.

This loose translation of the general expectations articulated during the PWYP meeting in Kinshasa into more specific narrative results chains accentuates the ambitious character of many perceptions of EITI and what it might achieve in the future. Are such far-reaching expectations realistic? In order to answer this question, two important aspects require clarification. One is the exact nature of each expectation. This aspect might be clarified with help from indicators. All other things being equal, for example, it might be unrealistic to expect poverty to be reduced by more than 5% over a 3-year period, or for tax revenues to increase by more than 10% over the same period. Another aspect that requires clarification is the nature and degree of risk. Risks can be assessed by first identifying the existing obstacles to the implementation of the proposed results chain, and then estimating the probability that certain underlying assumptions relating to these obstacles will hold true. In the following paragraphs, we will focus on this second aspect. The first aspect (indicators) will be looked at more closely under the heading of section 3.3 (below).

In the Kinshasa side-event participants identified the main obstacles to the implementation of the general results chain for EITI (Table 1, column 3). Given the aggregate nature of this table, it is difficult to establish a one-to-one relation between elements of the results chain in column 2 and obstacles in column three. A more detailed risk analysis could be based on thematically specific results chains, such as the five narrative results chains presented above. Other thematic categories might also be applied e.g. differentiating between stakeholders, the expected impacts on each stakeholder group, and the specific risks relating to each of these.

For purposes of planning, monitoring and evaluation, obstacles to implementation are often translated into assumptions. Assumptions in this context describe the probable positive evolution of important external factors. For example, widespread illiteracy has been identified as a major relevant obstacle. While we can hardly expect that illiteracy rates will be reduced significantly in the short or medium term, it may be reasonable to assume that verbal communication may serve as a substitute for non-verbal communication. Verbal communication of information relating to EITI reports, policy reforms etc., however, requires specific human and other resources, especially at the grass-roots level. Therefore, the relevant assumption may be formulated as follows: “Experts proficient in local languages are available to facilitate verbal communication with illiterate target groups”. Using the same procedure, all the main obstacles to the implementation of the EITI results chain, as identified by the participants of the PWYP side event, may be translated into assumptions.

The assignment of obstacles to the EITI results chain is based on the notion that all the elements of the results chain (Table 1, column 2) are within the sphere of influence of EITI, while all the obstacles (column 3) are outside its sphere of influence. During the PWYP side event, there was much discussion around EITI’s sphere of influence. Due to the limited time available, the side-event participants were not able to come to an overall, consensual assessment in this regard. Hence, Table 1 should be regarded as the preliminary result of an open debate regarding the potential impact of EITI. Obviously, there is a great need for more in-depth debate and research around this issue. The results chains can serve as a conceptual and methodological framework for this process and facilitate the documentation and communication of its results.

3.2 Technical cooperation for improving good governance in extractive industries

GIZ operates programmes to support Good Governance in the extractive resource sector in several partner countries in Sub-Saharan Africa. The following example of the Democratic Republic of Congo (DRC) will give an insight on how the results chains approach relates to policy advising for resource governance and EITI at the national level. The German Federal Ministry for Economic Cooperation and Development (BMZ) has contracted the GIZ to implement the project entitled “Support to good governance in the use of mineral resources” in the DRC. The GIZ’s national partner in the DRC is the Ministry of Planning. The project is to be implemented during the period from 2009 to 2012.⁶

The project’s context may be summarized as follows: The Democratic Republic of the Congo (DRC) is one of the most resource-rich countries in the world. It possesses the largest cobalt and the second largest copper reserves in the world as well as important deposits of diamonds, gold, oil, tin and columbite-tantalite (coltan). At the same time, the DRC is one of the poorest countries in the world. More than two thirds of its population is undernourished, and every fifth child dies before it reaches the age of 5. Every year, millions of US dollars disappear into dark channels. Due to weak public administration and widespread corruption, the state foregoes significant revenues from taxes and other payments that are urgently needed to combat poverty. Presently, mineral resources are being illegally exploited in the western part of the country to finance weapons and rebel groups. Only improved governance can transform this “resource curse” into a blessing for the people. The government of the DRC has recognized this challenge and put forward an agenda for reform that includes, among other things, the fight against corruption.

The project’s objective is to enable the government to increase public revenues through a system for transparent and efficient collection of taxes and other payments in the extractive industries and, with that, to make more resources available for purposes of poverty reduction.

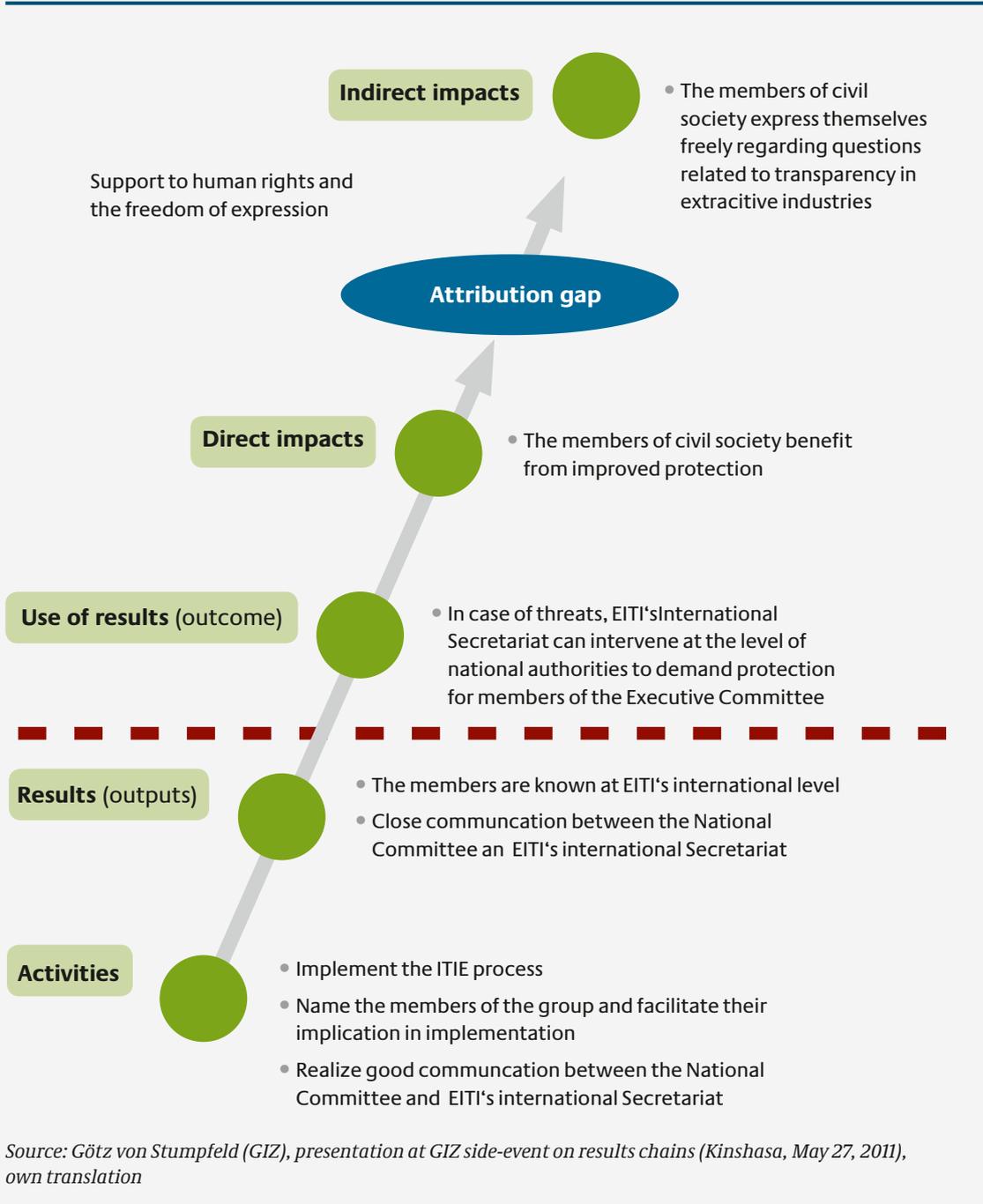
The project works with many key stakeholders to improve resource governance in the extractive industries of the DRC. It supports the EITI process, provides assistance to civil society, the private sector and government to pilot the EITI national secretariat jointly, and advises private enterprises to report on taxes and other payments, for later reconciliation by an independent auditor. The intention is that the annual EITI report will ensure transparency and provide an initial lever in the fight against corruption. The project also supports Parliament to enable it to use data from the EITI report to better exercise its control function. Furthermore, it supports the government of the DRC to accelerate reform processes in financial administration, for example through improved data exchange between the various finance departments and the mining authorities. Together with the German Federal Agency for Geosciences and Resources (BGR), the project is working on the introduction of a certification system for combating the illegal exploitation of resources. In addition, a dialog is being organized between business, the government and civil society with regard to Corporate Social Responsibility (CSR) and the better coordination of business’s contributions to social insurance and government’s planning.

⁶ See <http://www.frameworkforresponsiblemining.org/index.html> and <http://www.voluntaryprinciples.org>

Since the project began in July 2009, the legal framework for EITI in the DRC has been defined through a ministerial decree in conformity with the rules of EITI’s International Secretariat. The national committee has also been nominated. The first EITI report was published. In December 2010, EITI’s international administrative committee declared the DRC to be “close to compliance”.

The GIZ has defined three results chains as frameworks for its interventions. These relate to (1) support to enterprises and authorities, (2) support to Parliament, and (3) strengthening human rights and freedom of expression. The third results chain is presented as an example below.

Diagram 3 A results chain for support to human rights in extractive industries



The example in Diagram 2 illustrates a number of important principles. First, it shows how a results chain can be used to describe one component of a larger intervention that comprises more than one component i.e. more than one results chain. Secondly, as a graphic rendition of the results chain, it also demonstrates a fairly user-friendly format, lending itself well to open, participatory debate and decision making. Last but not least, this example makes explicit reference to the so-called “attribution gap”, thereby underlining the common difficulty of establishing clear, evidence-based causal links between the project’s expected direct impact (protection of civil society members) and its expected indirect impact (freedom of expression).

Is the results chain in Diagram 2 realistic? Again, to answer this question more information is required: Indicators should help clarify the exact nature of each element of the results chain and measure progress toward target values during implementation. Some relevant sub-questions in this regard are the following: How do we measure freedom of expression? How do we measure protection?

Furthermore, in order to determine the realism of the results chain, we need to formulate the underlying assumptions and assess the probability that they will hold true. This implies identifying the main obstacles to the implementation of the results chain at each of its level. If important underlying assumptions are unlikely to hold true, then the realism of the results chain may be open to doubt. One important underlying assumption in this case appears to be that the relevant authorities in the DRC will be responsive to interventions by EITI’s International Secretariat when civil society members are threatened. If adequate government responsiveness to international demands has been observed in the DRC in the past, then this evidence might lend credibility to the assumption. If, on the other hand, the authorities have normally failed to react, or reacted only slowly and ineffectively, then the causal link between the expected outcome (EITI can intervene) and the subsequent direct impact (members are protected) will be too weak to justify the results chain. In this case, it will be necessary to redesign the results chain, its indicators and/or its underlying assumptions.

3.3 Multi-stakeholder groups (MSGs) in extractive industries

The EITI operates through multi-stakeholder groups (MSGs). The following example will give an idea of how the results chains approach relates to the MSGs that are key to the implementation of EITI. A MSG is a voluntary collaborative effort of organizations representing a broad group of stakeholders interested in or affected by a common issue. MSGs exist in many areas today, such as public health and education, construction, anti-corruption, climate change, aid effectiveness and extractive industries, to name only a few. MSGs are often established by civil society organisations in collaboration with private sector and government with a view to ensuring transparency and accountability in the use of public funds.

According to Truex and Søreide (2010), each stakeholder in an MSG has its own interest in the initiative and contributes its unique capacities. In practice, however, many multi-stakeholder groups have fallen short of expectations. To explain this, two separate but related questions are considered: What are the unique barriers to implementation facing MSGs? What policy measures can be taken to improve the likelihood that MSGs will succeed? The authors come to the conclusion, that the barriers facing MSGs are substantial, but once the level of the challenge confronting a MSG is identified (e.g. individual incentives, organizational dynamics, country context, or international pressures), the specific barrier, its root causes and appropriate solutions can be identified. Based on their assessment of the Construction Sector Transparency (COST) Initiative as a case study, the authors suggest that MSGs are best used as a means of promoting dialogue and building consensus, not as the locus of policy implementation and oversight.

MSGs have been set up in the extractive industries in many countries with various degrees of international coordination and networking. EITI is often cited as one examples of an internationally networked MSG in the extractive industries. Other examples of MSGs in this sector are groups supporting the Framework for Responsible Mining (see Miranda et al 2005) and the Voluntary Principles on Security and Human Rights (VPs).⁷

Possibilities to apply the results chain approach to MSGs and similar initiatives are described and illustrated in a recent DFID publication (Holland / Thirkell 2009). The authors present their basic concept in terms of inputs, processes, outputs, outcomes and impacts. Activities for capacity building, for example, are described as processes. *“The expected output of these activities will be that people’s capacity to engage with government is increased, as measured by their level of rights awareness or budget literacy. The expected outcome of this capacity building intervention is typically an increase in access to services or resources, as measured by service use or by the level of allocated and implemented budgets. The broader impact is seen in improvements in economic and social well-being and in political participation”* (p. 9). This application of the results chain approach is essentially identical to the one applied in the present discussion paper, with the exception of the direct and indirect impacts, which are aggregated by DFID into a single level (see Table 2).

The example given here is not specific with regard to the type of involved stakeholders, their interests or the concerned issue. With reference to the extractive industries value chain (see section 3.1), it might be applied to any one of the five value chain links, or to more than one link at the same time. Hence, it may represent a generic results chain for capacity building (i.e. knowledge, skills and awareness building) to strengthen MSGs that aim to ensure their government’s responsiveness to their interests within the realms defined by the value chain.

In order to monitor and evaluate progress in capacity building for MSGs, indicators need to be defined and specified in terms of quantity, quality, timeliness etc. Some exemplary indicators have been formulated for each level of the MSG results chain (Table 2, column 3).

⁷ See <http://www.frameworkforresponsiblemining.org/index.html> and <http://www.voluntaryprinciples.org>

While most of the proposed indicators are quite straight-forward (number of training courses conducted, number of meetings held, level of knowledge etc.), some of them pose important conceptual and methodological challenges. For example, if the achievement of milestones is to serve as a measurement of direct impact, who will define these milestones, according to which criteria, established by whom? Given the inherently large number and diversity of stakeholders participating in MSGs, finding an adequate answer to this question will not be an easy task. This sort of difficulty is not only common, but also instructive, illustrating both the need for well-formulated *results chains* as well as the importance of a well-founded *results chain approach*.

The list of indicators for the MSG results chain presented in Table 2 is not exhaustive, nor does it take all possibilities to differentiate indicators according to gender or other cross-cutting dimensions into account. The precise formulation of indicators to measure progress toward planned outputs, outcomes and impacts is a crucial step in the preparation of any intervention. In general, it is recommended that all the main stakeholders participate actively in the definition and application of indicators. With that, even relatively weak stakeholders will have a strong voice in capacity building processes.

Table 2 A results chain for multi-stakeholder groups (MSGs), with indicators

Results chain	Description of specific elements	Indicators
Impacts	<ul style="list-style-type: none"> Improved well-being of stakeholders 	<ul style="list-style-type: none"> Socio-economic situation of stakeholder groups Perceived responsiveness of government to stakeholders' interests
Direct effects	<ul style="list-style-type: none"> Government policies and decisions take stakeholder interests better into account 	<ul style="list-style-type: none"> Policies and procedures changed (milestones achieved) Level of pro-stakeholder budget decided and allocated Services accessible and delivered to stakeholders (male / female)
Outcomes (use of outputs)	<ul style="list-style-type: none"> Direct collective and individual engagement of stakeholders in government policy and decision making Improved stakeholder access to resources and services 	<ul style="list-style-type: none"> No. of meetings (hearings etc.) between stakeholders and government policy and decision makers Stakeholders' perceptions of induced changes in attitudes, behaviour, capacity to act (male / female)
Outputs	<ul style="list-style-type: none"> Stakeholders' capacity to engage strengthened 	<ul style="list-style-type: none"> Level of knowledge of sector policy and budget issues Level of awareness of rights of stakeholders and roles of duty-bearers Level of skills for sustainable financial management Level and quality of participation in stakeholder groups Level and quality of interaction between stakeholder groups Level and quality of information available for monitoring and evaluation
Main activities	<ul style="list-style-type: none"> Organize training and sensitization for stakeholders Support access to finance as well as the financial sustainability of stakeholders Promote the establishment of stakeholder networks 	<ul style="list-style-type: none"> No. of training courses given (by topic) No. of sensitization (awareness building) events conducted No. of persons trained (male / female) No. of persons sensitized (male / female) Scored satisfaction of training given (male / female) Scored satisfaction of sensitization provided (male / female)

Source: Based on Holland / Thirkell 2009, Figure 4.1.

4 Conclusions

The following conclusions are based on the observations presented in the previous sections as well as some reflexions regarding important topics for further discussion.

Each conclusion corresponds to a recommendation in the next section that shares the same number.

- 1 | The results chain offers the advantage of being a simple yet flexible tool, apt to serve as a basic framework for improved transparency and accountability. In the extractive industries, characterized by a large number and variety of key actors and the complexity of their interactions, the results chain provides a basic logic model to help focus on key, strategic interventions, their goals and the means by which to obtain them.
- 2 | As tools for consensus building and results-oriented policy making and planning, results chains may be ineffective if their components are not measurable and if the underlying assumptions are not explicit and well founded.
- 3 | EITI stakeholders have high expectations, while EITI puts forward far-reaching goals in its own basic principles. But the links between EITI's interventions, which are quite limited in scope, and the ambitious expected outcomes and impacts of the EITI process are not well defined. The current inflation of ambitions and expectations in the governance of extractive industries is problematic, given the potential for disappointment and conflict in this highly sensitive area.
- 4 | Underlying assumptions play an important role in the definition of the EITI's goals and the means by which to attain them. In resource governance systems characterized by widespread corruption and collusion, the link between the publication of reports based on EITI standards on the one hand, and the expected improvement in accountability, reduction of corruption and increase in fiscal revenue on the other, is by no means self evident. The same may be said with regard to the link between EITI implementation on the one hand, and the goals of sustainable development, poverty reduction and conflict mitigation on the other.
- 5 | Multi-stakeholder groups (MSGs) are expected to play a key role in the EITI validation process, but the translation of this expectation into practice has yet to be systematically examined. While all or most involved stakeholders may derive specific benefits from their participation in MSGs (through training, awareness building etc.), benefits may be unequally distributed and thereby exacerbate existing disparities. The same inquiry may be applied to EITI as a whole: Are its impacts distributed equitably? If not, what can be done to make them more equitable?

- 6 |** Respect of human rights and freedom of expression are important pre-requisites for effective citizen participation in public debate and decision-making in extractive industries. But the question arises, whether these goals can be met in extractive industries if they are absent or neglected in other sectors of society. In a similar manner, one might ask whether good governance can be established in one sector of the economy while being neglected or absent in most other sectors. One possible, optimistic trajectory is that improvements in one area or sector will give rise to imitation effects in others. Whether this “theory of change” can be plausibly developed on the basis of verifiable evidence still remains to be seen.
- 7 |** Despite their many recognized benefits, both results chains and logical frameworks are often criticized for being too linear and too rigid and hence poorly adapted to the “messiness” of reality. Theories of change that incorporate more open, flexible and non linear causal relations may thereby be better adapted to the extractive industries. At the same time, the use of sophisticated theories of change can compromise the participatory nature of the process. Where broad consensus is required, it is often wise to keep things simple.

5 Recommendations

- 1 |** All key stakeholder groups in extractive industries should be encouraged to develop and apply results chains as tools for defining objectives and the means by which to attain them, as a shared means of understanding and communication, and as a necessary step toward more comprehensive logical frameworks and theories of change. In stakeholder groups where the necessary skills are still lacking, appropriate capacity building measures should be carried out.
- 2 |** While the potential benefits of the results chain approach and its various extensions are generally recognized, the approach’s limitations should not be overlooked. Results chains can become rigid frameworks (“blueprints”) that give people reason to be lazy in their thinking. To avoid this, causal relationships, underlying assumptions and the measurement of change should be the objects of permanent, critical and self-critical debate. Consensus building around a given results chain can help ensure transparency and accountability in the design and implementation of specific interventions, but if the product of this consensus becomes static, it will risk becoming outdated and irrelevant. In order to be truly effective, the results chain approach should be part of a broader process of change management. The necessary skills to pilot such a process should be made available to all stakeholder groups engaged in natural resource governance. Organizations such as GIZ, with decades of practical experience in diverse economic and social contexts, should help identify and propagate best practices in the field of results-oriented natural resource governance.
- 3 |** EITI and its partners should build on the results of their review of global, outcome and effectiveness indicators in order to develop and apply a logic model that is well suited to their existing or potential spheres of influence. With this, the gap between ambitions and expectations on the one hand, and verifiable induced change on the other, might be narrowed to the benefit of more realism in the definition of EITI’s and other stakeholders’ roles in defeating the “resource curse”.

- 4 | More dedicated effort is required to address the underlying assumptions in the quest for transparency and accountability as means to attain sustainable development, poverty reduction and conflict mitigation in extractive industries. In particular, the link between revenue transparency and the use of fiscal revenues for the public good needs to be questioned. If EITI-compliant countries display a tendency to use additional fiscal revenues for other purposes, then EITI's overall credibility may be at stake. Other, more implicit assumptions (e.g. that corruption cannot bypass EITI's reporting requirements) merit closer scrutiny. The consequence of this reflexion should be to assign more priority to risk management in the design of EITI interventions. This prioritization could be facilitated, for example, through the creation of a (sub)working group on risk assessment in transparency and accountability, in follow up to the results of the working group for EITI outcome indicators.
- 5 | More attention should be paid to the role of multi-stakeholder groups (MSGs) as a means to facilitate, among other things, civil society participation in the EITI process. In environments where civil society is poorly organized and activists are subjected to repression or even physical threats, it is hardly realistic to expect members of civil society to participate in the EITI process on equal terms with representatives of government, private sector and international organizations. In a worst-case scenario, EITI might tend to perpetuate or even exacerbate the existing disparities between stakeholders in extractive industries. This is one of the many risks associated with EITI that merit closer scrutiny. Here, the approach of the EITI MDTF to especially support civil society is seen as very important.
- 6 | The dilemma of promoting the goal of good governance (including respect of human rights and freedom of expression) in one area while the same goal is absent or neglected in other areas should serve as a starting point for more in-depth reflexions regarding how the goals of transparency and accountability in extractive industries can be transported to more general governance policies, reforms and mechanisms. In a certain sense, this issue would take us one step beyond the debate around EITI's impacts: It requires us to ask whether EITI's impacts can be sustainable in political environments that are not conducive to good governance. It is a question that has been largely neglected to date, but merits due attention when considering alternative theories of change and their relative strengths and weaknesses.
- 7 | In general, the results chain approach should be used more widely in natural resource governance to create consensus around logic models that describe specific, results-oriented interventions. Interventions that are more process-oriented, however, require other concepts and tools that can take open, non linear processes into account. More research should be conducted to identify concepts and tools that meet the demands of process-oriented approaches to policy advising in this area while not compromising the principle of broad participation in good natural resource governance.

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