Practical Steps to Help Countries Overcome the Resource Curse: The Extractive Industries Transparency Initiative

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Source: *Global Governance*, Vol. 18, No. 2 (Apr.—June 2012), pp. 171-184
Published by: Lynne Rienner Publishers
Stable URL: http://www.jstor.org/stable/23269948

Global Governance 18 (2012), 171–184

GLOBAL INSIGHTS

Practical Steps to Help Countries Overcome the Resource Curse: The Extractive Industries Transparency Initiative

Georg Caspary

A RECENT SPECIAL ISSUE OF *GLOBAL GOVERNANCE* (VOL. 17, NO. 2) EXAMINED various dimensions of the so-called resource curse phenomenon, which describes situations in which extractive resources (oil, gas, and minerals) cause difficulties for public financial management and macroeconomic policy or, in the worst case, for society at large through problems such as prevalence of corruption or even risk of violence. The special edition also mentions appropriate governance responses to the resource curse in resource-rich countries.[1] However, while the collection of articles helpfully elucidates the many aspects of the resource curse, the discussion might benefit from a further contribution focused on the operational experience with programs to counter the resource curse. The present article attempts to provide this contribution.

The introduction to the special issue of *Global Governance* called for appropriate institutionalization of voluntary multistakeholder initiatives with greater engagement on the part of emerging economies. Therefore, in this article, I focus on the attempts of the World Bank Group (WBG)[2] to promote effective governance in its operations in the extractive industries (EI) sector in developing countries, notably in the context of what is arguably one of the most prominent global attempts at combating the resource curse through precisely a voluntary multistakeholder initiative: the implementation of the Extractive Industries Transparency Initiative (EITI).

In the next section, I discuss WBG's historical and present involvement in governance work in resource-rich countries. I then describe the value chain approach to EI governance. I move on to the implementation of the EITI as part of the value chain approach and its results to date. I conclude with current and upcoming steps in combating the resource curse, notably how (especially high-performing) EITI implementing countries can go further toward broader resource-related governance work and how this work can be sustained over time (e.g., by strengthening the demand for good resource governance through a capacitated local civil society).

The World Bank's Involvement in Governance Improvements of Resource-rich Countries

Until well into the 1990s, governance and corruption arguably played little of a role in the WBG's operational work. This was based on a reluctance to confront corruption and a narrow reading of the WBG's Articles of Association, which were interpreted as to allow the WBG to work only on "economic" development issues, not "political" ones.[3] Governance and anticorruption work were considered to fall into the latter.[4] By the mid-1990s this attitude had changed, with President James D. Wolfensohn publicly acknowledging in 1996 the role of corruption in hindering development.[5] In addition, two circumstances external to the WBG led to an increased focus on the quality and efficiency of foreign aid,[6] which included a greater focus on improving governance structures to underpin development efforts.[7] The first of these circumstances was the end of the Cold War, which meant an end to the incentives (much maligned by some commentators) for donors to provide aid in line with geopolitical or strategic expediency.[8] The second circumstance that favored aid quality and effectiveness was the general pressure on public budgets in Organisation for Economic Co-operation and Development (OECD) countries.[9]

In September 1997, the WBG Board endorsed the World Bank's operational anticorruption guidelines for staff,[10] and in parallel, the 1997 *World Development Report* deepened global understanding that an effective state is crucial for development. In 2000, the WBG Board endorsed a Public Sector Governance Strategy that recognized corruption as an outcome of a poorly functioning governance system.[11]

After a lengthy global consultation process on what the engagement of the WBG in the governance arena should look like, the Governance and Anti-Corruption (GAC) strategy was endorsed by the board in 2007. With the GAC agenda squarely given high priority within the WBG's corporate strategies, the emphasis in the WBG has been on operationalization of the GAC strategy at all levels. The key operational elements of the GAC strategy, in the way it has been implemented in strong collaboration with partners, can be divided into country-level work (aimed at deepening support to countries to build more capable and accountable states by strengthening nonstate and demand-side actors and encouraging public sector reform), strengthened work at the project level (aimed at combating corruption in WBG operations), and finally work at the global level (engaging with development partners, sharing experiences and addressing transnational issues through donor coordination and multistakeholder alliances).[12] An evaluation of the relevance and effectiveness of the strategy, conducted in 2011 by the WBG's internal Independent Evaluation Group, noted that the WBG's use of governance and political analysis in project design had increased significantly and had been an effective tool in countries with weaker institutions.[13]

Yet the evaluation also noted that significant challenges remained, highlighting that the measurement of governance results can be improved so that the demand for effective governance can be fostered and that the WBG's operational response in countries experiencing governance downturns needed to be more consistent. Moreover, many stakeholders inside and outside the WBG have also held the view that lending goals conflict with pursuing GAC objectives. Indeed, this has been an issue in the implementation of the EITI as one of the WBG's key governance promotion programs: the WBG's insistence on stringent financial management and procurement capacity assessments prior to disbursement of grants for in-country EITI implementation has repeatedly clashed with the preference of EITI-implementing countries and the international EITI Board for speedy disbursement of EITI grants. (The WBG, of course, maintains that its fiduciary obligations force it to disburse only after relevant recipient country systems are sufficiently strong.)

The Value Chain Approach to EI Governance

The WBG has been active in the extractives sector for over sixty years. While a consistent presence, the WBG's focus on the sector and that of its individual institutions has changed over time. The role of the WBG in the EI sector has evolved from mainly supporting production activities in the 1960s to the early 1980s, to sector policy reform and commercialization of state-owned enterprises in the mid- to late 1980s, to a greater emphasis on capacity building and private sector development in the 1990s and beyond. This latter move toward facilitating governance improvements at the national level through stakeholder collaboration is akin to so-called networked approaches that are increasingly in vogue at the international level.[14]

In 2004, the WBG published the results of a three-year-long review of its involvement in the extractive industries sector. This Extractive Industries Review addressed the question of whether or not extractive industries are compatible with the WBG's goals of poverty alleviation through sustainable development, which was thoroughly discussed within and outside the WBG.[15] The conclusion of the report was that the EI are indeed compatible with poverty alleviation and sustainable development, but several recommendations were made for the WBG to better promote pro-poor governance in the sector. For example, recommendations were: (1) to raise civil society engagement to balance the triangle of partnership between business, governments, and civil society; (2) to promote transparency in revenue flows; (3) to develop the capacity to manage revenues responsibly; (4) to raise social and environmental considerations; and (5) to help governments develop modern policy and regulatory frameworks.

As a result, the International Bank for Reconstruction and Development (IBRD), the sovereign lending arm of the WBG, has focused on governance and environmental assistance in its work on EI. The private sector arm, the International Finance Corporation (IFC), supports investments in new or expanded physical capacity and aims to engender best practices with respect to environmental and social standards and transparency of payments to host governments. The Multilateral Investment Guarantee Agency (MIGA) issues guarantees for investments in the extractives sector in conflict-prone countries.

The overall volume of WBG EI financing in FY 2011 was US$721.3 million, a decrease over FY 2010 of 28 percent. IBRD and IDA financing accounted for 48 percent of the total financing volume, followed by IFC with 32 percent and MIGA with 20 percent. WBG commitment volume has averaged US$918 million annually, but contributions of the individual WBG institutions have varied notably. Over the period, IBRD and IDA financing for the EI has increasingly supported policy advice and technical assistance within the context of larger policy loans rather than investment in new EI capacity.

In the remainder of this article, I focus on the governance improvements in the EI sector by the IBRD. For understanding the current engagement of the IBRD in the extractive industries sector, I used a framework called the value chain. For the purpose of easier analysis, the steps by which a government turns subsoil resources into funds for public spending can be divided up into five steps.[16]

Step 1: Governments grant hydrocarbon or minerals exploration, development, and production rights in particular areas or blocks by means of concessions, leases, licenses, or contracts, depending on their legal systems. Efficient and effective award policies exhibit the following characteristics: they have transparent, competitive, and nondiscretional procedures for the award of exploration, development, and production rights; they are embedded in a clear legal, regulatory, and contractual framework, which is upheld by a set of institutions with clearly defined responsibilities. A special WBG financing facility, the EI Technical Assistance Facility, focuses on this part of the value chain, primarily on third-party advisory assistance for contract negotiation of extractive industry transactions; short-term capacity building for the beneficiary country's negotiation teams; supporting technical assistance to update the relevant policy and institutional, fiscal, legal, and regulatory frameworks of the country concerned; and structuring licensing rounds, public offerings (tender or auction), and competitive and transparent tender packages.[17] It has recently or is currently supporting relevant capacity building in Mozambique, Guinea, the Kyrgyz Republic, Pakistan, Rwanda, Liberia, and Sierra Leone.

Step 2: A clear and comprehensive regulatory framework, coupled with the ability to enforce it, helps support the goals of transparent and efficient EI management. Two key steps for improving the efficiency and effectiveness of regulation and monitoring of EI projects are to ensure that responsibilities of the various government entities are clearly defined and that these entities' authority, institutional capacity, and available resources are commensurate with their responsibilities, and to build sufficient capacity for monitoring of regulatory compliance.

Step 3: EI projects are subject to a wide range of fiscal instruments. These include taxes that apply to all other sectors of the economy and taxes and other payments to the government that are specific to the EI such as royalties. These often complex fiscal arrangements require adequate assessment and collection capabilities. Two key steps to ensure the transparent and efficient collection of EI revenue are to assure the adequate administrative and audit capacity of the relevant institutions and to adhere to internationally accepted accounting and reporting standards and procedures.

Step 4: The wealth arising from oil and mining operations must be distributed and managed transparently. Otherwise, it can easily end up funding corrupt practices, promoting social and economic inequalities, and generating intrastate or even interstate conflicts. One key step in transparent and sound revenue management and allocation is preparing appropriate macroeconomic policy responses to mitigate any negative impact from exchange rate appreciation. Another is to make savings decisions to facilitate public expenditure smoothing in light of revenue volatility as well as asset accumulation because of the finite nature of oil, gas, and mineral resources. Finally, there is a need to allocate public expenditures judiciously, nested within a medium-term expenditure framework and aligned with a country development strategy that ensures adequate scrutiny and appraisal of public investment choices and provides for sound revenue-sharing policies.

Step 5: Once the EI contracts and licenses have been awarded, exploration has been completed, construction of production facilities has taken place, operations have been well monitored and regulated, the EI income has been collected, and the revenue has been soundly distributed and managed, governments can expect to have excess capital at their disposal to pursue and implement sustainable development investments. The key elements of efficient and well-designed implementation of sustainable development policies are strong public financial management and procurement systems and public investment decisions that adequately capture potential benefits of EI expansion and favor the country's economic diversification away from the EI. On the social and environmental side, clear measures for social and environmental management and remediation, including EI site rehabilitation and the management of environmental hazards, represent an important step at use of the proceeds from the EI.

Implementing the EITI

On the basis of this framework, the WBG's main effort in EI reform has so far been at providing maximum transparency at Step 3 of the EI value chain, by providing a framework within which governments and firms can commit to the disclosure of the relevant financial flows through the EITI via a multistakeholder process. (Stakeholders are government, EI companies, and a broad definition of civil society, that is, not only nongovernmental organizations but also, for example, EI-relevant trade unions. The press is often also involved through a mandatory communications and media component through which any EITI implementation program must initiate and maintain a public discussion on EITI.) Once the multistakeholder process of disclosure is completed, countries are deemed compliant with the EITI, which has become a significant proof of good resource governance to be used not only in negotiations with donors, but also toward private capital markets.

Since its inception, the EITI and its principles have become a well-established and recognized standard for resource revenue transparency, and it is the most promising international initiative for combating the resource curse to date, given the following facts:[18]

- Thirty-five countries are currently implementing the EITI, and eleven countries are currently EITI compliant (i.e., a functioning multistakeholder group has consistently published the relevant payments and revenues) while several others are in advanced stages toward compliance.
- Fifty of the world's largest oil, gas, and mining companies support and participate in the EITI process through their operations in implementing countries, their international commitments, and their industry associations.
- Similarly, hundreds of international and national civil society organizations and associations are active in the EITI process, through which they increasingly benefit from the relevant capacity building.
- Most international development and financial institutions have endorsed or supported the EITI's goals at the country level.
- The EITI has also won the support of more than eighty global investment institutions that collectively manage billions of dollars in investment funds.
- The EITI methodology is proving to be robust at the country level and globally, with external validation of the EITI process a core part of the methodology.

Most importantly the EITI has, in a relatively short period, gained traction as a successful multistakeholder global initiative as no other—whether in the extractive sectors or in any other sector.

An international board (comprising representatives from implementing countries, supporting countries, civil society organizations, industry, and investment companies) and an international secretariat board in Oslo oversee the EITI. Assistance and financing for EITI in-country implementation is provided mostly by the WBG. The WBG supports the initiative through: (1) administration of the EITI Multi-Donor Trust Fund that provides support to governments to implement EITI; (2) technical assistance at various stages of the implementation process and support to civil society organizations to enable them to participate effectively in the multistakeholder process; and (3) assisting the EITI Secretariat in its coordination function and by serving as an observer on the EITI Board. (See Table 1.)

Results from EITI Implementation to Date

Kolstad and Wiig, Shaxson, and Scanteam have researched the impacts of EITI.[19] One of the most impressive achievements is the virtually universal acceptance and support that the EITI has mobilized from the international community, the private sector, and civil society organizations. Indeed, a survey of civil society organizations participating in the EITI conducted by P. Dykstra shows that they consider their actual participation in the policy dialogue through the multistakeholder group its most successful aspects.[20]

Table 1 Current Portfolio of EITI-implementing Countries Supported by the World Bank (as of 30 September 2011)

EITI Compliant	EITI Candidate		
Implementing EITI (validated as compliant and issuing EITI reports, 12 countries)	Implementing EITI (to the stage of having published one or more EITI reports and validation process done or under way, 16 countries)		EITI implementation in progress (working toward their first EITI report, 7 countries)
Azerbaijan	Cameroon[a]	Côte d'Ivoire[a]	Candidacy gained in 2010:
Liberia[a]	*Gabon*	Democratic Republic of Congo[a]	Afghanistan[a]
Timor Leste[a]	Guinea[a]		Iraq[a]
Mongolia[a]	Kazakhstan[a]	Sierra Leone[a]	Chad (via SWISSAID)[a]
Ghana[a]	Mauritania[a]	Madagascar (pilot)[a]	Indonesia[a]
Central African Republic[a]	*Republic of Congo*	Tanzania[a]	Togo[a]
Kyrgyz Republic[a]	Peru[a]	Zambia[a]	
Niger[a]		Mozambique[a]	Recent candidacy (2011):
Nigeria[a]		Albania[a]	Guatemala[a]
Norway		Burkina Faso[a]	Trinidad and Tobago
Yemen[a]			
Mali[a]			
By WBG region:			
Africa, 6 countries		Africa, 13 countries	Africa, 2 countries
EAP, 2 countries		EAP	EAP, 1 country
ECA, 2 countries		ECA, 2 countries	ECA
LAC		LAC, 1 country	LAC, 2 countries
MNA, 1 country (suspended)		MNA	MNA, 1 countries
SAR		SAR	SAR, 1 country
OECD, 1 country		OECD	

Notes: MDTF: Multidonor trust fund; MNA: Middle East and North Africa; SAR: South Asia region; LAC: Latin America and the Caribbean; ECA: Eastern Europe and Central Asia; EAP: East Asia and the Pacific.

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

a. EITI MDTF grant to country in place and under execution.

As for specific country-level achievements (arguably most relevant from a WBG perspective, though clearly achieved through effort with partners such as local stakeholders and the international secretariat), the EITI in countries is showing early signs of a positive impact, especially in: (1) financial data on oil, gas, and mining being widely released in the public domain for the first time; and (2) the creation of effective multistakeholder structures—a first in some countries—which is helping to build trust and collaboration and indeed peacebuilding in some war-torn countries.[21]

In-depth country-level evaluations in Gabon, Mongolia, and Nigeria found important achievements in the form of outputs and outcomes that are attributable to the EITI.[22] For example, appropriate multistakeholder governance structures and EITI procedures are in place. Multistakeholder groups are seen as a legitimate arena for dialogue, disagreement, and clarification among groups that historically have had little or no interaction. Also, the EITI's focus on financial reconciliation has been a successful strategic entry point into a key sector of the economy. It has been possible to build and strengthen consensus around greater democratic insight and control of resources; strengthen the voice and legitimacy of civil society in this process; and provide a major contribution to factual, verifiable knowledge in the public domain. On the downside, Scanteam consultants argue that quality of data, regularity, timeliness, and comprehensibility vary across countries and need to be addressed. The reconciliation reports also have shown that weak institutional capacity and systems on the government side represent the major challenge, though the identification of legislative, regulatory, and institutional weaknesses have allowed governments to target remedial action. Therefore, the EITI has created some links to broader governance reform processes, but largely restricted to those within the EI sector.[23]

A number of so-called big picture indicators have been proposed as a means of tracking longer-term effects of EITI activities around the globe. These are meant to measure the broader changes that the EITI wishes to promote, where country results can be aggregated to the global level. Tests of thirteen such indicators (e.g., levels of corruption or political stability) in the Scanteam report showed no such links to EITI activities. There are a number of reasons why such a result is not surprising. The EITI is a very recent global phenomenon. The kinds of societal changes hoped for are the result of many interventions over a long time. Moreover, transparency is unlikely to directly impact scores on the Corruption Perception Index, Human Development Indicators, and so forth, or at least this impact cannot be proven given methodological difficulties with sampling and attributions.

More worrisome, however, is the fundamental challenge that the EITI does not have a detailed theory of change that can explain how it is supposed to contribute to societal transformations. Such a theory would allow for more careful specifications of the steps and actions taken to reach the broader objective. The fundamental problem is that the selection of most interventions supported by the EITI were not identified on the basis of their probable contributions to societal change, but instead were agreed to as those operational interventions on which all involved parties could agree. Thus, several commentators argue that intersecting transnational networks with complementary global norms facilitated the construction of transparency as a solution for management of resource revenues. This in turn promoted the gradual expansion of the institutional architecture, membership, and scope of the EITI,[24] and thus proved correct the earlier criticisms that the EITI in isolation would be unable to bring about the required changes in governance.[25]

Alexandra Gillies and Antoine Heuty explain that it is reasonable to expect transparency to affect the incentives of those in charge by increasing the costs associated with bad policies or behavior (e.g., accepting bribes or failing to properly assess royalties).[26] It can alter incentives by increasing pressure on decisionmakers to advance the broader national interest because the information released by the EITI can empower constituencies. Sometimes, however, transparency does not lead to policy improvements because, even though it changes incentives, it may not change behaviors if incentives are not sufficiently altered and do not outweigh the benefits of engaging in bad behavior. Furthermore, availability of information can affect incentives only if stakeholders (notably civil society organizations) have the capacity to use the information and respond to it. Therefore, transparency initiatives need to go hand in hand with reforms that empower citizens to hold their governments accountable, thus supporting the case that donor-driven transparency measures are less likely to be successful in nondemocratic states, a point made in depth in the *Global Governance* special edition on the resource curse.[27]

While transparency has improved as a result of the EITI, accountability does not appear to have changed much. This is partly because in most cases the necessary political, legal, and institutional improvements have not yet been put in place. But another reason is that most outreach by the EITI involves simple dissemination activities and not support for social actors to empower them to apply EITI data for increased accountability purposes. Outreach, one of the key components of the in-country EITI effort (and a major component that the WBG finances and provides assistance for!), likely must become more ambitious in this respect and ought to include training on how to "lobby" government to effectively respond to data discrepancies discovered in the EITI reporting process.

Beyond EITI Compliance: Next Practical Steps in Combating the Resource Curse

Implementing and financing the EITI can be only a first step toward country-level work on combating the resource curse. Thus, while the EITI has some successes to show, significant work lies ahead in improving and refining it. Nonetheless, at the same time a number of initiatives are under way to go beyond the EITI, not least of all for the EITI compliant countries (currently eleven) that are eager to do so. Below, I outline three key avenues that have been tried thus far in this respect—all currently are being pursued by the WBG.

First, work has increased on cooperation with compliant countries toward Steps 1 and 2 of the value chain described above—that is, capacity building for governments to enable them to get a better initial deal at the negotiating table with international oil firms (Step 1); or to enable them to better monitor firms' activities and production levels (Step 2). Indeed, the value chain approach is increasingly being used to enable country-level stakeholders to determine which "additional" EI governance issues other than those covered by the EITI (transparency of payments and revenues) they consider important and to therefore include these issues in their EI governance package.

Second, there are substantive efforts to extend resource transparency to the subnational level in countries where unequal spatial distribution of resources and opaque distribution of the proceeds has proven a challenge or indeed holds the potential for conflict between subnational (i.e., regional or local) authorities and the central government (e.g., in Indonesia or Nigeria). Current work led by the WBG therefore analyzes the emerging experiences with subnational EITI implementation in various EITI-implementing countries, discussing, for example, experiences with different types of subnational payment or revenue reconciliation processes or providing options for forging ahead with a subnational EITI. Emerging lessons include that such work needs to cover both disclosure and verification of direct (firm to subnational government) and indirect (firm to central government to subnational government) revenue flows in EI-producing regions. Over the next few years, a number of countries will likely undertake scoping exercises to see whether their EI-related subnational revenue flows are large enough to warrant a separate disclosure and verification process.

Third, EITI and value chain–based work has been used to tackle more substantive roots of the resource curse. For instance, it has led to an increased capacity building for civil society on the very basics of civic engagement, thus building up civil society organizations to fulfill a broader financial watchdog role. This is of course particularly important in countries that have been implementing the EITI despite having only a nascent civil society movement. Measures in such countries comprised, for example, expanding the definition of civil society beyond nongovernmental organizations to include, for example, EI-relevant trade unions. Training of civil society organizations focused both on the technicalities of the EI sector and the revenues flowing from it, and on EITI processes. In EITI-implementing countries with a minimally capacitated civil society (e.g., Equatorial Guinea), capacity-building work also included work on the basics of research and policy advocacy or indeed in nonprofit management.

In this way, the EITI can bring about the fundamental changes needed for broader governance changes in the EI sector, and even beyond.

The momentum that the EITI has gained is testament both to the essential appeal of the EITI concept—especially multistakeholder approaches and a concrete contribution to increasing information about oil, gas, and mining sectors—and to the soundness of the EITI operational methodology. Yet now approaching a decade since the EITI was conceived, the strategic question is whether it can do more—or not. Crucially, the EITI was a needed response to the opacity that prevailed in these sectors in many countries. Over the past few years, the EITI has made a clear difference in this regard. As I have argued in this article, the challenge ahead, for the new decade and beyond, is broader governance of natural resources in a way that benefits all citizens. If it were to achieve this, the global EITI would have to evolve in a direction so that EITI processes can serve as an effective platform for continued and increasingly bold in-country policy reforms in natural resource governance. 🌐

Notes

Georg Caspary has been with the World Bank Group since 2006, working on various energy- and environment-related issues. He has served as team leader for EITI implementation in Liberia, Chad, Kazakhstan, and other countries. He was recently selected into the Atlantic Council's Emerging Leaders in Environmental and Energy Policy Network. The author thanks Anwar Ravat, Graham Teskey, Roger Morier, and Liane Lohde for helpful comments on this article.

1. Gilles Carbonnier, "Introduction: The Global and Local Governance of Extractive Resources," *Global Governance* 17, no. 2 (April–June 2011): 145. While I focus much of the discussion in this article on national-level governance mechanisms, the work to counter the resource curse increasingly turns toward regional- and local-level issues, notably with respect to the implementation of extractive industries transparency measures at the subnational (i.e., regional and local) levels that I point to in the conclusion of this article. For a recent extensive account of this work, see Javier Aguilar, Georg Caspary, and Verena Seiler, "Implementing the EITI at the Subnational Level: Emerging Experience and Operational Framework," Extractive Industries for Development Series No. 23 (Washington, DC: World Bank, October 2011).

2. The WBG members include the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Whereas the IBRD aims to reduce poverty in middle-income and creditworthy poorer countries, the IDA focuses on the world's poorest countries. Their work is complemented by that of the International Finance Corporation, providing investment and advice for the private sector and private sector development in developing countries; the Multilateral Investment Guarantee Agency, promoting foreign direct investment by providing political risk insurance to investors and lenders against losses caused by noncommercial risks; and the International Centre for the Settlement of Investment Disputes.

3. Note that the World Bank maintains that it is unpolitical in many ways; for example, by not impacting the party politics of the country concerned or even by not expressing preferences as to the type of public policy system that is in place (say, more federal or more centralized), but within the system strives to improve accountability, transparency, and legitimacy.

4. As the World Bank Articles of Agreement state (IBRD, Article IV, section 10), "Political Activity Prohibited: The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions."

5. WBG president Wolfensohn's 1996 annual meeting speech: "we also need to address transparency, accountability, and institutional capacity. . . . The Bank Group cannot intervene in the political affairs of our member countries. But we can give advice, encouragement and support to governments that wish to fight corruption." Indeed, Wolfensohn's biographer sees the Corruption Agenda as key to Wolfensohn's two-term tenure as Bank president: "Wolfensohn denounced the 'cancer of corruption' in 1996; and the bank's even bomb-happier chief economist, the Nobel laureate Joe Stiglitz, gave speeches attacking the narrow economic understanding of development and proclaiming the centrality of politics. . . . The Wolfensohn bank developed state-of-the-art corruption indexes, which are now used by the U.S. government to identify which countries deserve extra foreign assistance; it created a department to investigate malfeasance in bank projects." Sebastian Mallaby, "Wolfowitz's Corruption Agenda," *Washington Post,* 20 February 2006. Mallaby also gives a detailed account of the numerous loans that were halted or cancelled under Wolfowitz due to alleged corruption. His biography of Wolfensohn calls the fight against corruption the first priority of Wolfensohn's New Development Framework. Sebastian Mallaby, *The World's Banker: A Story of Failed States, Financial Crises, and the Wealth and Poverty of Nations* (New York: Penguin, 2004), p. 232.

6. This notable expression is found in the work by the OECD Development Assistance Committee on Aid Effectiveness, OECD Aid Effectiveness Group, *Paris Declaration on Aid Effectiveness* (Paris: OECD, 2005).

7. Note that the Bank nonetheless continues to refrain from seeking to influence the nature of any political system.

8. Thad Dunning, "Conditioning the Effect of Aid: Cold War Politics, Donor Credibility, and Democracy in Africa," *International Organization* 58, no. 2, (April 2004): 409–423. Note that the end of the Cold War has not meant an end to the debate about the "politicized" allocation of aid; some commentators argue that while the end of the Cold War means no more "priority allocation" to governments in the Western "camp," some analysts see aid allocation associated with the war on terror. See, for example, Robert K. Fleck and Christopher Kilby, "Changing Aid Regimes? US Foreign Aid from the Cold War to the War on Terror," *Journal of Development Economics* 91, no. 2 (March 2010): 185–197.

9. Precise effects on various aid recipients or recipient sectors varied. They can be found in detail in the official aid statistics of the OECD Development Assistance Committee, www.oecd.org/dac/stats.

10. "Helping Countries Combat Corruption: The Role of the World Bank" (Washington, DC: World Bank, Poverty Reduction and Economic Management, September 1997). The guidelines contain four main components that remain relevant today: (1) helping partner countries reduce corruption; (2) mainstreaming anticorruption through the Country Assistance Strategy; (3) preventing fraud and corruption in Bank-financed projects; and (4) supporting international efforts to combat corruption.

11. World Bank, "Reforming Public Institutions and Strengthening Governance: A World Bank Strategy (R2000-91)" (Washington, DC: World Bank, International Bank for Reconstruction and Development, November 2000). The strategy identifies four key priorities: (1) supporting public sector reform through a combination of voice and participation, competition, and internal rules and restraints; (2) tailoring reform

interventions to institutional and political realities through systematic institutional and political assessments; (3) focusing Bank lending activities on long-term institution building, including greater strategic use of programmatic lending; and (4) strengthening internal capacity through improvements in staff skills, incentives, and partnerships.

12. World Bank, "Governance and Anticorruption Work Plan" (Washington, DC: World Bank, 2006); World Bank, "Strengthening World Bank Group Engagement on Governance and Anticorruption" (Washington, DC: World Bank, 2007).

13. World Bank Internal Evaluation Group, "World Bank Country Level Engagement on Governance and Anti-Corruption: An Evaluation of the 2007 Strategy and Implementation Plan" (Washington, DC: World Bank, 2011).

14. The World Commission on Dams is a prominent example of a leading international multistakeholder governance network in the energy and mining nexus. For a discussion of the emergence of international networks as a response to governance challenges, see Wolfgang H. Reinicke and Francis M. Deng, *Critical Choices: The United Nations, Networks, and the Future of Global Governance* (Ottawa, ON: International Development Research Group, 2000).

15. World Bank, "Extractive Industries and Sustainable Development: An Evaluation of World Bank Group Experience" (Washington, DC: World Bank, Operations Evaluation Department, 2005).

16. Much of this description draws on Eleodoro Mayorga Alba, *The Extractive Industries Value Chain: A Comprehensive Integrated Approach to Developing Extractive Industries* (Washington, DC: World Bank, 2009).

17. World Bank, *The World Bank Group in Extractive Industries 2010 Annual Review* (Washington, DC: World Bank, 2011).

18. World Bank, *Voices of Transparency, 2010—Impact of EITI in Africa: Stories from the Ground* (Washington, DC: World Bank, 2010).

19. Ivar Kolstad and Arne Wiig, "Is Transparency the Key to Reducing Corruption in Resource-rich Countries?" *World Development* 37, no. 3 (March 2009): 521–532; Nicholas Shaxson, *Nigeria's Extractive Industries Transparency Initiative: Just a Glorious Audit?* (London: Chatham House, 2009); Scanteam Consultants, "Evaluating the EITI: 2011," Scanteam Consultants Report, Oslo, Norway.

20. P. Dykstra, "EITI 2011: Learning from Success and Challenges" (New York: Revenue Watch Institute, 2011).

21. Liberia is a prominent successful example here, as it became the first African country to be designated as EITI compliant in October 2009. It subsequently went substantially beyond the EITI in its resource governance effort, for example, by passing a comprehensive EI governance law. Liberia was given the Best EITI Implementing Country award by the international EITI Board in Doha, Qatar, in 2009, based on its rapid progress and trend-setting performance. For further information on the experience with EITI implementation in fragile and conflict-affected states, see Georg Caspary and Verena Seiler, "The EITI: Combating the Resource Curse in Fragile and Conflict-affected Countries" (Washington, DC: World Bank Smart Lessons, 2011).

22. Scanteam Consultants, "Evaluating the EITI: 2011."

23. Ibid.

24. Virginia Haufler, "Disclosure as Governance: The Extractive Industries Transparency Initiative and Resource Management in the Developing World," *Global Environmental Politics* 10, no. 3 (August 2010): 53–73.

25. Gavin Hilson and Roy Maconachie, "Effective Governance and the Extractive Industries in Sub-Saharan Africa," *Mineral Processing and Extractive Metallurgy Review* 30, no. 1 (January 2009): 52–100.

26. Alexandra Gillies and Antoine Heuty, "Does Transparency Work? The Challenges of Measurement and Effectiveness in Resource-rich Countries," *Yale Journal of International Affairs* 6, no. 2 (Spring/Summer 2011).

27. Matthew S. Winters and John A. Gould, "Betting on Oil: The World Bank's Attempt to Promote Accountability in Chad," *Global Governance* 17, no. 2 (2011): 229–245. There is a case to be made that transparency of and oversight over a country's natural resources ought to be part of its public responsibility and social accountability agendas and therefore embedded in relevant broader public administration reform efforts. See World Bank, *World Development Report 2004: Making Services Work for Poor People* (Washington, DC: World Bank, 2004).