




August 9, 2012

The Revenue Watch Institute's Impact **Evaluation of work from 2009 to 2011**

Prepared for The Revenue Watch Institute



Redstone helps philanthropies, non-profits, and governments solve the world's most urgent social problems. Our work is informed by deep appreciation of our clients' expertise, rigorous thought, and more than a decade of experience. Our team is collaborative, passionate about results, and committed to exceptional client service.

Table of Contents

The Revenue Watch Institute's Impact

Evaluation of RWI's work from 2009 to 2011

Introduction	1
1. What impact has RWI had in the last three years?	3
RWI has achieved important progress toward its goals	3
RWI has made progress in empowering oversight bodies.....	4
A more specific goal and theory of change can increase RWI's impact	7
2. Does RWI's geographic scope maximize impact?	10
Impact demands integrity along the value chain	10
RWI could transition to fewer countries for now	12
3. Is RWI working in the highest return countries?	14
Return on investment can help prioritize countries.....	14
RWI focuses on likelihood of success over benefits and costs.....	14
RWI could expand its ROI estimates within a portfolio	15
4. Does RWI's choice of tools maximize impact?	18
Tools' impact depend on the contexts in which they are used by RWI.....	18
More explicit tool choice could further increase impact.....	23
5. How productively does RWI work with partners?	25
RWI is greatly valued for its technical and strategic expertise	25
RWI lacks the resources to best support all partners.....	26
Fewer partners and improved grantmaking could increase RWI's impact	26
6. Summary of recommendations	28
Appendix A: RWI's niche	30
Appendix B: Methodology and interviews	33

This evaluation is designed to help RWI learn from the past and find ways to become more effective in the future

I Introduction

RWI has expanded rapidly over the past three years to become a leader in advancing responsible management of oil, gas, and mineral resources worldwide. Its staff of nearly 50 lawyers, economists, and governance experts plays key roles in projects spanning more than 30 countries, primarily in the developing world. Now, the Revenue Watch Institute is stepping back to gauge which of its practices are working well and which could be improved.

This evaluation is designed to help RWI learn from the past and find ways to become even more effective in the future. It draws from a variety of sources, including internal documents, external research, original analyses, and interviews with 120 RWI staff, board members, peers, donors, and country partners.

Overall, we have been highly impressed by RWI's accomplishments. The organization has achieved many victories in its short history and its staff is held in high regard for its expertise and passion. Still, RWI is a relatively young organization that has grown rapidly. At the urging of RWI's staff, this document focuses on opportunities for improvement and offers suggestions for how to address them. However, it leaves the specifics of implementation to be decided during strategic planning work in the coming months.

As is typical of an evaluation, we first look at the progress RWI made from 2009-2011 toward its goal: "to promote transparent, accountable, and effective management of oil, gas, and mineral resources for the public benefit." Given the nature of RWI's work, measurable long-term improvements in most contexts are many years off. While RWI has made progress toward those goals, it is often difficult to measure. This evaluation therefore devotes significant attention to four additional questions of crucial strategic importance to RWI's work for the next few years. These questions were developed jointly by RWI and Redstone and are meant to inform Revenue Watch's development of an outcome-focused strategic plan for 2013-2015.

For each question, the evaluation describes assessment criteria, evaluates RWI's performance, and suggests ideas for improvement. The evaluation is organized around these questions:

- 1. What impact has RWI had in the last three years?** RWI has made substantial progress toward its overall goal of improved governance and on four of its six intermediate goals detailed in its 2010-2012 strategic plan. RWI has made major economic and non-economic improvements in resource governance, providing good value for money to its donors and producing billions of dollars of impact. However, going forward, a more specific overall goal and a more specific, consistently applied, and better communicated theory of change could help RWI become more than the sum of its individual successes and keep it focused on areas of highest impact.
- 2. Does RWI's geographic scope maximize impact?** RWI has registered many successes in diverse settings, working directly in 29 countries in 7 different regions around the world. Still, RWI may be spread too thin overall, resulting

in many countries with insufficient attention to generate meaningful results. Under its current budget, a reduction in geographic scope would likely increase RWI's impact.

- 3. Is RWI working in the highest return countries?** RWI's country selection process does an effective job of focusing on countries where RWI might make a difference. However, the process could place greater value on the relative cost-benefit ratio that different countries provide. A process that better accounts for these quantifiable and non-quantifiable factors and considers portfolios of investments could make even more of RWI's scarce resources.
- 4. Does RWI's choice of tools maximize impact?** RWI has a strong toolbox capable of addressing the major gaps in resource governance. Choosing the right tools is a matter of identifying the instruments with the highest impact given the specific contexts in which they are to be applied. Revenue Watch does this well, although more clearly articulated country and regional goals, a more structured tool selection approach (perhaps based on return on investment), and better knowledge sharing could further improve tool selection and increase impact.
- 5. How productively does RWI work with its partners?** RWI's grant and non-grant support is crucial to many partners' abilities to engage in natural resource governance. Few CSOs were engaged in many countries before RWI lent its support. At the same time, RWI is spread so thin that it is difficult to provide the substantial technical and organizational support many partners need to be successful. Decreasing the number of partners and increasing investments in the remaining grantees would improve RWI's most important relationships and likely help RWI achieve greater impact for the same budget.

A summary of recommendations and appendices is provided at the end of this document.

1

RWI has
made major
improvements
in resource
governance,
producing billions
of dollars of impact

1. What impact has RWI had in the last three years?

RWI has made substantial progress toward its overall goal of improved governance and on four of its six intermediate goals, detailed in its 2010-2012 strategic plan. RWI has made major economic and non-economic improvements in resource governance, providing good value for money to its donors and producing billions of dollars of impact. However, going forward, a more specific overall goal and a more specific, consistently applied, and better communicated theory of change could help RWI become more than the sum of its individual successes and keep it focused on areas of highest impact.

RWI has achieved important progress toward its goals

RWI's overall goal is to promote transparent, accountable, and effective management of oil, gas, and mineral resources for the public benefit. This goal is specific enough to provide RWI with a strong topical focus and niche within the field (Appendix A discusses RWI's role within the field in greater detail). However, the goal is broad enough that a single metric cannot appropriately summarize RWI's work. To evaluate RWI's progress then, we first examine three broad metrics that each describe one part of RWI's impact and then turn to the six intermediate goals RWI set for itself in its prior strategic plan.

RWI has made substantial progress toward improved governance

Three broad metrics – increased government revenues, increased oversight capacity, and increased transparency of payments to governments – provide a partial summary of RWI's major impacts. They only cover a few aspects of RWI's work, but what they do cover suggests that RWI has made major economic and non-economic improvements in resource governance, providing good value for money to its donors. Although the metrics do not disentangle RWI's precise contribution, it is unlikely that the results would have been produced without RWI's leadership and participation. In the future, the RWI Index could provide an overall measure of country-level progress when more longitudinal data is available.

- **Increased government revenues:** Technical assistance to revise the mining code in a country from West Africa has contributed to policy changes that could bring well over \$1 billion in additional revenues per year from 2017. It has also persuaded countries to channel billions more resource revenues into domestic investment instead of overseas assets by \$4.6 billion to \$8.4 billion. Although strong monitoring is needed to ensure that improved legal frameworks are implemented well, this metric suggests that RWI can affect billions of dollars of revenue with a relatively low budget when it works in the right context.
- **Increased oversight capacity:** RWI has increased oversight capacity by engaging civil society organizations (CSOs), parliamentarians, and the media in natural resource governance. This has been done by funding positions that

would not otherwise exist, training CSO staff through knowledge hubs and workshops, and providing training and ongoing support to parliamentarians and journalists. Although there is no concrete standard by which to judge how much the increased capacity has resulted in improved governance, interviewees consistently mentioned the importance of RWI's grant and non-grant support to their work in the field. Chapter 5 provides further details.

- **Increased transparency of payments to government:** \$500 billion of payments to governments were covered in Extractive Industries Transparency Initiative (EITI) reports between 2009 and 2011. EITI compliance increased from zero to eleven countries, and the total funds covered in EITI reports increased from \$13 billion to \$589 billion. Furthermore, \$3.6 trillion in market capitalization likely will be covered under the Dodd-Frank Wall Street Reform and Consumer Protection Act, which mandates the reporting of payments to governments by US-listed companies. While the precise impact of Dodd-Frank is unknown, and RWI continues to work to ensure the law is implemented fully, it is expected to make the majority of payments to governments transparent. RWI had civil society led advocacy on both initiatives.

The remainder of this section evaluates RWI's progress towards the six goals it set in its 2010-2012 strategic plan. However, it leaves aside the broader strategic questions as to whether: 1) progress on these goals adds up to an overall impact, and 2) what intermediate goals might best suit RWI going forward, as these will be addressed in the strategic planning process later this year. The additional question of whether RWI has pursued these goals in the most cost-effective manner is discussed in Chapters 2-4. To assess each goal, we draw on internal and external documents as well as case studies of seven countries where RWI has worked. The wide geographic distribution of these case studies gives a broad perspective on RWI's impact.

Our review shows RWI has made strong progress on the four goals it focused on in 2010 and 2011: empowering oversight bodies, strengthening government capacity, institutionalizing standards, and broadening the dialogue beyond transparency. Two other goals – universalizing good practice, and linking transparency and development – had moderate progress, but were short of achieving the specific goals RWI set in its prior strategic plan by the end of 2011. Additional progress occurred in 2012, but falls outside the scope of this evaluation.

RWI has made progress in empowering oversight bodies

Government commitments can be easily reversed in the absence of oversight from civil society, parliament, and media. In recognition of that reality, RWI has made empowering oversight bodies a key pillar of its work. It has achieved major progress through grants and technical assistance to CSOs, parliamentary trainings, media training and support, and regional knowledge hubs. Empowering oversight actors could certainly be seen as an end in its own right. In addition, RWI contributed to concrete legislative victories in each country where our case studies included on-the-ground interviews. Although sustaining these victories will require continuous monitoring from the oversight bodies RWI supports, they suggest that RWI's work has provided a good return on investment. While there are non-financial impacts that could be highlighted as well, the legislative

RWI's technical assistance work has been highly valuable in translating good intentions into positive outcomes

victories have the following financial benefits.

- **In Ghana**, the new Oil Revenue Management Law established the Public Interest Accountability Committee to track oil revenues and ensure that revenues flow to public uses. As Ghana's oil sector is still in its infancy and the Committee is waiting for government funding, the impacts of the law are yet to be seen. Oversight bodies in Ghana will have to remain vigilant in order for the Committee to have an impact.
- **In Sierra Leone**, parliament training and civil society advocacy contributed to passing the Mines and Minerals Act of 2009, which raised the effective royalty rate on the mining sector, in addition to other significant revenue-raising and governance improvements. The Law, which was drafted with significant support from RWI's legal and economics team, may, at 2011 prices, raise revenues by roughly \$4 million annually from the higher diamond royalties alone, and improvements in the overall tax regime are expected to raise many times that amount.

The law also strengthens environmental and labor requirements in mining areas. In addition, renegotiations of two strategic contracts on which RWI staff advised should result in the capture of substantially more mining revenues for the state over the next 20 years.

- **In Indonesia**, a local RWI partner drew attention to the fact that approximately \$22 billion in oil and gas revenues did not reach government coffers between 2000 and 2007, largely due to inflated cost recovery allowances. Follow-up work with the Indonesian Anti-Corruption Commission (an arm of the government) and parliament led to the creation of new standard operating procedures and new regulations increasing the transparency of revenue flows that closed part of this gap.

Major victories grew out of efforts to strengthen government capacity

Where governments are supportive, RWI's technical assistance work has been highly valuable in translating good intentions into positive outcomes. For example, technical assistance in a single country has increased expected annual government revenues from extractives by well over \$1 billion. In Sierra Leone, a contract re-negotiation is likely to yield over \$60 million in the remaining 18-year life of the Koidu Holdings diamond mine, and the recently completed London Mining contract renegotiation should net the government additional hundreds of millions of dollars over the 25 year contract term. Other contracts are still being renegotiated. RWI has helped governments of Ghana and Timor Leste revise their revenue management laws to channel revenues into domestic investment instead of foreign assets, consistent with the recommendations of the Natural Resource Charter. In Piura, Peru, and Bojonegoro, Indonesia, the regional governments have implemented an RWI-supported long-term planning tool that allows them to better project and use of natural resource revenues.

Headline numbers like these are impressive, but the benefits can dissipate quickly if the rest of the value chain is weak. Ongoing oversight is essential to sustain successes.

Institutionalizing standards was successful, requires follow-up

Perhaps the greatest victory of RWI and its partners was the inclusion of the Cardin-Lugar Amendment as Section 1504 of the Dodd-Frank Act. This rule is expected to improve the governance of tens of billions of resource revenues globally because it requires US-listed resource extraction firms to disclose all payments made to governments, country by country and project by project. This victory alone could be a substantial improvement in resource transparency and accountability. Building off of the success on Dodd-Frank, work advocating for the EU to pass similar regulations is ongoing and could be equally valuable if successful.

Revenue Watch is also promoting higher standards with its RWI Index. The Index measures transparency of oil, gas, and mineral revenues in resource-rich countries in an objective and comparable fashion. Although the Index is still a work in progress, many RWI partners have used the Index in advocacy campaigns. In Timor Leste and Trinidad and Tobago, officials cited the Index when unveiling programs to improve revenue disclosures.

Such victories in transparency may have limited impacts, though, if individual countries are poorly governed. RWI's in-country work is thus a major contributor to fulfilling the promise of international standards, and progress may be best viewed in the context of improved national and sub-national outcomes. These are more likely to be seen beyond this evaluation's 2009 to 2011 timeframe.

RWI broadened dialogue beyond transparency in priority countries

In countries where RWI is engaging deeply (e.g., Indonesia, Ghana, Peru), RWI has experienced substantial success in moving beyond revenue transparency to address regulation and management issues. For instance, RWI helped Bojonegoro, Indonesia pass a local content regulation to increase local employment and helped Ghana re-write its oil fund law to shift revenues into domestic development projects.

RWI's global efforts toward this goal, on the other hand, have yet to produce major results, largely due to the complexity of the venues. The Natural Resource Charter is in its early days, and case study interviews suggest it has not yet built an authority similar to EITI. Reaching out to non-traditional partners (e.g., environmental groups), which was envisioned as part of this goal, has not been a major focus.

Good practices are becoming more universal, but progress has been slower on some of RWI's specific goals

Overall, good practices are becoming better defined through international initiatives such as EITI. In addition, major international successes, such as the Cardin-Lugar Amendment of the Dodd-Frank Act, and a similar effort underway in Europe, will help institutionalize standards.

Progress on some of RWI's very specific goals in universalizing standards, such as convincing the G20 countries (particularly the US, UK, Australia, and Canada) to adopt EITI, and engaging China, has been slower. But perhaps RWI's work between 2009 and 2011 may lay the groundwork for future success. For example, Revenue Watch has been

instrumental in pushing the United States and Australia to pursue EITI candidacy. As these and other major resource extracting nations become EITI compliant in the coming years, universal norms will be much more established.

However, so far, only 20 percent of the 30 most resource-rich countries are compliant or candidate EITI countries (Iraq, Indonesia, Kazakhstan, Azerbaijan, Peru, and Cameroon) and EITI covers approximately 12 percent of global resource revenues. Only one of the 12-15 G20 with significant natural resource revenues is a candidate country (Indonesia) and none is yet compliant, although these statistics could easily improve in the next few years as RWI continues its work.

Limited progress has been made linking development to transparency

RWI established this goal to ensure that its work in natural resource governance improves overall development outcomes. Some progress has been made, including the EITI analyses and recommendations to push beyond transparency as well as the “Does Transparency Work” article published in the Yale Journal of International Affairs.¹ Partners interviewed in case study countries cited these publications as particularly useful in their own work. RWI has also contributed to field-wide progress in this area through extensive data collection on its parliamentary and sub-national projects (funded by the Bill and Melinda Gates Foundation) and its participation in the Transparency and Accountability Initiative.

However, proving this thesis would require a major investment in research and may not be the best use of resources. RWI could continue to make minor efforts to support its theory of change that improved transparency is an important input to development outcomes, but in-depth efforts may be best pursued by other entities.

A more specific goal and theory of change can increase RWI’s impact

RWI’s mandate to promote sub-soil natural resource management for the public good provides a topical scope for its work. However, this mandate does not ensure that RWI’s varied projects fit together in a coordinated strategy, or guide strategic tradeoffs (such as when RWI is deciding whether to expand into one country or another). A more specific goal and a more specific, consistently applied, and better communicated theory of change would improve RWI’s impact, fundraising, and ability to collaborate with peers.

A more specific overarching goal could bind RWI’s work together

A more specific goal can help RWI by showing how all of its work builds to an overall outcome. Examples of types of goals RWI could consider include: ensuring \$X billion in resource revenues are well governed, empowering oversight bodies of natural resources revenues, developing a global natural resource governance movement by bringing X resource-dependent countries up to international governance standards, or bringing X million people out of poverty through well-managed natural resource revenues. Even where goals are difficult to measure, they can still provide guiding principles to help make tradeoffs (e.g., between working in a poorer country or a more resource-rich country). RWI could also combine multiple objectives, including less-measurable ones, showing how they interact to create overall change. Developing such a goal would allow RWI to make explicit decisions between competing priorities for scarce resources, as

1 Gillies and Heuty, “Does Transparency Work,” Yale Journal of International Affairs (Spring / Summer 2011): 25. http://yalejournal.org/wp-content/uploads/2011/09/4.Articles_GilliesHeuty.pdf.

With a more specific and better communicated theory of change, RWI's work could have more impact

each of these options would result in different country and tool choices.

The choice of goals is unlikely to require major strategic shifts. However, the goal could be a guiding force in making decisions on the margin, such as which countries to expand into or exit out of, which aspects of the resource governance value chain to focus on, or the relative importance of international advocacy efforts compared to more in-country work.

A more specific, consistently applied, and better communicated theory of change could improve RWI's impact, fundraising, and ability to collaborate with peers

RWI's theory of change holds that translating natural resource wealth into productive public use requires 1) improved government capacity to get and receive a better deal, 2) transparent and effective management, 3) engaged oversight from different stakeholders (e.g., CSOs, parliament, and the media), and 4) supportive international norms.

The results of the evaluation support this theory of change – integrity is required along the entire natural resource value chain, as explained in Chapter 2. However, the theory of change could be improved further by articulating it more specifically, applying it more consistently across the venues in which RWI works, and communicating it more clearly to stakeholders.

- **Increased specificity:** A more thorough articulation of how different global, regional, and national-level efforts combine to accomplish RWI's goals could improve how everyone at RWI understands the way their work fits into the bigger picture. For example, RWI's overall theory of change could more specifically articulate how global EITI efforts tie to governance improvements in focus countries, how global research efforts create change on the ground in those countries, or how regional hubs improve CSO capacity in focal countries where it is lacking. Understanding the intended links between these efforts could improve the way that staff develop and implement projects.

More specific theories of change could also improve outcomes at the regional and country level. Currently, regional and country strategic plans list specific activities, but do not describe the overarching logic of why actions are undertaken. A more thorough theory of change could describe the outcome RWI seeks to achieve in particular contexts and what it will take to succeed. For example, RWI's grants in Iraq and Niger seem to suggest that it will invest heavily for ten or more years in pursuit of greater transparency. Because the theory of change is never made explicit, though, the implications are not fully explored (e.g., the need for investments beyond building CSO capacity or how regional or international efforts might contribute towards the goal, the need for an exit plan if external conditions prevent success, the loss of flexibility from dedicating funds to one country for many years).

- **Consistent application:** RWI is applying its theory of change consistently in countries where it has focused its resources to improve governance along the natural resource value chain with a multi-pronged approach (e.g., Peru, Ghana, and Indonesia). However, in many other countries where RWI is working, it

lacks the financial resources and staff capacity to consistently apply this multi-pronged approach. This challenge of consistently applying the theory of change given RWI's wide geographic scope is discussed further in Chapter 2.

- **Improved communications:** RWI could go further in communicating its theory of change by distilling it into a consistent public statement, as it currently resides in pieces throughout different internal-only documents. Interviewed peer organizations and donors often cited a lack of clarity about RWI's goals and strategy during interviews, while recognizing RWI's clear topical focus as a great strength. Having a clearly articulated goal and theory of change on RWI's website and in funding proposals, organizing its many projects around that theory of change, and describing its work in this consistent way at conferences and meetings may aid in RWI's fundraising efforts and collaboration with peers.

2

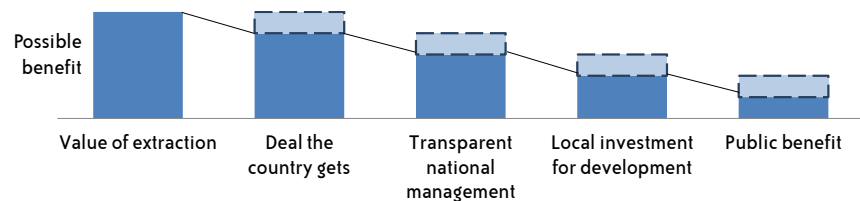
2. Does RWI's geographic scope maximize impact?

RWI has registered many successes in diverse settings, working directly in 29 countries in 7 different regions around the world. Still, RWI may be spread too thin overall, resulting in many countries with insufficient attention to generate meaningful results. Under its current budget, a reduction in geographic scope would likely increase RWI's impact.

Impact demands integrity along the value chain

RWI typically seeks to improve the natural resource value chain with the goal of good resource governance. The natural resource governance value chain (Figure 1) that underlies this approach provides a theoretical framework for how one might think about whether RWI's scope is maximizing its impact. Because the eventual public benefit in a country depends on the amount of value surviving each step along the way, the chain is only as strong as its weakest link. If one step is particularly weak, improvements in other steps will not lead to public benefit. Therefore, the marginal benefit of working on one step depends on the integrity of all of the other steps.

Figure 1. Impact depends on success along the entire value chain



This suggests that: 1) there are increased marginal returns from working in a single venue if multiple aspects of the value chain are weak, which tends to be the case in most countries where RWI works; and 2) focusing on the weakest link in the value chain has the greatest marginal impact.

The fact that RWI is able to provide technical assistance, build civil society monitoring capacity, and work with members of parliaments – all within a largely apolitical framework – positions RWI uniquely among its peers to make progress on multiple fronts. RWI's success and rapid expansion is a testament to the efficacy of this approach.

Of course, RWI does not operate in a vacuum. In many countries, other partners or funders are addressing different gaps. For example, RWI can focus on increasing the resources available for development, but its scope does not include advising governments on optimal curricula. Nor does it need to address all gaps simultaneously, although the public benefit is unlikely to be achieved until other actors or future work close the last gaps.

RWI may be spread too thin overall to ensure integrity along the natural resource value-chain

This value chain framework matches RWI's experience. Its biggest successes have come when it has focused its resources over several years to make an impact throughout the value chain.

In Peru for example, RWI has worked along the value chain at numerous scales. It worked with long-time partner Grupo Propuesta Ciudadana to improve the deal Peru gets from natural resource extraction, contributing to the development of a new law. The law raises royalty rates and assesses a windfall profit tax. Initial estimates suggest that these changes could increase government revenues by \$600 million - \$1,200 million annually, although the true benefit may turn out to be smaller in practice and insignificant in the first year of implementation. RWI also played a key role in increasing transparency by helping persuade the government to implement EITI and building civil society's participation in EITI, culminating in EITI compliance. Finally, RWI improved sub-national resource management and investment for development in the Piura region, where the regional government has improved its revenue forecasting and budgeting tools. The result is \$7.5 million in funding for development projects chosen through public participation.

In Indonesia, resource governance is less developed, but RWI is gaining traction throughout the value chain. Work with Indonesia Corruption Watch improved the deal Indonesia gets from natural resources by reducing cost recovery overages and closing regulatory loopholes. This increased projected gross oil and gas revenues by five percent, according to one grantee, partially closing the \$22 billion gap identified. RWI also built a transparency movement by coordinating an EITI campaign that now has most of the needed pieces in place.

Careful selection of the countries in which to work is important, though. A multi-year EITI campaign in Azerbaijan has made much of the national resource revenue transparent, and has likely increased public dialogue on the issue, but has not increased the public benefit of revenues, largely due to the country's weak democratic institutions. Other countries with different gaps in the value chain face similar challenges.

Activities that only employ one tool to address one step in the value chain, in contrast, do not typically have an impact as only working on one stage of the value chain is not enough to increase public benefit. There are a couple of exceptions to this rule. The first is when strongly favorable external conditions result in few gaps in the value chain not being addressed by others. In these situations, such as Mexico, a high-capacity partner can succeed with minimal assistance. The second is when this initial minor investment is part of a longer-term strategy to scale-up investments, such as planned investments in Russia and Libya. A long-term goal like this would ideally be an explicit part of the multi-year strategy and budgeting for a region.

Discussions with regional staff pointed to many Tier 2 and Tier 3 countries where current grants do not meet these conditions and progress cannot be reasonably expected with a low level of investment. These countries generally fell into two categories: those where the financial and human resource investment is not at scale to have an impact given the country's size or complexity, and those where investment does not match the size of the governance challenges the country faces. This is not to say that RWI should

RWI could engage more deeply in fewer countries to see more impact

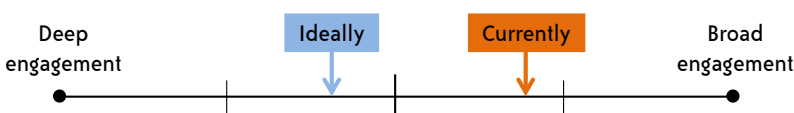
never invest in these countries nor that regions should focus only on a single country. For instance, in some cases donors have specifically earmarked funding for those countries. While RWI is not ensuring integrity throughout the value chain in these countries, it could fit into other goals a donor may have for the country or fit into a longer-term strategy. However, at the current level of investment, RWI is unlikely to cause value chain-wide improvements that increase public benefit.

For example, improving resource governance overall in Brazil would likely require establishing different partners in different regions, a major national advocacy campaign, and a strategy to influence major resource extraction firms. Such a country strategy would require multiple times the current funding. Work at the local level may make sense as an initial entry point, but victories will be quite expensive due to the high cost of working in Brazil, the large number of local venues, and the complex challenges in each venue. On the other hand, even significantly higher funding levels are unlikely to achieve impact in a country like Yemen, where the government is unlikely to have the desire or capacity to manage natural resources well.

RWI staff also suggest that more focus will increase impact. In interviews, staff expressed a strong belief that RWI should consider trading off breadth for depth (Figure 2)².

Figure 2. Staff believe more focus will increase impact

How should RWI balance engaging deeply v. broadly



RWI could transition to fewer countries for now

RWI's impact would increase if it could scale up funding to address the challenges throughout the value chain in the many countries in which it currently works. However, doing so quickly would entail numerous fundraising, personnel, and logistical challenges.

Instead, RWI might consider a managed transition to fewer countries, until its resources better match its ambitions. Focusing on its 10-15 highest-return countries with 5-10 exploratory countries would free up 20-30 percent of country-specific funding, and allow staff time and energy to be spent in higher-priority countries. It also would allow RWI to maintain more flexibility to engage emerging priorities as needed.

A managed transition must recognize that the choice of countries to work in does not take place in a vacuum. Partners worldwide have come to rely on RWI for strategic, technical, and financial support that may not be easily replaced if RWI changes course. In such situations, RWI could develop an exit strategy that helps partners identify alternative funding sources.

While transitioning out of many low-impact settings makes sense, there is justification for continuing lower-level engagements in cases where they are part of a longer-term strategy that includes expanding RWI's activities in a country over time. Or, they might be justified as part of an exploratory portfolio intended to keep an option open for later

² Average response of 11 RWI senior staff members, with no interviewee believing that RWI is currently engaged too deeply. Separate interviews of three RWI governing board members had nearly identical results. Regional staff members were not asked this precise question, but most shared similar sentiments in discussions during regional site visits.

engagement as the context shifts. In these cases, making its rationale explicit would help delineate what it expects to achieve, the resources it will commit, and how investments will lead to desired outcomes.

3

3. Is RWI working in the highest return countries?

RWI's country selection process does an effective job of focusing on countries where RWI might make a difference. However, the process could place greater value on the relative cost-benefit ratio that different countries provide. A process that better accounts for these quantifiable and non-quantifiable factors and considers portfolios of investments could make even more of RWI's scarce resources.

Return on investment can help prioritize countries

Return on investment (ROI) can provide a method of assessing RWI's country selection decisions since it is designed to estimate whether resources are being used to their greatest potential given current knowledge. Specifically, ROI multiplies the estimated benefit (which could be measured in dollars, people, capacity, or even as a benefit "score", depending on the situation), likelihood of success, and RWI's unique contribution, and divides by the cost to achieve that benefit. This creates a single number for comparing potential investments.

However, ROI estimates are far from perfect. Estimates are based on expert judgment and require interpretation. They are subject to bias due to the difficulties of estimating factors (particularly likelihood of success), recognizing important interaction effects between activities, and accounting for diminishing returns of funding. As a result, ROI estimates are only one factor in making a decision – they are not the definitive statement on a decision.

Even with sometimes-large margins of error though, practical experience suggests that ROI estimates help NGOs make assumptions clear, compare alternatives carefully, and prioritize investments based on current information. For RWI's purposes, ROI may help compare across countries to assess whether RWI is using its scarce resources as effectively as possible.

RWI focuses on likelihood of success over benefits and costs of achieving those benefits long-term

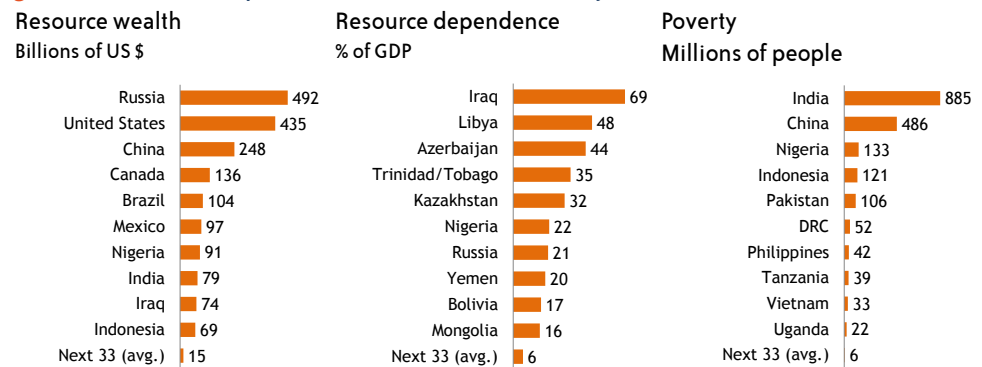
When RWI set country priorities in its 2010 staff retreat, it assessed countries across 13 criteria in a rigorous way rarely seen in the NGO community. This exercise paid close attention to the presence of many factors that contribute to likelihood of success, such as strong local partners, international partners, a political decision-making space. The prioritization also included a score for RWI's unique ability to add value given other actors. This addresses contribution, another important ROI factor.

However, the 2010 prioritization and ongoing discussion tends to consider countries' merits individually rather than explicitly integrating their relative benefits and costs of achieving those benefits over the long-term into its scores. For example, the 2010 prioritization treats all resource-rich countries equally, even though countries have vastly different levels of dependency and resource endowments. While these factors are

RWI could benefit from a process that better accounts for cost-benefit when choosing where to work globally

often taken into account qualitatively, it is hard to capture in a qualitative discussion the true scope of the variation. For example, Russia has more resource wealth than all of the African, Asian, and Eurasian countries where RWI works combined. Similarly, the analysis treats all poor countries equally. India has nearly 900 million people living on less than \$2 per day, more than all of the countries where RWI works combined (Figure 3).³ On the other hand, minerals extraction plays a relatively modest role in the economy and government revenue base. These examples are based on a few potential goals for RWI. Revenue Watch would need to determine which metrics are of most relevance. However, a country's benefit is ultimately determined by the overarching goal RWI chooses, which could include non-economic goals. Figure 3 suggests that resource dependence is the indicator that most closely correlates to which countries RWI currently works in (nine of the top ten).

Figure 3. Countries' potential benefit varies widely



Note: countries listed are limited to those where RWI currently works or strongly considered working

RWI could expand its ROI estimates within a portfolio

As it refines its country prioritization, RWI might consider making more complete ROI estimations and expanding its portfolio analysis to balance competing priorities and levels of risk. Ideas to consider incorporating for each ROI factor are included below.

Benefit: Incorporate the importance of countries to RWI's overall goal

Benefit estimates could include 1) weighted factors reflecting RWI's priorities, and 2) factor scores that reflect the true variation between countries. Different priorities lead to different country emphasis and would not need to rely on purely economic measures. For example, a focus on improved-governance of resource dollars would favor work in resource-rich Russia, China, and Brazil, while a poverty-reduction goal would greatly favor efforts in India, China, Nigeria, and Indonesia, which have large populations living in poverty. Identifying different priorities, and their relative weight, and incorporating scores that reflect the true variation, as discussed in the prior section, could improve estimates. Just because a country has a high potential benefit though does not mean that RWI should necessarily work there – the cost, likelihood of success, and contribution factors are of equal importance. For example, if the likelihood of success of working in China is approximately zero, it does not matter how high the potential benefit of doing so is.

3 Sources: World Bank databank: <http://databank.worldbank.org/data/home.aspx>; US Energy Information Administration, International Energy Statistics: <http://www.eia.gov/countries/data.cfm>.

Thorough ROI
estimates will allow
RWI to refine its
portfolio

Cost: Consider the relative cost of working in a country more explicitly

For example, while working in Ghana has the potential to influence over eight times the resource revenues of neighboring Sierra Leone, the cost difference may only be 2-4 times to engage in the same activities there, due to higher NGO capacity, better governance, and greater technical expertise in the public sector in Ghana. This approach is already reflected somewhat in RWI's work – for example, RWI is pursuing quite different activities in Sierra Leone than in Ghana – but making these tradeoffs more explicit could help RWI avoid working in places where the benefit may not be commensurate with the cost (e.g., Burkina Faso, Mozambique). To the extent that these investments are more risky than other RWI investments, the portfolio approach described below can help balance that risk.

Likelihood of success: Consider the strength of the entire value chain in a country

RWI already takes many factors into account that estimate the likelihood of a project succeeding, as described earlier. However, although individual projects may have an impact, RWI is currently investing in many settings where success along the entire value chain is unlikely and other actors are not filling the gaps. These include countries where RWI's investment is insignificant relative to the size of the need (e.g., Afghanistan), and where RWI's investment is unlikely to address the major gaps in the value chain (e.g., Kazakhstan, Guinea, Russia, Cameroon). Adding a factor for each step in the value chain (e.g., the deal the country gets, transparent national management, local investment for development) that estimates its strength would account for these dynamics.

Contribution: Consider what role it plays in relation to other actors

RWI's unique position in the field means that estimating contribution is not typically a major issue. However, if another organization would provide similar support if RWI did not, RWI's relative contribution is lower. Likewise, if RWI is only a relatively minor player in a larger project, its relative contribution is lower. In particular, RWI could consider including factors estimating its funding share of all of the resources being spent on the topic, the prevalence of technical skills outside of RWI, and the importance of RWI's unique relationships.

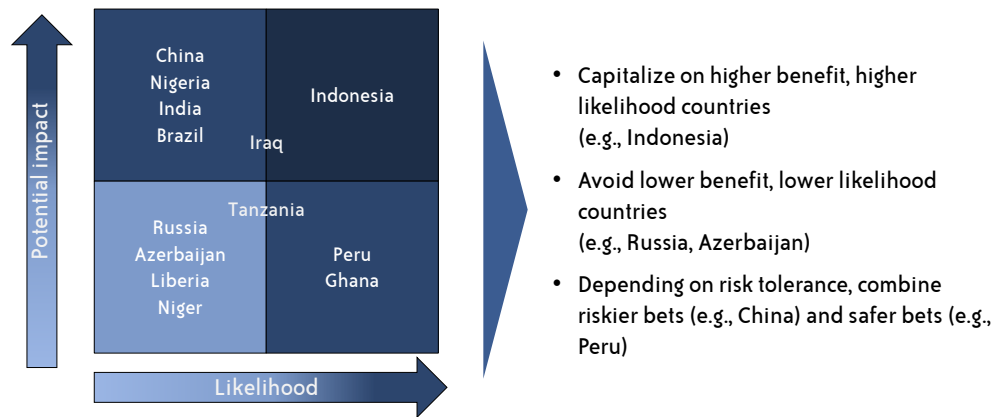
Thorough ROI estimates will then allow RWI to refine its portfolio of country investments to match RWI's overall risk profile and desire for a global scope

A portfolio of country investments, much like a portfolio of financial investments, can help strike the right balance between risk and return. RWI already considers regional balance as a way to spread risk and has established tiers of investment commensurate with the importance of a country to the portfolio. A refined portfolio could explicitly consider the balance of lower risk countries, such as Ghana and Peru, and riskier countries, such as Nigeria and Brazil. Riskier countries may be part of a longer-term exploratory strategy – and may yield the highest rewards, or meet an explicit goal of providing a bit of hope to civil society in difficult countries. Making these decisions an explicit part of a portfolio of investments helps justify the overall country mix.

As an illustrative example, if RWI's goal were to reduce as much poverty as possible with natural resource revenues (note: this very well may not be a goal that RWI chooses to pursue), different countries would provide different levels of expected benefit and likelihoods of success (Figure 4). In this example, the benefit, or potential impact, is the number of people that could be brought out of poverty if the country's natural resource revenues were better managed. This portfolio starts with the countries that maximize expected impact like Indonesia, but also includes investment in countries like China that may not result in impact for many years. To balance longer-term investments, investments are made in safer countries like Peru and Ghana. We are not recommending this portfolio specifically, but provide it as an example of the thinking that could be more explicit.

Figure 4. A portfolio could maximize RWI's expected impact

Illustrative example for a goal of poverty reduction with natural resource revenues



4

RWI has a strong toolbox capable of addressing the major gaps in resource governance

4. Does RWI's choice of tools maximize impact?

RWI has a strong toolbox capable of addressing the major gaps in resource governance. Choosing the right tools is a matter of identifying the instruments with the highest impact given the specific contexts in which they are to be applied. Revenue Watch does this well, although more clearly articulated country and regional goals, a more structured tool selection approach (perhaps based on return on investment), and better knowledge sharing could further improve tool selection and increase impact.

Tools' impact depend on the contexts in which they are used by RWI

As with any toolbox, the usefulness of a specific tool depends on what you are trying to do, how well you apply the tool, and whether you have the additional tools needed to solve the overall problem. Applying an ROI framework to assess the choice of tools does not always yield a clear result. Still, some general rules of thumb can help identify the situations in which certain tools tend to have higher returns.

Tools used in combination with other tools generally have higher ROI since single track activities rarely achieve sustainable results. For example, technical assistance may appear to have a high, immediate impact, but strong civil society and parliamentary oversight is needed to consistently deliver benefits on the ground. Also, most resource governance decisions are made at the national level, so work that influences national-level decisions (which could result from efforts at any scale) are generally higher ROI, although benefit distribution is often at the sub-national level.

The following sections walk through each tool, reflecting on the success RWI has had with each tool has had over the last three years and what that implies about its effectiveness in different contexts.

Global advocacy efforts are most effective when coordinated with on-the-ground work

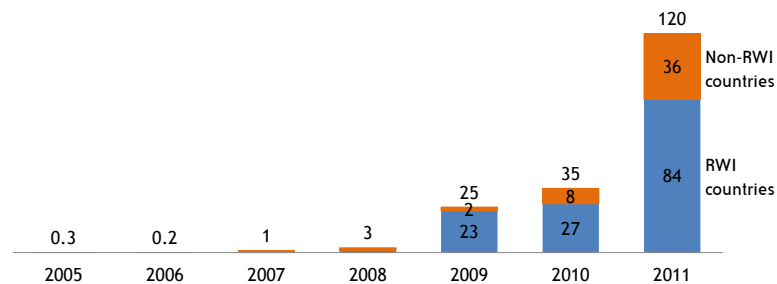
Global advocacy can be alluring but it is only useful when international standards lead to changes on the ground, either by themselves or in coordination with in-country work. As a result, global advocacy efforts are most effective when they are highly coordinated with regional and country efforts.

RWI achieved two major global advocacy successes between 2009 and 2011: broader EITI implementation and the inclusion of disclosure requirements in the Dodd-Frank Act, with similar rules under consideration in the EU. No significant progress has been made on two other priorities, accounting standards and Export Credit Agencies, but a 50 percent success rate on major advocacy efforts is unusually high compared to most NGOs'. In addition, RWI has begun work on the Open Government Partnership, although this falls outside the evaluation's scope.

- **Broader EITI implementation:** RWI's global work to encourage EITI

compliance helped the reporting system gain the authority to be taken seriously by governments worldwide. Coverage and quality of EITI reports increased significantly, particularly in RWI's focus countries, while the total amount of funds covered in EITI reports increased from \$13 billion to \$589 billion, and quality increased as well (Figure 5). In addition, RWI intensified efforts to expand EITI to the developed world which has resulted in the US and Australia seeking EITI candidacy.

Figure 5. Quality-weighted dollars of resource revenue published via EITI⁴
By year of publication, \$B



This increased transparency is an important step, but in-country monitors capable of using the results are essential to actually improving governance. In the future, RWI's work with the international EITI Secretariat to improve standards could be more tightly driven by country-specific goals, and increased input from RWI's regional staff.

- **Dodd-Frank:** The work of RWI and its PWYP partners led to the inclusion of the Cardin-Lugar Amendment in the Dodd-Frank Act. The regulation requires US-listed resource extraction firms to include in their annual reports a disclosure of any payments they made to a government. The breadth of its impact is large since it applies to all resource extraction firms listed in US exchanges and covers \$3.6 trillion in market capitalization. In addition, the activity was of quite high return on investment, given the relatively low cost. However, the results are yet to be seen farther down the value chain.

High quality research raises RWI's credibility and influences the field

Revenue Watch has built an impressive international reputation, ranking among the top 20 transparency and good governance think tanks globally in 2010 (ranked 10th) and 2011 (ranked 16th).⁵ Interviewees also generally praised RWI's research, particularly when it was relevant to the needs of key national policymakers. For example, two Peruvian resource governance NGOs that do not receive funding from RWI (RedGE and RedMuqui) cited the research by RWI's global and regional staff as important components of their advocacy strategies. In Sierra Leone, a high-level conference on economic diversification featured Revenue Watch's work on natural resource funds' role in combating Dutch disease. The advisor to the President pointed out that the paper was

4 This analysis multiplies the total revenues published by EITI by a quality factor ranging from zero to one, with low quality reports scores approaching zero and high quality reports approaching one. The quality factor is comprised of the discrepancy between government receipts and company payments, as well as RWI's assessment of ten quality factors. RWI's quality analysis is available at <http://data.revenuwatch.org/eiti/data.xls>.

5 James G. McGann. "The Global Go To Think Tanks Report: 2011," Think Tanks and Civil Societies Program of the International Relations Program, University of Pennsylvania, 2012. <http://www.gotothinktank.com/wp-content/uploads/2012/03/2011-Global-Go-To-Think-Tanks-Report-February-21-Edition-WITH-LETTER.pdf>.

RWI could better target and translate research to affect policymakers

very influential in policymaking circles.⁶

Going forward, RWI could gain additional impact from research by linking it more tightly to specific goals and systematically incorporating regional issues and knowledge into research priorities. Separate interviewees in Ghana and Indonesia noted that, while RWI's research is of high quality in an academic sense, it often does not make the difference it could because it is not targeted to and translated for policymakers. Developing more comprehensive strategies for distributing research would likely avoid this problem and increase impact.

Regional knowledge hubs can be a cost-effective capacity-building tool, but would be more effective with greater training and mentoring

The long-term goal of RWI's regional knowledge hubs is difficult to evaluate on an objective basis since their most important impacts will be seen only after multiple years of training CSO activists. However, interviews with hub managers and CSO partners in Peru, Ghana, and Azerbaijan suggest two conclusions: hubs can be a cost-effective method of building CSO capacity, but their effectiveness would increase with more intensive training and mentoring.

Classes offered at the hubs tend to be short-term, running only a few weeks for each session, except in Latin America. Although these sessions provide students with a working knowledge of the field, interviewees suggest they are not comprehensive enough to build expertise. In all regions, the relative lack of ongoing mentoring is also a missed opportunity, as managers feel that mentoring can translate learning into action at little cost. Additionally, the training hubs' potential role as centers for research and technical assistance has not yet been developed.

Intra-regional collaborations can provide a high ROI when stronger CSOs are involved

RWI's global reach positions it well to foster collaboration. Interviews suggest that where higher-capacity CSOs are involved, collaboration has been an effective and relatively inexpensive tool, suggesting a high ROI. For example, the Ecuadorian CSO Grupo Faro learned from Grupo Propuesta Ciudadana's experience with the Peruvian mining sector at a conference and applied this to its work in Ecuador's rapidly-growing mining sector. In the Middle-East, the Iraqi EITI coalition developed its organizational structure and strategy based on the experience of Yemeni and Azerbaijani advocates after attending a joint conference.

Although collaborations with lower capacity partners have broadened perspectives, interviewees could not point to specific examples in which they translated into on-the-ground impacts. Yet such collaborations may still be a worthwhile investment since the cost is relatively low, particularly when they do not rely on in-person meetings. They may become increasingly valuable as RWI expands capacity in regions.

Technical assistance can directly influence policy when governments are receptive

Technical assistance can potentially directly influence national policy decisions,

6 Antoine Heuty, "Can Natural Resource Funds Address the Fiscal Challenges of Resource-Rich Developing Countries?" Sierra Leone Conference on Development and Transformation, 2011. <http://www.sierraleonetransformation.org/>.

suggesting a high ROI in receptive countries. For example, technical assistance increased annual expected revenues in one country by around \$1 billion. As a partner in RWI's technical assistance in Africa noted, "RWI is able to ask governments the kind of questions that civil society would and should be asking if they were present." However, this tool is only applicable in the small number of venues where the government supports improved natural resource governance, needs or desires to write new regulations, and is willing to seek help from outsiders.

Maintaining the impacts also requires progress on other elements of the value chain, as laws are only as strong as their implementation. Technical assistance to the government of Sierra Leone, for instance, created one of the strongest legal structures in the region – the Mines and Minerals Act of 2009. Yet, the government subsequently signed a heavily compromised contract with London Mining Plc., reducing the law's impact. In this case, however, RWI had built strong oversight capacity as well, and CSOs and the parliament denounced the deal and forced the government to renegotiate. Without that strong oversight, the impact of the technical assistance would have been much lower, demonstrating how the ROI of one activity depends on the integrity of the rest of the value chain.

Parliamentary work has a mixed track record

Work with parliaments can be challenging for many reasons: parliaments sometime function as rubber stamps to executive authority; they may not be able to act contrary to party leadership; and individual MPs can turn over rapidly, exceeding 50 percent each election in some countries. Securing lasting changes in legal and regulatory frameworks and creating a culture of oversight can therefore be difficult work. RWI's work with the Ugandan parliament is a case in point. Observers note that the quality of debate has improved, and a major push for contract transparency resulted in the government making seven oil contracts available to MPs. However, the contracts could not be shared with the public and there have been few concrete improvements in governance. There are ongoing efforts to improve the oil management framework, but good resource governance remains a distant goal.

Still, under the right conditions, providing assistance to members of parliament can result in major national-level wins, and the gains from an improved management law can last many years. For example, one interviewee in Ghana noted that RWI's strong reputation in Africa gave it an entry to working with the Ghanaian parliament and led to concrete improvements in the country's regulatory framework (e.g., a new Oil Revenue Management Act, creation of the Public Interest Accountability Committee). In Sierra Leone, work with the parliament enhanced the engagement on the landmark Mines and Minerals Act of 2009. In Tanzania, RWI built a strong working relationship between CSOs and the parliament, leading to an improved transparency law in 2010.

Civil society capacity building improves monitoring and advocacy

Experience has shown that building technical expertise among already higher capacity CSOs can be an effective way to improve their ability to advocate for responsible resource governance, monitor authorities, and engage in policy dialogues. RWI builds CSO capacity both through trainings to build technical skills and grantmaking to build the resource base necessary to engage in oversight activities. In Peru, capacity building

grants to Grupo Propuesta Ciudadana to increase its monitoring efforts generated RWI's largest victories in the region. Successes include monitoring a revised tax law, an improved EITI report with disaggregation, and the potential for codifying EITI support into law. In Indonesia, capacity building grants to Indonesia Corruption Watch (ICW) enabled research that pushed the government to increase resource revenues. ICW believes that the new regulations it supported will increase oil and gas revenues by approximately 5%, and new ICW-supported mining regulations are under review by the government.

In lower capacity countries, on the other hand, grants that do not include substantial technical support to the partner frequently have generated fewer results.

Sub-national tools are worthwhile when their expected benefits justify their costs

Sub-national capacity building and technical assistance have been worthwhile in two of the four pilot cases to date. Sub-national work produced major governance improvements in Bojonegoro and Blora, Indonesia. These regions expect to see their annual budgets double as they could receive \$100 million annually once the Cepu oil block is developed. This makes the benefit of RWI's work to improve governance quite high. Likelihood of success is high as the local CSOs have built expertise and authority in the region and the governments are supportive of their efforts. These factors are likely present in many other districts in Indonesia, as the Bojonegoro and Blora governments are not particularly progressive and CSOs are generally high capacity. Five other resource-rich districts have come to the region to learn from the pilots, suggesting that the success can be scaled up.

Sub-national work has also been successful in Piura, Peru due to Piura's large oil revenues, strong CSO capacity, and a government open to assistance. However, within Peru, only three additional regions (Cuzco, Arequipa, and La Libertad) of the country's 25 have similar resource wealth and a moderate likelihood of success.

However, it appears that the conditions for success are only present in a limited number of venues. The benefits of sub-national work are often small unless there are major fiscal transfers from the national government. Likelihood of success also is typically low since creating change requires willing sub-national governments as well as capable local CSO partners. Finally, the cost tends to be high since ongoing engagement is needed.

Facing these challenges, two of the venues RWI funded previously have had little impact so far and continuing the work appears to have a relative low ROI. For Ghana, this is due to low potential benefit because of the low levels of fiscal transfers. In addition, the national and sub-national partners were not particularly strategic in their efforts and did not build trusting relationships with the regional parliament. For Nigeria, the likelihood of succeeding absent a supportive government is very low. Lack of support from the Ministry of Finance and waning support from the regional governor in Bayelsa, Nigeria resulted in little progress in the region. However, ongoing work is seeking to replicate the model in more favorable districts.

ROI can help RWI answer the question of which tools will achieve the organization's goals most efficiently

More explicit tool choice could further increase impact

RWI's toolbox is strong, but not every tool is appropriate in every context. While RWI staff, particularly regional coordinators, typically have an intuitive sense of which tools are appropriate, more explicit tool choice could increase impact by allowing RWI to examine its assumptions and compare potential investments.

Country goals and theories of change can inform tools needed

Success in a country depends on using the right tools. As discussed in Chapter 1, setting more explicit country-specific goals and theories of change could make this process easier by describing how different tools work together to create change. In that way, a goal helps determine what tools are used and encourages the use of tools in a coordinated approach.

For example, in Ghana, only 5 percent of resource revenues are transferred to sub-national regions. The low potential benefit of working on sub-national revenues suggests that sub-national capacity building is not an appropriate tool unless transfers to regions significantly increase or local content laws with major benefits can be the focus of the work. The relative primacy of the national government suggests that working with parliament and the executive may be a higher-ROI opportunity.

Return on investment offers a structured approach to tool selection

Once the country goal is clear, ROI can help answer the question of which tools would achieve RWI's goal most efficiently by comparing different potential investments in a given context.

The benefit of using a particular tool will depend on the stage of the value chain that the tool addresses, as described earlier. The likelihood of success varies based on local conditions, such as the openness of the government to change and the capacity of the implementing partner. RWI's marginal contribution depends on what other funders are doing in the country, although in many places RWI is the major source of support for resource governance work. Finally, cost will depend on the amount of work needed and local operation expenses (e.g., higher in Brazil and Iraq, lower in Ecuador and Indonesia).

RWI also engages in many activities that are more challenging to estimate using ROI. For example, one impact of RWI's research is to increase RWI's reputation in the field, lending it credibility for its advocacy efforts. In addition, RWI supports EITI compliance in non-focus countries in order to build momentum for the global transparency movement. While these activities are harder to quantify, that does not mean they are less important to RWI's work. In these cases, the value of the activity can be clearly seen in a well-articulated theory of change, and the ROI methodology is more useful as a way to make assumptions and tradeoffs explicit rather than in directly comparing activities.

Increasing knowledge management will help identify high-ROI tools

Internal interviewees consistently ranked RWI's staff as one of its greatest strengths. The staff has deep knowledge of both the field and their particular country contexts, allowing them to make well-considered strategic tradeoffs. They are also highly passionate about

the topic, and this passion creates a productive and collaborative working environment. More formal sharing of knowledge would institutionalize and capitalize on this expertise without threatening the flexible, less hierarchical working environment that RWI staff greatly value. Potential paths to explore could include better documentation of project histories, a shared database of training materials, and structured internal dissemination of research and lessons learned.

Without internal knowledge management, RWI has had difficulty integrating lessons from the field into its New York and London offices, reducing the advantages of being a global organization. For example, the RWI Index, while a valuable source of information, only made regional and country work more complicated in situations where the index did not match stakeholders' intuitions. Greater integration of regional and central office knowledge could have smoothed the introduction of the Index and improved its value.

In addition, RWI does not always coordinate its actions well, leading to communication challenges and potential tensions with local partners who may not feel appropriately consulted.

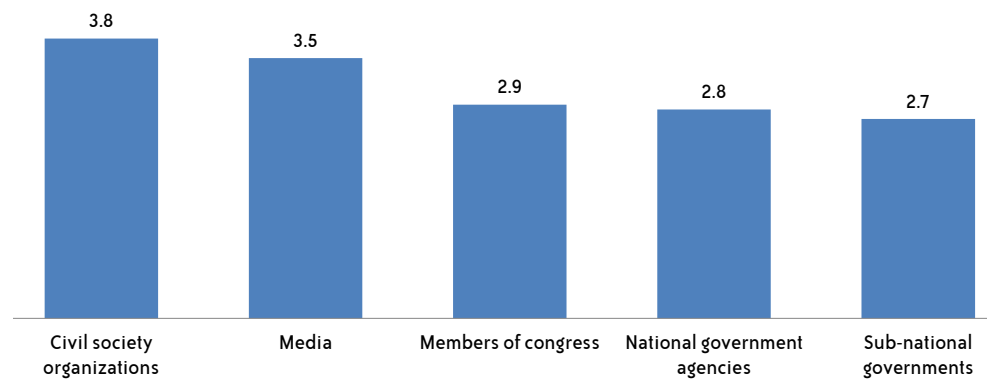
5. How productively does RWI work with partners?

RWI's grant and non-grant support is crucial to many partners' abilities to engage in natural resource governance. Few CSOs were engaged in many countries before RWI lent its support. At the same time, RWI is spread so thin that it is difficult to provide the substantial technical and organizational support many partners need to be successful. Decreasing the number of partners and increasing investments in the remaining grantees would improve RWI's most important relationships and likely help RWI achieve greater impact for the same budget.

RWI is greatly valued for its technical and strategic expertise

When RWI invests in its partners, the relationship works unusually well. RWI has forged particularly strong relationships with CSOs and media, but also has good relationships with many members of parliament, national government agencies, and sub-national governments. This is reinforced by 28 separate interviews with over 100 interviewees (Figure 6).

Figure 6. RWI works effectively with many partners, particularly CSOs & media
Average of 28 responses to "How effectively does RWI work with partners" where five is the maximum score



Numerous partners cited the technical and strategic help they received from RWI's staff as crucial to their ability to engage in natural resource governance. This includes day-to-day support from regional staff as well as trainings and workshops facilitated by global staff. This support plays the important role of building the resource governance field since very few CSOs were engaged before RWI lent its support. Table 1 summarizes unprompted responses from RWI partners worldwide on the importance of RWI's assistance. As these 19 groups are just those that specifically mentioned assistance from RWI, it is at most a sub-set of those that made use of RWI's expertise.

RWI may achieve greater impact by decreasing the number of partners and increasing investments in the remaining grantees

Table 1. Partners interviewed that mentioned RWI's assistance

Region	Organizations
Anglophone Africa	GIZ Ghana, Ibis Ghana, Ibis Sierra Leone, National Advocacy Coalition on Extractives (Sierra Leone), Parliamentary Center, Pen Plus Bytes, Public Interest Accountability Committee
Asia-Pacific	Bojonegoro Institute, Indonesia Center for Environmental Law, Institute for Essential Services Reform, LPAW-Blora, Pattiro – The Center for Regional Information and Studies, Publish What You Pay Indonesia
Latin America	Fundación Jubileo, Globalization with Equity (RedGE), Grupo Faro Ecuador, Grupo Propuesta Ciudadana, The Muqui Network for Participation and Action
Middle East – North Africa	Iraq Reconstruction Institute

RWI lacks the resources to best support all partners

As RWI has expanded its geographic scope, it has engaged in more countries with lower CSO capacity and more constrained environments. Having taken on more and more difficult challenges, RWI is no longer able to consistently provide the non-financial support that has made it such an effective organization in countries with lower capacity.

This strain came through in some interviews with RWI staff and partners. RWI staff reported that they tend not to have the time to tie off relationships properly and longer-term grantees described the impact of receiving less direct assistance. RWI faces the predicament that grantmaking is quite time-intensive, yet financial support for local civil society is an important piece of building demand for accountability and requires higher-capacity, well-funded partners for successful execution of its strategies. Approximately 40 percent of RWI's program budget is re-granted to local partners, so helping grantees achieve more outcomes and build better relationships is likely to deliver a high return.

Fewer partners and improved grantmaking could increase RWI's impact

There are two potential ways RWI could further improve its relationships with partners and work more productively with them to achieve impact: decreasing the number of partners it supports by exiting relationships that are not providing a high ROI and increasing its ability to support partners by improving grant systems. Some combination of both of these solutions could increase RWI's effectiveness.

Decrease the number of partners

RWI is often both a funder and a colleague. As a funder RWI sets expectations, but as a colleague it is expected to actively participate in achieving grant objectives. Particularly

RWI could
further improve
its grantmaking by
tying grants more
closely to strategies

when RWI works with smaller, more locally focused, and lower capacity CSOs, this active participation is an essential ingredient for a successful grant. Reducing the number of partnerships where it needs to be an active participant would allow RWI to ensure its higher priority partnerships are successful.

In Ghana, for instance, RWI is providing funding for the Public Interest Accountability Committee, one of its high priority partners. At the same time, it is providing secretariat support that allows the Committee to continue to function. Without the secretariat support, the Committee would be moribund even with RWI's financial support. Similarly, in Indonesia, Bojonegoro Institute and LPAW-Blora would not have been able to engage regional governments in the technical details of oil management without RWI's assistance.

Increase investment in grant systems

RWI could further improve its grantmaking by tying grants more closely to strategies, bolstering its staff and skills dedicated to grantmaking, and providing financial resources for organizational effectiveness.

- **Tie grants more closely to specific strategies:** Establishing clear country goals and strategies, and explicitly linking grant management to those, will help RWI manage the challenge that many of its projects require multiple years of engagement to succeed (e.g., capacity building, advocacy). Additionally, RWI could consider ways to increase grant oversight by integrating grant management and on-the-ground knowledge. This could help ensure that grantmaking and grant management better further local strategies and provide a way for RWI to learn from its higher-capacity grantees.

Moving from planning and budgeting on an annual basis to a multi-year basis where the strategy suggests also would increase trust with partners. However, multi-year support is riskier than annual support, suggesting against making commitments in marginal cases.

- **Bolster grantmaking-specific skills:** Grantmaking is a skill in its own right, and RWI could consider ways to build its own capacity in this area. For example, improvements could be made in venue analyses, identifying and selecting partners, project management, ongoing communication with grantees, and tying off relationships.

Interviews with partners suggest that ongoing communication is a particularly important area of potential improvement for RWI. Many partners do not feel they have as clear a sense as they would like of RWI's goals, and some long time lags in communications have dampened a few relationships.

- **Provide financial resources for organizational effectiveness:** Many funders offer small grants to partners for discrete, short-term projects where bringing in outside expertise can improve a partner's capacity. These grants are typically most effective when a partner's strategic capacity and leadership are already reasonably strong. Under those conditions, financial resources can help partners with evaluation systems, board and leadership development, succession planning, communications, mergers or organizational restructuring, and other causes of limited effectiveness.

6

RWI is a global leader with a strong staff and suite of tools, but could increase its impact by further refining its strategy

6. Summary of recommendations

RWI has developed a strong staff and a suite of tools that can achieve important results at different scales. This has led it to global leadership in natural resource governance and allowed it to build the field into what it is today. At the same time, RWI potentially could increase its impact further by refining its strategy. This chapter summarizes recommendations made throughout the evaluation to assist RWI in that direction. Not all recommendations may turn out to be practical, or even applicable, but the list below may serve as a starting point for internal planning discussions.

1. **Develop a more specific goal and a more specific, consistently applied, and better communicated theory of change:** RWI faces a challenge in showing how all of its projects fit together in a coordinated strategy. A more specific goal could be a powerful tool to bind RWI's work together, increase its effectiveness, and present a compelling story to donors and stakeholders. A consistently applied and communicated theory of change could tighten the strategy by connecting different activities to global and country-level impacts improving fundraising and coordination with partners.
2. **Transition to a narrower scope of countries for now:** Barring a major increase in funding, RWI should consider a managed transition to a narrower scope of countries in the next few years. Focusing on its 10-15 highest-return countries for now would reduce the number of countries in its portfolio, freeing up 20-30 percent of country-specific funding and allowing staff time and energy to be focused in the highest-priority countries. It also would allow RWI more flexibility to maintain low-level activities in three to five other countries and engage a few emerging priorities as needed.
3. **Expand the use of ROI and portfolio analysis in country selection:** As it refines its country prioritization, RWI could consider making more robust ROI estimates and employing a portfolio to balance competing priorities and levels of risk. Benefit measures could vary based on RWI's goal, but could take into account wide differences between countries. Cost considerations could be explicitly weighed against expected benefits. Likelihood of success could expand to include factors that consider the strength of the entire value chain in a country. Factors estimating RWI's likely contribution in relation to other funders also could be included.
4. **Make tool choice more explicit:** RWI has a strong toolbox, but not every tool is appropriate in every context. While RWI staff, particularly regional coordinators, typically have an intuitive sense of which tools are appropriate, being more explicit about how tools fit into the theory of change could increase impact by allowing RWI to examine its assumptions and compare potential paths of investment. Country-level goals, use of ROI methodology, and increased internal knowledge management would all provide for more structured tradeoffs.
5. **Decrease partners and improve grantmaking systems:** RWI's technical and strategic assistance is often crucial to success, but it cannot offer this support to all of its current partners. RWI could increase its ROI by exiting lower-priority

partnerships it cannot support thoroughly and focusing more attention on higher-priority partnerships. RWI also can improve its grantmaking systems by tying grants more closely to strategies, bolstering its staff and skills in this area, and providing financial resources dedicated to organizational effectiveness.

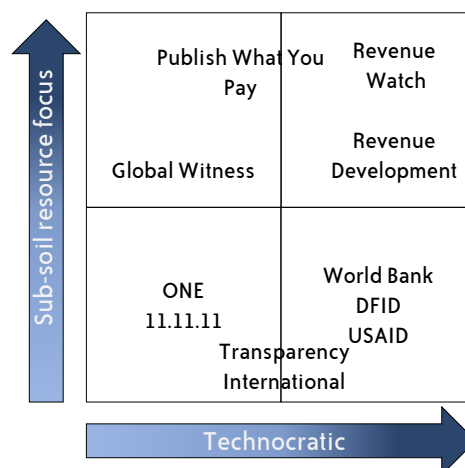
Appendix A: RWI's niche

RWI is unique in two major respects: its technical expertise on sub-soil natural resource governance and its provision of capacity-building support to local CSOs. RWI's success and rapid expansion is a testament to the importance of these defining characteristics.

RWI's technical expertise on the value chain is unique in the field

Unique among its peers, RWI works throughout the sub-soil natural resource governance value chain within a largely technocratic approach. This gives RWI credibility with both policymakers and advocates. Most other organizations lack the degree of expertise and credibility RWI has because they either do not focus exclusively on natural resource governance, or they favor advocacy over technical assistance. RWI is therefore unique in its ability to bring a technical advantage to improve multiple aspects of the natural resource value chain in countries where many others would be unable to succeed (Figure 7).

Figure 7. RWI's niche is technical assistance on sub-soil resource management



This makes RWI a valued partner to a wide variety of stakeholders, as supported by interviews with government officials, global CSOs, local CSOs, educators, and media organizations. By providing apolitical technical assistance to government and parliaments, RWI has developed a strong reputation and productive relationships with policymakers worldwide, a valuable asset when it engages in global advocacy.

This technocratic approach distinguishes RWI from peers such as Global Witness and the ONE campaign that take a more activist approach. RWI's role as a technical expert could be seen as in tension with RWI's activist role in global advocacy campaigns, a concern of a few partners. However, this technical expertise is an advantage as well, providing greater credibility to advocacy campaigns. To the extent that truly radical advocacy opportunities exist, it may be best for RWI to leave these to partners who do not share this potential conflict. However, this has rarely, if ever, been an issue in

practice, and RWI has been able to manage the tension.

RWI's work does occasionally overlap with other transparency-focused organizations, such as Publish What You Pay, particularly on global advocacy initiatives. While overlap is not necessarily bad, it is important to prevent it from creating redundancy or confusion in the field. However, international advocacy is a small percentage of RWI's work, and it would be a loss for the field if RWI did not take advantage of its credible voice. Overlap with in-country Publish What You Pay coalitions occurs less frequently, since RWI tends to play more of a technical expert role than a CSO advocate role.

RWI provides much-needed capacity-building in developing countries

RWI is the only organization in the resource governance field that provides substantial grant and non-grant support to local CSOs in developing countries. RWI's global partners consistently recognize that RWI plays a field-critical role in doing so. By building natural resource governance capacity in developing countries, RWI diversifies the voices calling for responsible governance and increases the talent available to work on the topic.

Both grant and non-grant support are crucial to building CSO capacity. RWI's grant support provides CSOs in developing countries the ability to engage in resource governance, either by engaging organizations that would not otherwise participate, or by funding positions that would not otherwise exist. Examples of the former include the Indonesian Center for Environmental Law, the Africa Center for Economic Transformation, and the Parliamentary Centre in Accra. Examples of the latter include the extractive industries team at Fundación Jubileo in Bolivia and the coordinator for the National Advocacy Coalition on Extractives in Sierra Leone. Without these active civil society monitors, RWI's technical assistance work would be significantly less effective and the field would be weaker.

However, simply financially supporting local CSOs is not sufficient to build field-wide capacity. As discussed in Chapter 5, RWI works in many lower-capacity contexts, and its technical and strategic expertise is crucial to successful projects. In these situations, a less expert funder would not see the same returns to their investment as RWI does, because RWI can provide the assistance needed to make the project work. One RWI staff member who previously worked at an RWI grantee noted that "RWI's heavy involvement made for a very successful project. Other funders do not do that and just give money, and it shows. A lot of money is wasted." While RWI benefits from this hands-on capacity building, the rest of the field does as well due to the wider availability of skilled activists.

This support of CSOs does occasionally create the potential for conflict, since RWI plays a dual role of technical provider to governments and supporter of the CSO community. The work in Guinea provides a timely example – RWI supported the government in drafting a new and much improved mining code, but the local partner (who RWI is funding) opposes the revised code because it believes the changes are insufficient. These situations have the potential to create confusion and frustration in the field.

However, this appears to be much more of a communications issue between RWI and

local partners than a substantive conflict between working with both government and civil society. So far, RWI has maintained the credibility needed to be invited to work with governments while supporting civil society to demand even greater improvements, maximizing the potential for advancements in governance.

B

Appendix B: Methodology and interviews

Sources for this evaluation include internal documents, external research, original analyses, interviews with RWI staff and board members, and case study interviews.

Internal documents include strategic plans, budgets, program plans, grant proposals, grant reports budgets, program case studies, and prior evaluations. External research includes EITI reports and studies, academic studies, and work published by RWI's partners. Original analyses cover EITI quantity and quality, potential country prioritizations, budget categorizations, global capital market impacts, and interview results.

- 120 internal and external interviews were conducted over the course of the project. Each interview included an open-ended discussion and structured questions on evaluation topics. The structured questions provide the opportunity to quantify responses, but qualitative feedback was preserved as well. Interviewees are detailed in Tables 2 through 8.

Table 2. Revenue Watch Institute interviews

Office	Name	Title
Board	Anthony Richter	Governing Board Chair
Board	Daniel Kaufmann	Governing Board
Board	Warren Krafchik	Governing Board
Board	Karina Litvack	Governing Board
Board	Smita Singh	Governing Board
New York	Karin Lissakers	President
New York	Suneeta Kaimal	Deputy Director
New York	Antoine Heuty	Deputy Director
New York	Morgan Mandeville	Director of Finance and Administration
New York	Alexandra Gillies	Head of Governance
New York	Matt Genasci	Head of Legal and Economics
New York	Patrick Heller	Senior Legal Advisor
New York	Robert Ruby	Head of Communications
New York	Jed Miller	Internet Director
London	Vanessa Herringshaw	Director of the European Office, Director of Advocacy
London	Matteo Pellegrini	Head of Capacity Development
London	Angela Mugore	Senior Capacity Development Program Officer
London	Varsha Venugopal	Capacity Development Program Officer – Sub-national

Accra	Emmanuel Kuyole	Anglophone Africa Regional Coordinator
Accra	Evelyne Tsague	Francophone Africa Regional Coordinator
Accra	George Lugalambi	Capacity Development Program Officer - Media
Accra	Johannes Schreuder	Africa Fellow
Accra	Emma Tarrant Tayou	Africa Regional Associate
Baku	Galib Efendiev	Eurasia Regional Coordinator
Jakarta	Chitra Retna	Asia Pacific Senior Regional Associate
Jakarta	Rosalita Arsyad	Asia Pacific Regional Associate
Jakarta	Chandra Kirana	Former Asia Pacific Regional Coordinator
Lima	Carlos Monge	Latin America Regional Coordinator
Lima	Fernando Patzy	Latin America Senior Regional Associate
Lima	Felipe Bedoya	Latin America Regional Associate
Lima	Claudia Viale	Latin America Research Assistant
MENA	Patricia Karam	Middle East and North Africa Regional Coordinator
MENA	Laury Haytayan	Middle East and North Africa Senior Regional Associate
MENA	Hiadar Essa	Iraq Program Coordinator

Table 3. Global partner and funder interviews

Organization	Name	Title
The William and Flora Hewlett Foundation	Kevin Bohrer	Program Officer, Global Development and Population Program
The ONE Campaign	Jamie Drummond	Executive Director and Global Strategy
Publish What You Pay	Marinke van Riet	International Director
Publish What You Pay	Joseph Williams	Senior Advocacy and Communications Officer
Global Witness	Gavin Hayman	Director of Campaigns

Table 4. Peru case study interviews

Organization	Name	Title
Grupo Propuesta Ciudadana (GPC)	Epifanio Baca	Head of extractive industries
GPC	Cynthia Vidal	Former head sub-national capacity work
GPC	Alejandra Muñoz	Head of sub-national capacity work

Pontifica Universidad Católica Perú	Dr. Flavio Figallo	Regional Knowledge Hub Project Manager
CooperAcción	Julia Cuadros	Director
CooperAcción	Juan-Diego Calisto	Associate
Red Muqui	Edwin Gonzales	Coordinator
RedGE	Alejandra Alyza	Coordinator
Piura Regional Government (Piura RG)	Maximiliano Ruiz	Vice-President
Piura RG	Guillermo Dulanto	Advisor to the Regional President
Piura RG	Mario Arellano	Director of the Investment Promotion sub-division
Piura RG	Antonio Arellana	Regional planning office
Piura RG	Samuel Godos	Regional planning office
Piura RG	Blanca Pinzon	Regional planning office
Independent consultant	Umberto Correa	Former natural resources and planning manager for the Piura regional government
Independent consultant	Eduardo Larrea	Former advisor to the Piura regional government
Centro de Investigación y Promoción del Campesinado (CIPCA)	Manuel Alburquerque	Executive Director
CIPCA	Mario Rufino	Communications Director
CIPCA	Julio Oviden	Staff
CIPCA	Luis Albirena	Staff
CIPCA	Alina Anton	Staff
Piura Regional Citizen's Monitoring Committee	Antenor Sihuay	Member
Piura Regional Citizen's Monitoring Committee	Deysi Velasquez	Member
Grupo Faro	Andrea Ordoñez	Research Director
Fundación Jubileo	Celica Hernandez	Extractive Industries

Table 5. Ghana Case Study Interviews

Organization	Name	Title
Ghana Institute of Management and Public Administration (GIMPA)	John-Peter Amewu	Head of extractive industries
GIMPA	Dr. Henry	Assistant to the Dean
Parliamentary Centre	Dr. Rasheed Draman	Director, Africa Programs
Parliamentary Centre	Abdulkarim Mohammed	Program Officer
Parliamentary Centre	Adams Fushieni	Senior Governance Advisor

Integrated Social Development Center (ISODEC)	Philomena Johnson	Coordinator, Institute for Fiscal Policy
ISODEC	Yacoub Zechariah	Director of Programs
ISODEC	Akpene Dzeedzere	Program Officer for the Sub-national Program
ISODEC	Kwaku Darko Aferi	Member of the Steering Committee for the Civil Society Platform on Oil and Gas
ISODEC	Jonathan Adabre	Institute for Fiscal Policy
Pen Plus Bytes	Kwami Ahiabenu	Member of the Board of Directors
Pen Plus Bytes	Kofi Mangesi	Staff
Africa Center for Economic Transformation	Dozie Okpalaobieri	Legal and Policy Advisor
Public Interest Accountability Committee	Major Daniel Sowah Ablorh-Quarcoo	Chair
Parliament of Ghana	Hon. Albert Kan Dapaa	Chair of the Public Accounts Committee
German Development Corporation	Alan Lassey	Head of Resource Governance Program
Danish Education for Development Corporation (Ibis)	Mohamed Amin Adam	Coordinator, Africa Against Poverty

Table 6. Sierra Leone case study interviews

Organization	Name	Title
National Advocacy Coalition on Extractives	Dr. Mustapha Olajiday Thomas	Director
National Advocacy Coalition on Extractives	Cecilia Christiana Mattia	Coordinator
Government of Sierra Leone	Herbert M'cleod	Strategy and Policy Unit, Office of the President
Government of Sierra Leone	Emmanuel T. Komba	Deputy Secretary, Ministry of Mineral Resources
Parliament of Sierra Leone	Hon. Chernor R.M. Bah	Chair of the Mining Committee
Danish Education for Development Corporation (Ibis)	Tijani Ahmed Hamza	Country Director for Sierra Leone
Green Scenery	Joseph Rahall	Executive Director
Awoko Newspaper	Saidu Ba	Reporter

Table 7. Indonesia case study interviews

Organization	Name	Title
EITI Indonesia Secretariat	Ananda Idris	Team Leader
EITI Indonesia Secretariat	David W. Brown	World Bank Advisor on Extractive Industries

EITI Indonesia Secretariat	Dyah Hestu Lestari	Stakeholders Specialist
Institute for Essential Services Reform (IESR)	Fabby Tumiwa	Executive Director
IESR	Yesi Maryam	Outeach Officer for Extractive Industries
Indonesia Corruption Watch	Firdaus Ilyas	Chief of Budget Monitoring and Analysis
Publish What You Pay – Indonesia	Ridaya Laodengkowe	Coordinator
Indonesian Parliamentary Center	Sulastio	Director
Pattiro – The Center for Regional Information and Studies	Maryati Abdullah	Program Manager for Extractive Industries Transparency
National Bureaucracy Reform Steering Committee	Erry Riyana Hardjapamekas	Chairman
Transparency International Indonesia	Frenky Simanjuntak	Manager – Economic Governance Department
Bojonegoro Institute	Joko Purwanto	Executive Director
Bojonegoro Institute	Mustofirin	Program Coordinator
Bojonegoro Institute	Abdul Muis	Researcher
Finance Office of the Bojonegoro District Secretariat (Bojonegoro Finance Office)	Herry Sudjarwo	Director
Bojonegoro Finance Office	Waji	Secretary
Bojonegoro Finance Office	Muhadi	Head of the Balancing Office
Natural Resource Section of the Bojonegoro District Secretariat (Bojonegoro Natural Resources)	Fajar Yudhy	Director
Bojonegoro Natural Resources	Arnosz Settyawan	Assistant to the Director
Bojonegoro District Parliament	Abdul Wahid	Vice-chair of the Parliament
Tempo Media	Sujatmiko	Journalist
LPAW-Blora	Hamdan Maulauna	Project Coordinator
LPAW-Blora	Ahmad Solikhin	Staff
LPAW-Blora	Iman Alba	Staff
LPAW-Blora	Yudha Supriyanto	Staff
LPAW-Blora	Hamdani	Staff
LPAW-Blora	Mundir	Staff
Indonesia Center for Environmental Law	Dyah Paramita	Researcher
Bantay Kita	Maita Gomez	Former Director

Table 8. Remote case studies interviews

Organization	Name	Title
Iraq Reconstruction Institute	Khaldoun Kobba	Executive Director
Economic Research Center (Azerbaijan)	Gubad Ibadoglu	Chairman
Public Finance Monitoring Center (Az.)	Ingilab Ahmadov	Director
ROTAB	Ali Idrissa	Coordinator