The Operation of Non-Governmental Organizations (NGOs) in a World of Corporate and Other Codes of Conduct

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March 2007 │ Working Paper No. 34

HARVARD UNIVERSITY │ JOHN F. KENNEDY SCHOOL OF GOVERNMENT

Citation

This paper may be cited as: Nelson, Jane. 2007. "The Operation of Non-Governmental Organizations (NGOs) in a World of Corporate and Other Codes of Conduct." Corporate Social Responsibility Initiative, Working Paper No. 34. Cambridge, MA: John F. Kennedy School of Government, Harvard University. Comments may be directed to the author.

This paper was prepared for the 52nd Annual Conference of the Rocky Mountain Mineral Law Institute. A revised version was published in *Rocky Mountain Mineral Law Institute*, Fifty-Second Annual, 8-1 (2006).

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THE OPERATION OF NON-GOVERNMENTAL ORGANIZATIONS (NGOs) IN A WORLD OF CORPORATE and OTHER CODES OF CONDUCT

I.   THE GROWING ROLE AND IMPORTANCE OF NGOs

II.   NGOs AND THE EXTRACTIVE SECTOR

1. Key Types of Engagement: Confrontation; Communication; Consultation; Cooperation
2. Key NGO Players
3. Key Issues

III.   NGO ACCOUNTABILITY

1. Accountability issues for NGOs
2. Frameworks for analyzing NGO accountability
3. Mechanisms for achieving NGO accountability: legal, civic and self-regulatory

IV.   STRATEGIES FOR COOPERATIVE NGO-BUSINESS ENGAGEMENT

1. Evaluating and improving project and industry performance
2. Mobilizing joint resources to solve specific development or operational challenges
3. Jointly strengthening public sector governance, capacity and policy frameworks

ENDNOTES
USEFUL RESOURCES ON NGOs and ACCOUNTABILITY

APPENDICES:

I.   Summary of the International Non-Governmental Organizations (INGO)Accountability Charter
II.   Summary of the International Council on Mining and Metals (ICMM's) 10 Principles for Sustainable Development

I.   THE GROWING ROLE AND IMPORTANCE OF NGOs

Over the past two decades the processes of democratization, economic liberalization and technological transformation have led to a dramatic growth in the number, diversity, reach and influence of civil society organizations and networks. These range from transnational coalitions, international non-governmental organizations and global trade unions, to millions of community-based initiatives, supported by unprecedented communications capacity via the Internet and global media. They include social and political movements, indigenous peoples' groups, youth organizations, women's groups, environmental, human rights and development organizations, consumer groups, faith-based initiatives, professional associations, trade and industry organizations, chambers of commerce, philanthropic foundations, universities, policy think-tanks, and scientific and research institutes. They operate individually and collectively at all levels of society and have an impact on many aspects of peoples' lives, ranging from their political and civil rights and obligations, to economic, social and cultural rights and opportunities.

Dr Lester M. Salamon, Director of the *Center for Civil Society Studies* at Johns Hopkins University has argued that, "We seem to be in the midst of a 'global associational revolution' - a massive upsurge of organised voluntary private activity, of structured citizen action outside the boundaries of the market and the state, that I am convinced will prove to be as momentous a feature of the late 20th Century as the rise of the nation-state was of the late 19th Century."[1]

The growing reach and scale of civil society organizations is illustrated in Box 1. These organizations, referred to as NGOs for the purpose of this paper, undertake a wide variety of activities at the community, national, regional and global level. These activities include the following:
- *Advocacy, Analysis and Awareness Raising* – acting as a voice for people both on a representative and self-appointed basis; researching, analyzing and informing the public about issues; mobilizing citizen action through media campaigns and other forms of activism; and lobbying business leaders and policymakers.
- *Brokerage* – acting as an intermediary between different sectors and groups.
- *Conflict resolution* – acting as a mediator and facilitator.
- *Capacity Building* – providing education, training and information.
- *Delivery of services* – operational delivery of essential humanitarian, development and/or social services.
- *Evaluation and Monitoring* - serving as a 'watchdog' or third party / independent 'auditor'', both invited and uninvited, of government and corporate performance, accountability and transparency.

As the *Carnegie Commission on the Prevention of Deadly Conflict* pointed out in its 1997 report, "Non-governmental organizations at their best provide a vast array of human services unmatched by either government or the market, and they are self-designated advocates for action on virtually all matters of public concern."[2]

BOX 1: THE GROWTH IN REACH, NUMBER AND INFLUENCE OF CIVIL SOCIETY ORGANIZATIONS

Research undertaken over a ten-year period in 26 countries by the *Johns Hopkins Comparative NonProfit Sector Project* has revealed that non-profit organizations account for some 31 million employees in these countries (19.7 million paid employees and the equivalent of 11.3 million full-time volunteers). This represents about 7% of the workforce and 1 out of every 8 service sector workers. If the non-profit sector in these countries were a separate national economy, it would be the 8th largest in the world with US$1.2 trillion in expenditures. The size and growth in this sector is impressive in developing and transition economies, as well as in the OECD economies. There are over 200,000 nonprofit organizations registered in countries such as India, Brazil, Bangladesh and the Philippines, for example, with operating expenditures of billions of dollars and reaching millions of people.

The UNDP Human Development Report 2000 (HDR) estimates that one person in five participates in some sort of civil society organization. People are participating in national poverty hearings, peasants associations, indigenous peoples associations, and truth and reconciliation commissions in post-conflict situations – and at the local level, in tenants associations, school boards, water users associations and community planning. They are also demanding more transparency and accountability from governments and large companies.

The 2000 HDR also points to the flourishing of international NGOs and their networks – rising in number from 23,600 in 1991 to 44,000 in 1999. Some of these NGOs have extensive global outreach with thousands of direct members in different countries. Others have used the power of the Internet to mobilize individuals and organizations to support a particular cause and to influence government and inter-governmental action. Examples include: the Nobel Prize winning International Campaign to Ban Landmines, the Jubilee 2000 initiative on debt relief, civil society support for the International Criminal Court, and Citizens Against the Multilateral Agreement on Investment.

Nearly 3,000 NGOs have accredited consultative status with the United Nations Economic and Social Council, compared to some 700 in 1992, and 40 in 1948.

The direct involvement of civil society organizations in World Bank projects has risen steadily over the past decade from 21 percent of the total number of projects in fiscal year 1990, to some 72 percent in fiscal year 2003.

The Organisation for Economic Cooperation and Development (OECD) estimates that by the late 1990s, some US$11-12 billion in contributions were being made annually by civil society organizations from their own resources to support international development projects.

Over 40% of funds from the United States Agency for International Development (USAID) is now channelled through NGOs rather than going directly to governments.

One private foundation, the Bill & Melinda Gates Foundation, is spending over $1 billion a year on global health, much the same as the World Health Organization's entire annual budget.

Foreign Policy Magazine reported in December 2005 in 'The Tsunami Report Card', that the U.S. government had pledged a total of US$ 857 million to relief efforts for the Asian Tsunami, while U.S. private and corporate donations totalled at least $1.48 billion. The UN Office of the Special Envoy for Tsunami Relief estimated that private individuals and corporations around the world raised over US$5 billion in total, compared to about US$ 6 billion from governments and $2.3 billion from International Financial Institutions.

Sources: UNDP, UNCTAD, OECD, the World Bank, USAID, UN Office of the Special Envoy for Tsunami Relief, Johns Hopkins University, the Financial Times, and Foreign Policy Magazine

Why should the business community care about the growing role and importance of NGOs?

Although there is great variation between different types of industry sector, company and country, as well as different types of NGO, in a growing number of cases the activities of NGOs are starting to influence corporate reputation, risk management, costs, revenues and social licence to operate. NGOs are also influencing the emergence of new business models, new corporate accountability mechanisms and institutional structures, non-traditional cross-sector alliances, and changes in the public policy environments or framework conditions under which certain industries operate.

Campaigning NGOs and trade unions, in particular, have played an important role in changing societal expectations of business by influencing the views and choices of consumers, employees, investors, regulators, students, and the general public. Although public campaigns focused on corporations have been a longstanding feature of democratic and open civil societies, in the past decade they have grown markedly in scope, number and impact as a result of factors such as the increased reach of the global media and Internet, growing public awareness of issues beyond peoples' own immediate community or country, and the growing reach, influence and power, both real and perceived, of business itself.

As a result of these changing societal expectations of business, many companies are facing increased pressure from different stakeholder groups to demonstrate good performance not only in terms of their financial results, market growth and competitiveness, but also in terms of their corporate governance, and their ethical, social and environmental performance. In response to this pressure, the concepts of corporate responsibility and corporate citizenship are moving beyond the boundaries of legal compliance, public relations and 'nice-to-do' philanthropy, to become more central to corporate strategy, risk management and accountability.[3]

From the perspective of corporate accountability - at least for companies operating in open, democratic societies - business is increasingly held to account not only in the courts of law, but also in the court of public opinion. A 'court' that is fundamentally shaped by the media and NGOs, ranging from sophisticated global campaigns to grassroots activism. There are a growing number of examples in industry sectors ranging from oil and mining to food and pharmaceuticals, in which companies have faced media campaigns or litigation in which their operations in question have been in compliance with relevant national or international law, but they have been unable to gain sufficient trust or legitimacy from the general public or key stakeholder groups to sustain these operations in an effective and profitable manner.

Cause célèbre examples where supportive legal opinion or scientific evidence has been insufficient to sway public opinion in favor of a particular company's or industry's actions include: the Greenpeace campaign in 1995 against the planned disposal of Shell's Brent Spar oil platform; the consumer and environmental campaign against Monsanto's introduction of genetically modified products in Europe in the 1990s; and the HIV/AIDs

activists campaign against a group of pharmaceutical companies that initiated a court action against the South African government in 2001 on issues relating to intellectual property rights and the importation of generic HIV/AIDs medicines. As Professor John Ruggie and Beth Kytle argued in their paper, *Corporate Social Responsibility as Risk Management*, "Even where companies break no local laws, they may stand in violation of their own self-proclaimed standards or be accused of breaching international community norms."[4]

The 'trust premium' enjoyed by NGOs has also been a key factor in shaping public expectations of the private sector in recent years. In many public opinion surveys NGOs are ranked as the most trusted institutions in society and they usually dominate issues such as human rights, health and the environment in terms of trust. The *2006 Edelman Trust Barometer*, for example, which tracks the attitudes of nearly 2,000 opinion leaders in 11 countries around the world, concluded that, "Trust in non-governmental organizations (NGOs), which have consistently been the most-trusted institution in Europe during the six years that the survey has been conducted, has steadily increased in the U.S. (up from 36% in 2001 to 54% in 2006); and increased significantly in the last 12 months in Canada and Japan. …NGOs are now the most-trusted institution in every market except Japan and Brazil. The widespread rise in trust of NGOs has now extended to Asia, especially in China, where ratings went from 36% to 60% in the last 12 months."[5]

During the same period, trust in government and business has either decreased or remained low in many countries, clearly not helped by a variety of corporate governance crises, growing public suspicion of the power of 'big business', and a series of high-profile public and private corruption and ethics scandals. In January 2003, for example, the World Economic Forum and Environics released a global public opinion survey that asked 34,000 people across 46 countries to rank the trustworthiness of 17 different types of institutions, to "operate in the best interests of our society." [6] While an average 59% of respondents ranked NGOs highly, business and government were among the least trusted, and showed a significant and widespread decline in trust compared to previous surveys.

In summary, over the past two decades NGOs have become a force to be reckoned with. Although there has been a severe government backlash against civil society organizations and civic activism in a number of countries, ranging from Russia to Zimbabwe, there can be little doubt that overall these organizations have an increasingly substantial impact around the globe, with increasingly large amounts of resources at their disposal, and increasingly high levels of trust among the public.

At the same time, NGOs face growing scrutiny and pressure from the media, regulators, companies and each other, to better account for both the impact and integrity of their own activities.

AccountAbility, a leading international nonprofit institute working with business, civil society and the public sector to promote new tools and approaches for ensuring that organizations in all sectors are held to account for their impacts on people and the planet,

state, "Civil society organizations are growing in number and influence. From volunteers in poor communities to professional multinational aid agencies, they provide services, raise awareness and influence public policy. As with any organization, better accountability means better performance – good intentions do not make NGOs immune from the need to understand and learn from their stakeholders."[7]

James McGann and Mary Johnstone at the Foreign Policy Research Institute describe the issue as follows, "…the increasing power of NGOs has prompted scholars, governments, and the media to raise questions about the roles and responsibilities of these new global, non-state actors. Fundamental questions include: how many NGOs actually exist, and what are their agendas? Who runs these groups? Who funds them? And, perhaps most significantly, to whom are NGOs accountable, and how and what influence do they actually have on world politics?"[8]

Section III of this paper looks at the evolving issue of NGO accountability in more detail, but first we look at the relationship between NGOs and the extractive sector.

II.   NGOs AND THE EXTRACTIVE SECTOR

One of the most interesting institutional developments and social trends over the past decade has been the evolving relationship between NGOs and the corporate sector. Nowhere has this evolution been more multidimensional, intense and strategic than in the natural resource sector, particularly in the case of non-renewable resource extraction: oil, gas and mining. Broad reasons for this include the following:

- *Large 'footprint' players* - Regardless of where they operate, be it in the United States or developing economies, energy and mining operations have a large 'footprint' in terms of the extent and intensity of their physical, social, economic, environmental and often political impacts. For NGOs – be they operational or campaigning NGOs – companies with major impacts on society and the environment present an obvious target for either campaigning against or working with, in order to effectively address difficult socio-economic and/or environmental challenges. As MiningWatch Canada describes it, "Mining is an extremely high stakes game for public policy, finance markets and most importantly communities and ecosystems."[9]

- *Complex and problematic operating environments* - Since they need to go where the resources are, energy and mining companies often operate in situations that would not normally attract private or foreign investment - situations characterized by highly complex and problematic governance and/or physical conditions, and all too often high levels of poverty and/or inequality. While some of these conditions are within the control or influence of the company and its business partners, many of them are not. In either case the companies, especially publicly quoted ones, still represent an important lever for NGOs focused on addressing such conditions.

- *Generation of large public revenues* – Successful oil, gas and mining projects generate large public revenue flows, in some cases in a relatively short period of time. Even in industrialized, democratic countries, the use and allocation of these revenues is an issue of contestation between different levels and parts of government, and can also lead to economic 'boom and bust' conditions, which can harm local livelihoods and communities. In areas of weak governance the situation is even more challenging. These revenues can at best overwhelm the capacity of governments to efficiently and responsibly allocate them to sound development purposes, and at worst may be blatantly used for purposes that are directly inimical to the best interests of the country's citizens – and even directly against the human rights of these citizens.

  As a 2006 study, *Managing Mineral Resources through Public-Private Partnerships*, by the Woodrow Wilson School of Public and International Affairs concluded, "Evidence across many developing countries, particularly those in sub-Saharan Africa, shoes that high dependence on mineral and other natural resource endowments is correlated with an increased incidence of poor governance, underdevelopment, human rights abuse and violent conflict – a phenomenon otherwise known as the "Resource Curse."[10]

  Much has been researched and written about the so-called 'Resource Curse' and "Dutch Disease' (the distortion of national economies or decline in manufacturing resulting from heavy dependence on natural resources, sharp surges in natural resource prices or large financial inflows). Yet, not enough has been done in a practical sense to prevent it happening and to find viable solutions on-the-ground. Once again, NGOs with an interest in tackling poverty, corruption and bad governance look to major energy and mining companies both as protagonists and potential partners.

- *NGO ability to access and influence major publicly-quoted companies* – Linked to all of the above, depending on the situation in question, NGOs aiming to either bring about change or operate effectively in difficult governance and physical environments, often find senior corporate decision-makers easier to gain access to and influence than government ministers, even in many democracies, let alone less-democratic countries. This is especially the case with large publicly quoted companies that have public reputations and shareholder pressures to worry about. The power of the major energy and mining companies relative to their state-owned counterparts (which are much harder for NGOs to gain access to) is often perceived to be greater than it actually is. An August 2006 article in the Economist magazine lists the world's largest oil and gas firms by proven reserves – Exxon Mobil the largest non-state controlled company ranks only 14 on the list.[11] Despite this reality, large, publicly-quoted energy and mining companies are still very influential in shaping industry trends and behaviours, especially on a collective basis. As such, working either with or against such companies, and sometimes doing both simultaneously, is an effective strategy for many campaigning and operational NGOs.

1.   Key Types of Engagement

NGO engagement with the extractive sector ranges from the instigation of major lawsuits, shareholder activism and media campaigns targeted against specific enterprises or the sector-at-large, to community-level partnerships and traditional philanthropic arrangements, to the emergence of sector-wide accountability mechanisms and cooperative agreements.

At the risk of over-simplifying a highly varied and complex set of relationships it is possible to identify four major categories of engagement between NGOs and extractive sector companies:

- Confrontation
- Communication
- Consultation
- Cooperation.

These different categories are not mutually exclusive and often the same NGO and same company will be engaged with each other in several different ways. Equally, there can be enormous variation within each category in terms of the degree, intensity and operational implications of the engagement. Confrontational modes of engagement, for example, can range from major lawsuits to a local media campaign, or from a labor strike or community conflict that slows down operations to one that closes operations. Likewise, cooperation can range from working together on a specific project in a specific community to a global industry-wide alliance addressing a complex and strategic issue such as revenue transparency, corruption, biodiversity or climate change.

All four modes of engagement can be relevant at the local project or community-level, the national level or internationally, and they can be relevant for individual NGO engagement with an individual company, or collective types of engagement involving groups of NGOs and/or companies. Notwithstanding these caveats, the four broad modes of engagement are summarized in Table 1.

Table 1: NGO Engagement with the Extractive Sector[12]

Mode of Engagement	Types of activity	Examples
CONFRONTATION *Antagonistic relationships*	Lawsuits, litigation and other legally-driven or supported actions;	Alien Tort Claims Act – i.e. cases against Shell, ExxonMobil, Shell, RioTinto, Chevron etc.
	Media and other campaigns targeted at the reputational or moral liability of companies;	No Dirty Gold; Publish What You Pay; Blood Diamond campaigns; Global Mining Campaign network
	Shareholder resolutions or campaigns targeted at major investors or bankers to disinvest from specific projects and/or companies	Growing number of cases
COMMUNICATION *One way information flows*	Regular reporting and/or information availability from the companies or from specific projects	Corporate sustainability reporting processes
	Site visits for NGOs and community leaders	Increasingly commonplace
	Research studies by NGOs on extractive sector or specific projects	Oxfam 'Mining Ombudsman Project'; Over 65 NGO research reports on extractive sector projects
CONSULTATION *Two-way dialogue and processes to listen to and incorporate different views and feedback into organizational decision-making and policy making*	Community or project- level consultation structures	Many energy and mining projects
	Strategic, industry-wide or national consultation mechanisms	The Mining Minerals and Sustainable Development review; the World Bank's Extractive Industries Review; the ICMM Resource Endowment Initiative; Peru's Mining Roundtable; the Canadian Roundtables on the Extractive Industries; South Africa's Mining Charter; Framework for Responsible Mining project
COOPERATION *Formal agreements to work together in a mutually supportive manner*	Strategic philanthropy and community investment initiatives that harnesses core corporate competencies and aligns with core business interests i.e. enterprise, science and technology education; environmental education; health etc.	Many extractive companies and NGOs are creating strategic alliances – often with a focus on local economic development; education and training and environmental issues.
	Joint research projects, tools development, capacity building or training	ICMM's Resource Endowment project; UN Global Compact Policy Dialogues; International Alert's Conflict Impact Assessment Tool; NGO capacity building programs
	Global Trade Union Framework Agreements	Over 10 ICEM agreements
	Collaboration on more strategic issues, industry standards and public policy at a national, regional or industry-wide level	Extractive Industries Transparency Initiative; Kimberley Process; Voluntary Principles; International Cyanide Management Code.

2.   Key NGO Players

There are probably a greater variety and number of NGOs working with and/or campaigning against the extractive sector than any other industry sector. Some of these have been created with a dedicated focus on the extractive sector, or elements of the sector – including NGOs that have been established to target one commodity or even one company. They range from grassroots, community-based initiatives operating around only one project, to national advocacy NGOs, research institutes and think tanks, to international development, human rights and environmental NGOs and trade unions.

Well-known examples of NGOs or networks of NGOs that focus their activities exclusively on the mining and/or energy sectors include: Earthworks; MiningWatch Canada; Mineral Policy Institute, Australia; Canadian Artic Resources Committee; Mining Policy Research Initiative; Mineral Policy Center; Center for Science in Public Participation (CSP[2]); Mining and Communities website; Mining News wesbite; Partizans; Mines, Minerals and People, India; Minewatch Asia Pacific, Philippines; Westerners for Responsible Mining in North America; and the Global Mining Campaign network.

Examples of NGOs or NGO networks that have broader agendas, but key programs of activity focused on or involving the extractive sector include: Oxfam, in particular Oxfam America and Oxfam Community Aid Abroad in Australia and its Mining Industry Ombudsman program; Human Rights Watch; Business and Human Rights Resource Center; Amnesty International; Human Rights First; International Commission on Human Rights and Administrative Justice; International Alert; Worldwide Fund for Nature; Conservation International; Friends of the Earth; International Institute for Sustainable Development; International Institute for Environment and Development; Global Witness; Transparency International; the Center for Public Interest Law; Environmental Law Institute; the Canadian Network on Corporate Accountability; CARE International; Third World Network; the Halifax Initiative; CorpWatch; and the International Center for Corporate Accountability.

Over the past two decades, these NGOs have played a major role in shaping public expectations of the extractive sector and influencing both corporate and government actions through all four modes of engagement outlined in the previous section, with some adopting more confrontational approaches and others more cooperative means, and many a combination of all four modes.

They have established public advocacy campaigns, facilitated lawsuits, supported local community organizations and indigenous peoples' groups by providing them with training, funds and networks, and engaged in governmental and inter-governmental consultation processes. They have worked constructively with energy and mining companies on-the-ground in a variety of national and community-based projects and more strategically in establishing mechanisms such as the Voluntary Principles on Human Rights and Security, the Kimberley Process, the Extractive Industries Transparency Initiative, and the International Cyanide Management Code, which are

discussed in section IV of this paper. Some of these NGOs have also carried out research and monitoring activities of specific commodities, companies and extractive projects. In his interim report to the Commission on Human Rights, the UN's Special Representative on Business and Human Rights, Professor John Ruggie, surveyed 65 recent reports by NGOs on business and human rights issues – two thirds of the total related to oil, gas and mining activities.[13] Such reports include studies of extractive sector projects in countries such as Angola, Azerbaijan, Burma, Chad-Cameroon, Colombia, Democratic Republic of the Congo, Ecuador, Indonesia, Nigeria, Papua New Guinea, the Philippines, and Sudan.

The International Federation of Chemical, Energy, Mine and General Workers Unions (ICEM), is the major trade union network working in and with the extractive sector, representing more than 20 million workers through 379 industrial trade unions in 123 countries in 2006.[14] In addition to active engagement in the UN Global Compact and a number of major sector initiatives such as the World Bank's Extractive Industries Review, ICEM has played an important role in recent years in spearheading the development of negotiated Global Framework Agreements with selected companies. The aim of these agreements are to put in place a set of principles and standards, together with a regular review mechanism for corporate executives and trade union leaders, relating to trade union rights, health, safety, environmental practices and quality of work in all operations of a multinational regardless of whether or not these standards exist in an individual country's statutes. As of mid 2006, ICEM had negotiated such global agreements with Lafarge, Rhodia, Electricit de France (EDF), SCA, Eni, Anglogold, Norske Skog, Endesa, Freudenberg, and Statoil.

In reviewing the key NGOs active in the extractive sector it is important to also note those examples of NGOs that have been created, funded and/or led by the extractive sector itself. In addition to more traditional trade and industry associations that represent the sector, such as Chambers of Mines and Petroleum Associations, there are also a number of industry-supported NGO's that have a focus on addressing broader social, economic and environmental issues relevant to the sector. These include: the International Council of Mining and Metals (ICMM); the International Petroleum Industry Environmental Conservation Association (IPIECA); and the Rocky Mountain Mineral Law Foundation (RMMLF).

In addition, a number of multi-industry NGOs that focus on these broader issues also have many oil, gas and mining members and programs that actively engage this sector. Examples include the World Business Council for Sustainable Development; the World Economic Forum and its energy and mining governors groups; the International Business Leaders Forum; the Business Leaders Initiative on Human Rights, and Business for Social Responsibility.

In summary, there are a large number and diversity of NGOs operating in ways that both influence and are influenced by the policies and practices of the extractive sector.

3.   Key Issues

Despite the wide variety of views and approaches to addressing oil, gas and mining issues, both within and between the NGO sector and the extractive sector, there is a surprisingly strong commonality in terms of identifying what these key issues are. Table 2 summarizes the key issues identified by the World Bank's Extractive Industries Review; the Mining, Minerals and Sustainable Development project; the NGO-led Framework for Responsible Mining; individual energy and mining companies, and joint research undertaken by Amnesty International and the International Business Leaders Forum. Those issues highlighted are the most commonly cited in almost all the studies and reports reviewed.

Table 2: Key Extractive Sector Issues of Common Interest to NGOs and Companies

Set of Issues	Examples
Access to and sustainability of natural resources	- Land use and access issues 'No go' zones/ Protected Areas/ biodiversity/ destruction of natural habitat **Waste management, tailings disposal, use of toxic substances, hazardous emissions** **Water use, contamination and pollution** - Legacy issues – degraded lands and water, reclamation, remediation - Greenhouse gas emissions - Independent environmental impact assessments and monitoring/oversight
Social and economic development	**Resettlement/relocation and compensation** **Access to sustainable alternative livelihoods** - Local economic development and value-added **Small-scale and artisanal mining issues** - Occupational safety and fatal risks - Public health impacts in surrounding communities – HIV/AIDs and other communicable diseases - Emergency prevention and response - Education, training, schools - Impact of 'boom and bust' development patterns **Macroeconomic impacts of major revenues and fluctuating commodity prices** - Integrated mine closure planning, costs and remediation - Impact on poverty reduction - Socio-economic impact assessments and monitoring

Conflict and security	• **Extractive projects creating, exacerbating, contributing to or benefiting from resource-based conflicts** • **Use of public and private security forces – deployment, conduct, training** • Conflict impact assessments and monitoring
Human rights	• **Indigenous peoples' rights** • **Land and property rights** • **Forcible relocation** • **Labor rights – including forced and bonded labor, freedom of association** • Minority and womens' rights • Harassment of human rights activists and defenders • Disappearance, extra-judicial killing • Cultural and religious rights • **Complicity in human rights abuses** • Corporate spheres of influence for human rights • Human rights impact assessment and independent monitoring
Governance and participation	• **Revenue distribution and allocation** • **Transparency of revenue flows** • Disclosure of other project documents, contracts and compacts • Anti-corruption measures • Adequacy and fairness of the tax regime for mining • Energy and mining policy reform and effective regulatory and legal frameworks • **Community consent processes – prior and informed consent – community access to information, participation and influence** • Independent grievance mechanisms • Clarity of local, regional and national government roles, revenues and responsibilities • **Strengthening governance capacity and public institutions** • Multi-stakeholder accountability mechanisms

In summary, apart from those NGOs that have the goal of stopping all oil, gas and mining activities, there is growing commonality between many NGOs and companies on the key issues and challenges facing the extractive sector. Whether it is managing the social, economic and environmental impacts of extractive sector activities; protecting and promoting human rights; or ensuring good governance, accountability and public participation in connection with such activities, there is growing agreement that the role and responsibility of extractive companies should be:

- First, 'do no harm' by identifying, minimizing and where possible mitigating or preventing the negative impacts and risks resulting from their activities, and
- Second, 'proactively do good' by optimizing the positive development impacts, local value creation and multipliers from these activities.

As Oxfam stated in its 2004 Mining Ombdusman annual report, "Oxfam Community Aid Abroad believes that private sector investment [in mining] can be a driver of economic growth and poverty reduction, provided appropriate regulations and controls exist. However without adherence to human rights standards, mining can cause the loss of livelihoods, degradation of land and waterways, and increased violence and conflict."[15]

Having said this, differences – and often, strong levels of disagreement – persist on the following points:

- Who is primarily responsible (business, government, donors, others) for addressing these challenges?
- What are the most appropriate approaches and solutions to adopt?
- What are the priorities when socio-economic and environmental trade-offs need to be made?
- What are the most appropriate frameworks and mechanisms (voluntary, market-driven, mandatory, regulatory) for holding companies accountable?

Differences and disagreements also persist on the means and terms employed by some of the advocacy NGOs in their efforts to evaluate and raise public awareness of socio-economic, environmental and human rights conditions in oil, gas and mining projects. There is no doubt that abuses and negative impacts in all these areas have occurred in the past, and continue to occur, despite increased efforts by a growing number of companies and governments to prevent them. As outlined previously, NGOs have often played a crucial role in 'shining the spotlight' on some of the most egregious of these cases, and in agitating, demonstrating and in some cases litigating for improved corporate behavior and/or more rigorous government oversight and regulation. Some of the world's most respected corporate brands – in the extractive sector among others – have been the target of such NGO action, in many cases deservedly so, but not always.

The 'watchdog' role of NGOs will continue to be important, especially in zones of weak governance. Yet this raises the question of who watches the watchdogs? Who adjudicates the scientific evidence when companies and NGOs differ on levels of water pollution or toxic chemicals? Who determines corporate spheres of influence and corporate complicity in human rights abuses? Who legitimately speaks for the poor or for local communities, especially when such communities are characterised by ethnic, religious or

socio-economic divisions? Who determines the fair level of compensation for resettlement or lost livelihoods? Who defines the boundaries of biologically sensitive 'no-go' areas? Who monitors who, and with what level of legitimacy, authority and accountability for statements made in the public domain?

Even in democratic societies such questions remain highly complex and contested, as the ongoing public debate about energy exploration and development in Alaska's Artic National Wildlife Refuge (ANWR) demonstrates. These questions are even more challenging in developing countries, where extractive sector projects are often operated by a mix of foreign publicly quoted and state-owned companies and national state-owned enterprises, with differing levels of public accountability and vulnerability to NGO campaigns. And where NGO activism itself is often a mix of local grassroots organizations supported and influenced by international NGOs, and in certain countries strategically influenced by diverse political interests and sometimes warring factions.

Just as there will always be companies, especially in weak governance zones, which consistently and intentionally operate in destructive, illicit or illegal ways that create, exacerbate or benefit from conflict and human suffering, there will be certain NGOs that act illegally or as fronts for 'uncivil' purposes such as laundering drug money, funding violence and terrorism, or consistently and intentionally using unethical and dishonest means to achieve their ends. Our focus here is not on such entities, but on those companies and NGOs that have the intention to 'do no harm' and to 'do the right thing' in terms of their impact on the public good. Even in these cases, irresponsible behavior and lack of accountability occurs on both sides – both intentional and unintentional. Much has been written about such behavior and accountability deficits on the corporate side, and rightly so given the power and influence of major corporations. But as the power and influence of major NGOs continues to grow, their own behavior and accountability is coming under greater scrutiny – not only from donors, regulators, companies and the media, but also from NGO leaders themselves.

Michael Edwards, Director of Governance and Civil Society at the Ford Foundation, argues the case for NGO accountability as follows: "Accountability is the price we pay for the freedom to exercise power and authority in a democratic society. NGO power may be 'soft' and our authority 'informal', but we are increasingly influential actors and so must take our responsibilities as seriously as our rights." [16]

Edwards' call to action is echoed by a growing number of other leaders in the NGO community. Kumi Naidoo, Secretary-General and CEO of CIVICUS, the World Alliance for Citizen Participation, with over 1000 members in some 100 countries, comments, "The debate over civil society accountability is gaining momentum, and more and more civil society actors are entering the discussion and engaging with accountability challenges head-on. While negative criticism from external actors has helped to fuel the debate, it's important not to underestimate the internally generated drive toward accountability on behalf of many in civil society." [17]

The following section looks at the evolving debate on and practice of NGO accountability, focusing on some of the key drivers for change, the accountability and legitimacy challenges faced by NGOs, and mechanisms being developed to respond to these.

III   NGO ACCOUNTABILITY

1.   Accountability Issues for NGOs

The growing interest in NGO accountability is coming from a variety of sources and focusing on a range of issues.

Lisa Jordan of the Ford Foundation argues that NGOs are being asked to, "…address three types of accountability questions by a wide variety of actors – effectiveness questions, questions of organizational reliability and legitimacy questions."[18] She cites donors, governments, political opponents, sector associations, partners and academics as some of the key groups asking such questions.

Kumi Naidoo of CIVICUS lists three key levels of accountability that need to be considered: *upward accountability*, to funders and meeting the formal requirements of regulatory provisions where they exist; *downward accountability*, to the people who are being served or the constituency in whose name the rationale for existence is achieved in the first place; and *horizontal accountability* or peer accountability, failure of which can lead to unnecessary duplication, failure to forge the appropriate synergies, and the wastage of resources. [19]

David Brown, Mark Moore and James Honan of Harvard University's Hauser Center for Nonprofit Organizations suggest three core questions that NGOs should ask in terms of assessing their accountability to different stakeholders:[20]
- Are we accountable on *moral* grounds to this stakeholder? Are we answerable in terms of core values of the society, the domain, or our own organization?
- Are we accountable on *legal* grounds to this stakeholder? Are we answerable in terms of laws, regulations, formal policies or 'customs having the force of law'?
- Are we accountable on *prudential* grounds to this stakeholder? Are we answerable because the stakeholder can impose high practical costs for failures to respond?

A key NGO accountability issue from the perspective of companies and other organizations that are the subject of NGO advocacy campaigns is the veracity, accuracy and authority with which public statements about the company or companies in question are made - and the lack of standards against which these statements can be assessed and the NGOs in question held accountable. Common criticisms include public statements that are either factually incorrect, highly selective in terms of all the available evidence and information, or focused on a specific incident without providing the broader context in which the incident occurred – both the broader corporate context and socio-economic/ political or situational context.

Brown, Moore and Honan make the point that, "International NGOs (INGOs) who use values-based appeals are particularly vulnerable to charges that they do not live up to their own values. INGOs who have 'named and shamed' business and government actors for deviations from good practice can be seriously harmed by questions about their own credibility and accountability. When targets of policy influence campaigns can show that INGOs do not in fact speak for grassroots groups they claim to represent, the credibility of the INGOs can be impaired with the larger publics as well."[21]

In a communication to the Mining Ombudsman of Oxfam Community Aid Abroad, in response to their 2004 report, Paul Mitchell, the former director of CARE Australia and now CEO of the International Council of Mining and Metals argues, "For any complaints review process to be credible and effective it needs to satisfy a number of tests. In its assessments it should be objective and reasonable; balanced and complete in its consideration of relevant materials; and factual and technically correct." [22]

Box 2 provides three different definitions of accountability as it relates to NGOs and more generally, from both an academic and a practitioner perspective.

BOX 2: DEFINING ACCOUNTABILITY IN PRACTICE

"International NGOs (INGOs) are accountable when they are answerable for their performance to key stakeholders. More than many other organizations, INGOs have to deal with multiple accountabilities: to donors who provide resources, to regulators responsible for certifications, to clients who use their services, to allies who cooperate in projects, to staffs who invest their talents and time, and to members who expect to be represented ."

Source: Brown, David, Moore, Mark and Honan, James. *Building Strategic Accountability Systems for International NGOs.* Hauser Center for Nonprofit Organizations, Harvard University, 2003.

"…accountability is concerned with the obligation to justify words and deeds to society in general, and to a specific set of internal and external stakeholders. It embraces the actors, mechanisms and institutions by which civil society organizations are held responsible for their actions and would include financial accountability as well as performance accountability more broadly."

Source: Naidoo, Kumi. *The End of Blind Faith? Civil Society and the Challenge of Accountability, Legitimacy and Transparency.* AccountAbility Forum 2: Special Issue on NGO Accountability and Performance. Sheffield, UK: Greenleaf Publishing Ltd, 2004.

"…accountability is a complex and dynamic concept. It may be defined not only as a means through which individuals and organizations are held responsible for their actions (e.g., through legal obligations and explicit reporting and disclosure requirements), but also as a means by which organizations and individuals take internal responsibility for shaping their organizational mission and values, for opening themselves to public or external scrutiny, and for assessing performance in relation to goals. Accountability operates along multiple dimensions—involving numerous actors (patrons, clients, selves), using various mechanisms and standards of performance (external and internal, explicit and implicit, legal and voluntary), and requiring varying levels of organizational response (functional and strategic).

Source: Ebrahim, Alnoor. *Accountability in Practice: Mechanisms for NGOs.* World Development 31, no. 5. (Great Britain: Elsevier Science Ltd., 2003), 815.

Despite a variety of different approaches and definitions, most comprehensive assessments of NGO accountability cover the following issues:

- Governance of the organization
- Financial integrity – sources of funds, methods of fundraising, bookkeeping and auditing systems, use of funds etc.
- Organizational reliability and capacity (policies, process, and management systems)
- Performance effectiveness (level of benefits and types of impacts experienced either by members, targeted beneficiaries or the general public)
- Voice / advocacy credibility (veracity, accuracy, authority, fairness and representative nature of public statements and advocacy campaigns)
- Access by stakeholders to information about the organization
- The organization's responsiveness to complaints.

2. Frameworks for analyzing NGO accountability

A key question arising from this summary of issues is how can the stakeholders of NGOs, and NGOs themselves, best evaluate, monitor and improve their accountability?

Four useful frameworks, from both academic and practitioner perspectives, are summarized below: the Global Accountability Project framework; the Keystone Capabilities Profiler; a framework for Building Strategic Accountability Systems for international NGOs developed by faculty at the Hauser Center for Nonprofit Organizations at Harvard; and a Risk Mapping Tool for boards of NGOs developed by SustainAbility Inc.

The Global Accountability Project
GAP is a program of the One World Trust, itself an NGO. Based in the United Kingdom, the One World Trust "promotes education and research into the changes required within global organisations in order to achieve the eradication of poverty, injustice and war. It conducts research on practical ways to make global organisations more responsive to the people they affect, and on how the rule of law can be applied equally to all."[23]

This framework is particularly noteworthy as it is used by the GAP, the first project of its kind, to compare the accountability of inter-governmental organizations, transnational corporations, and international non-governmental organizations. In a pilot report produced in 2003, the framework was used to assess and compare the accountability of 18 such organizations, and a new 'Accountability Index' to be released in late 2006 will review the following 30 organizations: [24]

Bank for International Settlements (BIS) ; Food and Agriculture Organization (FAO) ; Global Environment Facility (GEF) ; International Labor Organization (ILO) ; International Monetary Fund (IMF) ; Organisation for Economic Cooperation and Development (OECD) ; World Health Organisation (WHO) ; World Intellectual Property Office (WIPO) ; World Bank ; World Trade Organisation (WTO)

Anglo American plc ; Dow Chemical Company; Exxon Mobil Corporation ; Microsoft Corporation; Nestle; News Corporation; Pfizer Inc ; RWE ; Toyota ; Walmart Stores Inc

ActionAid ; Amnesty International ; Human Life International ; International Chamber of Commerce (ICC); International Confederation of Free Trade Unions (ICFTU) ; International Federation of Red Cross and Red Crescent Societies (IFRC) ; Nature Conservancy ; Oxfam International ; World Vision International (WVI) ; World Wildlife Fund International (WWF)

Table 3: The GAP accountability framework

Internal Stakeholder Accountability	External Stakeholder Accountability
Dimension 1 **Member Control** *Reflected by how an organisation is governed and the degree of control members have over its actions*	**Dimension 5** **External stakeholder consultation** *Reflected by how an organisation involves external stakeholders in its decision-making processes*
Dimension 2 **Appointment of senior staff** *Reflected by the procedures for recruiting and retaining senior staff within an organisation*	**Dimension 6** **Complaints mechanism** *Reflected by how an organisation enables those most affected by its decisions to register their complaints about its action and the follow-up mechanisms in place to ensure that these complaints are acted upon*
Dimension 3 **Compliance mechanisms** *Appliances only to IGOs and is reflected by the power an organisation has to enforce its decisions on member states*	**Dimension 7** **Corporate social responsibility** *Reflected by how an organisation manages, evaluates and reports on its social and environmental impact*
Dimension 4 **Evaluation processes** *Reflected by what aspects of an organisation's work are evaluated, how this is done and reported to the public*	**Dimension 8** **Access to information** *Reflected by the degree of information provided by it to the public*

Source: Kovach, Hetty, Neligan, Caroline, and Burall, Simon. *Power without Accountability? The Global Accountability Report, 2003.* One World Trust, 2003.

The Keystone Capabilities Profiler
The Keystone initiative is housed by AccountAbility in the UK and focuses on developing new approaches to civil society accountability that incorporate processes of stakeholder engagement and transparent public reporting, including accurate reporting of stakeholder views. It promotes the practice of accountability as a dynamic and interactive process and a potential driver of social change and organizational learning and performance, rather than the more traditional compliance-driven approach where accountability is seen as a constraint on organizations and their ability to innovate.

Keystone has developed a tool that enables civil society organizations and their stakeholders to assess their performance against three sets of capabilities that it considers to be essential

if these organizations are to make a effective contribution to meaningful and lasting social development. It summarizes the three capabilities as follows: [25]

- *Accountability* – How do we empower and balance stakeholder voices so that they participate actively in the high level deliberations around strategy, planning and how we measure success?

- *Strategy* – How do we understand our role within an ecology of social change actors and plan for collaborative action that will enhance solutions to the problems we face?

- *Operational integrity* – How efficiently and transparently do we manage our resources and honour the commitments that we make?

The tool provides a set of 12 core questions backed by 60 indicators that NGOs and their stakeholders can ask in order to rank their performance on a scale of 1(incapable) to 5 (extremely capable – beyond expectation).

Building Strategic Accountability Systems
David Brown, Mark Moore, and James Honan at the Hauser Center for Nonprofit Organizations suggest a useful framework for international NGOs interested in building strategic accountability systems, which is relevant for most large NGOs even if they are not international. [26] They define accountability systems as: "organizational arrangements for recognizing, negotiating and responding to obligations to various stakeholders." And they identify the following four tasks or steps as being required to build effective accountability systems:
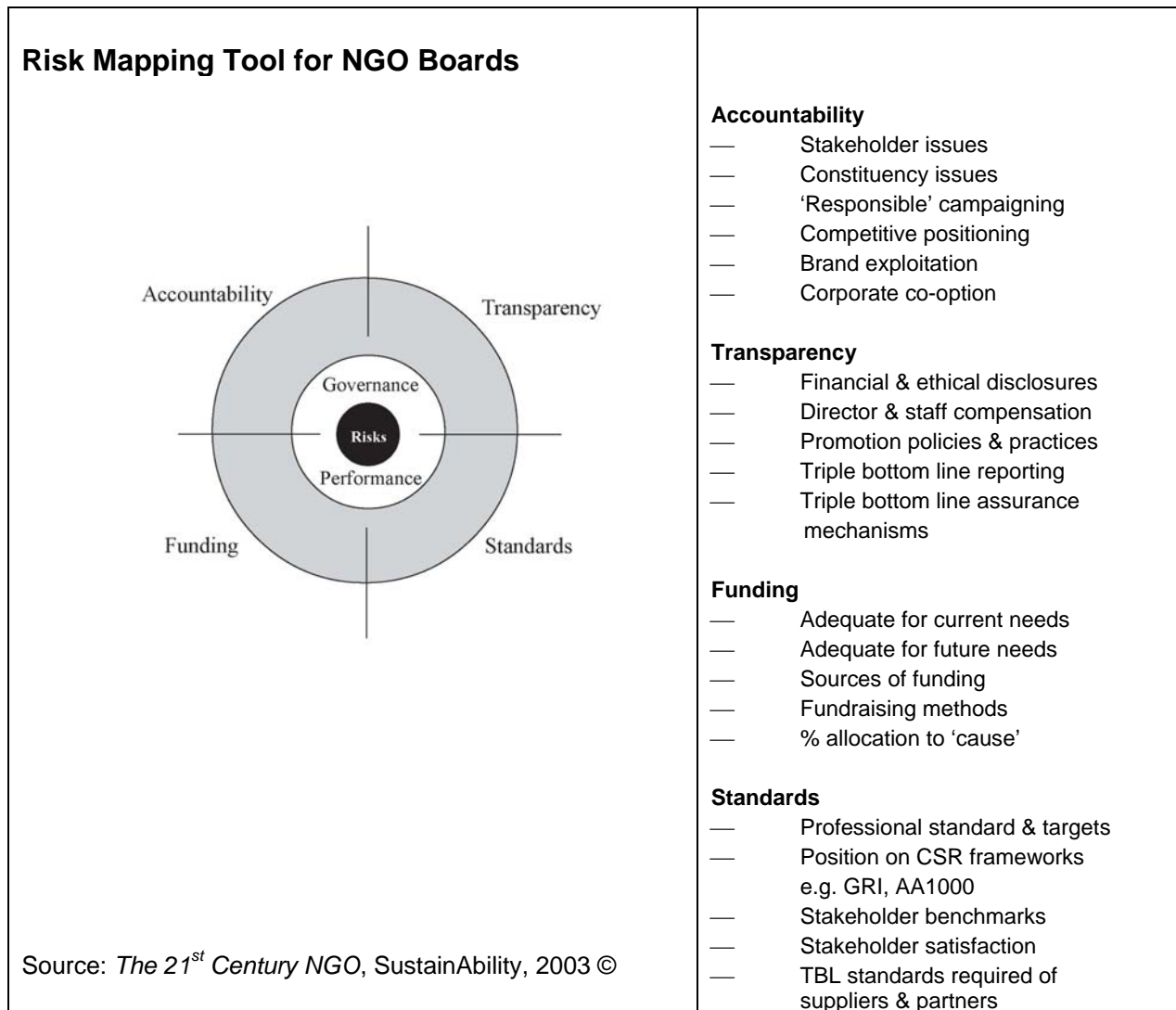
- *Assessing accountabilities* – mapping stakeholders; defining value creation processes; and prioritizing accountabilities across stakeholders. Brown, Moore and Honan put NGO missions and strategies at the center of assessing and defining accountabilities and use what they call the 'strategic triangle' to focus attention on three fundamental issues: the value the NGO seeks to create; the legitimacy and support it needs to survive; and the operational capacity it requires to accomplish its mission.

- *Negotiating expectations with stakeholders* – although a potentially enormous undertaking for NGOs with many stakeholders, developing some mechanism for engaging with stakeholders can be crucial in clarifying their claims and interests, reducing misunderstanding and setting realistic expectations.

- *Creating performance management systems* – while recognizing the challenges, Brown, Moore and Honan argue that it is possible to develop performance measurement indicators for INGOs drawing on areas such as, "organizational processes (program activities, accounting procedures), organizational outputs (training delivered, policy campaigns mounted), client outcomes (changed

behaviours, satisfaction), and social impacts or results (increased incomes, reduced child mortality).

- *Enabling sanctions for performance* – the fourth step recommended by Brown, Moore and Honan is the establishment of communications systems (project, program or organizational reports, evaluations, newsletters etc.) to provide stakeholders with information about the NGO's performance and the creation of recognition, rewards, incentives and sanctions to provide, "positive and negative consequences for good and bad results that encourage performance improvement."

Risk Mapping Tool for NGO Boards
In their 2003 report, *The 21st Century NGO*, the consultancy and think-tank SustainAbility provide a useful 'risk-mapping' tool for NGO boards, which can also be used by NGO stakeholders to assess their level of accountability, transparency, funding and standards. This tool is summarized in the following diagram: [27]

Risk Mapping Tool for NGO Boards

Source: *The 21st Century NGO*, SustainAbility, 2003 ©

Accountability
— Stakeholder issues
— Constituency issues
— 'Responsible' campaigning
— Competitive positioning
— Brand exploitation
— Corporate co-option

Transparency
— Financial & ethical disclosures
— Director & staff compensation
— Promotion policies & practices
— Triple bottom line reporting
— Triple bottom line assurance mechanisms

Funding
— Adequate for current needs
— Adequate for future needs
— Sources of funding
— Fundraising methods
— % allocation to 'cause'

Standards
— Professional standard & targets
— Position on CSR frameworks e.g. GRI, AA1000
— Stakeholder benchmarks
— Stakeholder satisfaction
— TBL standards required of suppliers & partners

3. Mechanisms for achieving NGO accountability

The previous section provided examples of four different frameworks that have been developed to provide NGOs and their stakeholders with tools and/or processes to help them to think about, assess, monitor and improve their performance against a variety of accountability goals and indicators. These frameworks also offer a useful basis to explore different types of mechanisms that can be used to actually hold NGOs to account for their governance and performance in these different areas.

In his paper, *Accountability in Practice: Mechanisms for NGOs,* Alnoor Ebrahim, identifies five categories of accountability mechanisms used by NGOs: reports and disclosure statements; performance assessments and evaluations; participation; self-regulations; and social audits.[28] He distinguishes each mechanism as either a 'tool' or a 'process' and analyzes them along three dimensions of accountability: upward-downward, internal-external, and functional-strategic. He concludes that upward, external and short-term functional approaches, focused on accountability to donors and funders rather than beneficiaries, have dominated much of the practice to-date, and argues for a more balanced approach that addresses all these dimensions.

Building on this and other work, the following section suggests there are three broad and at times overlapping categories of mechanism that can be applied by different stakeholders and by NGOs themselves to hold NGOs to account for their performance and governance:
- Legal or regulatory mechanisms (driven by government);
- 'Civic' mechanisms (driven by external stakeholders); and
- Self-regulatory or voluntary mechanisms (driven by NGOs themselves, either individually or through NGO networks or professional/ membership associations).

These divisions are not rigid – regulations may require that NGOs of a certain size and/or capitalization have an independent board, for example, but the quality and rigour of the board may be determined by how seriously the NGO itself takes the selection and independence of its board members. Certification by an independent scheme may not be a mandatory legal requirement, but may be a requirement for NGOs to get access to government funding or tax benefits. Public disclosure statements and reports may be mandated by national law, but may be vague in terms of what has to be reported or weak in terms of monitoring compliance. Nor are the categories mutually exclusive – indeed, they should be viewed as an 'ecosystem' or spectrum of accountability mechanisms within which NGOs, especially large NGOs, operate.

(i) Legal accountability mechanisms

The most comprehensive and useful work that has been done on the legal mechanisms that are needed to create a supportive enabling environment for NGOs and to ensure that such NGOs are held accountable has been undertaken by Dr. Lester Salamon and his colleagues at the Center for Civil Society Studies, Johns Hopkins University, and by the International Center for Not-for-Profit Law.[29] The key legal and regulatory mechanisms identified by their work include the following:

- The basic legal standing of civil society organizations
- Establishment and registration procedures
- Capital, asset and/or membership requirements
- Tax treatment and benefits
- Disclosure and public reporting requirements

There is a balance that must be struck in ensuring that the legal and regulatory framework under which NGOs operate both enables them and holds them to account – both protects their rights and ensures their responsibilities. Recent legal developments in countries such as Russia and Zimbabwe illustrate how draconian restrictions and requirements can have a severe impact not only on specific NGOs, but on the openness and vitality of civil society more generally. Ultimately this is not to anyone's benefit – not even the companies that are targets of NGO campaigns. A memo by the Heritage Foundation comments, "Russian rights organizations are unanimous in their belief that the worst expectations of this new law are justified. If an NGO cannot be banned directly, the red tape, all-out control, endless check-ups, and a stepped-up financial burden could smother it. …Russian NGOs and foreign NGO representatives in Russia remain the stronghold of nascent civil society and freedom in Russia. The work of these organizations cannot be strangled by the intrusions of the Russian government."[30]

(ii)   **'Civic' accountability mechanisms**

There are a growing number of what Simon Zadek of AccountAbility and others have termed 'civic' or external stakeholder mechanisms that are emerging with a focus on encouraging, enabling and/or calling for better NGO performance and accountability. These include independent watchdog organizations, rankings and information providers – usually NGOs themselves – and the media. They can also include participatory and consultative mechanisms through which NGOs are either required or encouraged to include key stakeholders in different aspects of their operations, governance, monitoring, evaluation and reporting processes.

Information provision and/or ranking and watchdog initiatives focused on evaluating the performance, transparency and/or accountability of NGOs in the United States include:
- *GuideStar* - established in 1994 with the aim of creating a more transparent and accountable nonprofit community, this provides data on more than 1.5 million nonprofit organizations and claims that its information is accessed by about 20,000 people a day.
- *Charity Navigator* – which has a database of some 5,000 charity rankings, based on a set of 7 indicators relating to organizational efficiency and organizational capacity.
- *CharityWatch* – managed by the American Institute of Philanthropy, which provides grades for about 500 charities.
- *ForeignAID Ratings LLC* – which uses a 5-point patented NGO Star Evaluation system for rating development NGOs based on their socio-economic impact; transparency; self-monitoring and evaluation; institutional development; and financial efficiency and growth.

- *NGOWatch* – established in 2003 by the Federalist Society for Law and Public Policy Studies and the American Enterprise Institute, which states its mission as, "Highlighting issues of transparency and accountability in the operations of non-governmental organizations and international organizations" and maintains a database on some 150 NGOs.

The *Global Accountability Index*, outlined in a previous section, is another example of an independent NGO focused on increasing the accountability of international organizations generally – including inter-governmental bodies and corporations, as well as international NGOs – and using a ranking approach to highlight both good and bad practice in 60 of these global actors. In its 2003 pilot report, the initiative concluded that some highly regarded NGOs such as Oxfam, CARE International and the Worldwide Fund for Nature (WWF) ranked lower on certain aspects of its accountability index than heavily criticised bodies such as the World Trade Organisation (WTO) and corporations such as Rio Tinto, Shell and GlaxoSmithKline.[31]

Former President of the Rockefeller Foundation, Peter Goldmark, has observed, "[NGOs] enjoy relative immunity from the three chastising disciplines of American life – the bottom line, the ballot box and having the press walk up and down your back everyday."[32] In the past five years, however, the mainstream media has also increased its coverage on the topic of NGO accountability. Julian Lee of CASIN (the Centre for Applied Studies in International Negotiations), P. Shiras and others point to leading examples such as the New York Times, Wall Street Journal, Washington Post, Financial Times, and Economist.[33]

(iii)   Self-regulatory or voluntary mechanisms

The third broad category of accountability mechanisms can be summarized as both individual and collective mechanisms established by NGOs themselves, usually on a voluntary or self-regulatory basis. These include mechanisms such as: voluntary certification or accreditation schemes; peer review and learning networks; and both individual and collective codes of conduct and accountability charters.

At a project level, impact assessments and evaluations are often carried out as part of the requirements for receiving donor funding from the public sector. As more government agencies fund NGOs to deliver services and carry out research and advocacy campaigns, this level of project or program-based evaluation will increase. Relatively few NGOs, however, have started to carry out the comprehensive organisation-wide social, economic and environmental auditing and public reporting that they are calling for from companies.

Robert Lloyd and Lucy de Las Casas of the One World Trust identify three categories of self-regulatory initiatives, each with greater levels of specificity and sanction:[34]
- Aspirational codes or principles or ethics that signatories strive to achieve;
- Codes of conduct in which more defined standards are set; and
- Certification schemes where compliance with clear standards is verified by a third party.

They argue that although many of these initiatives are 'voluntary' in nature, and face the obvious challenges of lack of enforcement mechanisms, they are increasingly being used by both private and public sector funders as a requirement for funds or fiscal incentives.

NGO peer learning networks such as the *Humanitarian Accountability Partnership* and the *UK NGO Accountability Forum*, both established in 2003, offer good examples of increased efforts on the part of the NGO community to, "…collectively better understand, articulate, and ultimately, strengthen NGO accountability."[35]

Three of the most interesting collective NGO-led initiatives aimed at defining either principles or standards for NGO accountability are:

- **The Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief:** This code aims to guard standards of behaviour rather than provide operational details. Signed by over 350 organizations, it offers 10 Principle Commitments, as well as recommendations to governments and intergovernmental organizations.

- **InterAction's Private Voluntary Organization Standards:** These aim to promote responsible standards in the areas of governance, finance, communications with the US public, management practice, human resources, program and public policy. Compliance is a requirement for admission to InterAction, which constitutes the largest alliance of U.S.-based international development and humanitarian nongovernmental organizations, over 160, with operations in all developing countries.

- **International Non Governmental Organisations Accountability Charter:** In June 2006, a group of eleven international non-government organizations signed a ground-breaking charter based on 9 core principles and aimed at enhancing accountability and transparency, encouraging stakeholder communication, and improving organizational performance and effectiveness. What is particularly interesting about this new initiative is that it is the first ever set of international and cross-sector guidelines for the NGO sector, encompassing human rights, environmental and international development NGOs. **See Appendix I.**

IV.   STRATEGIES FOR EFFECTIVE NGO-BUSINESS COOPERATION

As the previous section illustrates, NGO accountability is becoming an increasingly central issue for those stakeholders that regulate and fund NGOs, as well as for those that are the beneficiaries of NGO activities or the targets of NGO advocacy campaigns, and also for NGOs themselves, both individually and collectively.

Readers who are working in corporations and/or familiar with the parallel debate and practice on corporate accountability will have noted some striking similarities in the previous section in terms of different types of accountability issues faced by NGOs, different frameworks for *analyzing* NGO accountability and different mechanisms - be they tools or processes, voluntary or mandatory - for *achieving* NGO accountability. While there are obvious and important differences, there are also common themes, trends, challenges and learning opportunities between the NGO and corporate sector when it comes to ensuring individual and collective accountability.

Both sectors are facing growing demands to implement similar types of accountability tools, processes and institutional mechanisms – for example, policy commitments, management systems, impact assessments, disclosure strategies, and stakeholder engagement mechanisms.

The leaders in both sectors are also recognizing that a serious commitment to greater accountability can not only improve compliance and risk management, but can also improve overall organizational performance, facilitate organizational learning, inspire innovation, and improve relationships, legitimacy and reputation with key internal and external stakeholders.

At the same time, these NGO and corporate leaders are also beginning to identify opportunities for working more proactively and constructively together to enhance each others' learning and performance, explore innovative and shared solutions to complex socio-economic or environmental challenges, and to strengthen public sector governance, capacity and institutions – especially in the weak governance zones and developing economies where many of the world's oil, gas and mineral resources are found.

A 2006 publication by IPIECA, for example, *Partnerships in the Oil and Gas Industry*, identifies some 40 examples of strategic partnerships between companies, NGOs and in some cases governments – some of them global in scope, some of them national and others local – addressing a range of issues such as biodiversity, capacity building, climate change, community development, fuels and transportation, health, human rights, oil spill response and emergency preparedness, and revenue transparency.

Confrontation will not disappear. Nor should it. Both groups must continue to hold each other to account for their respective performance, governance and transparency – albeit being willing to recognize, communicate and reward each other's good practice as well as criticize bad practice. At the same time, there is growing opportunity to consult and cooperate more proactively with each other in the following three areas of action.

1. **Evaluating and improving project and industry performance**

NGOs and extractive companies can work together in the following three key ways to evaluate, manage and improve the social, economic and environmental performance of specific projects or the broader development impacts and contribution of the industry more generally:

Joint participation in multi-stakeholder advisory and consultation structures - aimed at improving the quality and diversity of advice, dialogue and feedback between the company or industry and its key stakeholders, these structures may be established at the project, national, regional or global level, and by the company, or an NGO or independent third party. A growing number of extractive sector projects have such structures at the project or community level. An example at the corporate level is BHP Billiton's Forum on Corporate Responsibility. National and regional examples include the Canadian Corporate Accountability roundtables and the Dialogue Table in Peru. The following is a global, industry-wide example of such an approach:

- **ICMM's Resource Endowment Initiative**, which it is undertaking in collaboration with UNCTAD and the World Bank, is a first-of-its-kind, industry impact analysis. It is aimed at better understanding and improving the overall development impact of the mining industry at both the macroeconomic and microeconomic levels, and from both a project-level perspective and a systemic perspective. It consists of a three-stage process involving the development of a broad analytical framework and toolkit, four detailed country case studies of Chile, Peru, Tanzania and Ghana, and in-country pilot projects. A multi-stakeholder approach is embedded throughout the process of research, as well as in the project's governance and funding structure. In addition to external advisors and technical peer reviews, consultations have been held with NGOs, trade unions and others in a number of countries.

Joint project evaluation, measurement, tools development and research projects – NGOs and companies can work together on projects specifically aimed at analyzing or researching the impacts of a specific project or industry and/or NGOs can form part of the assurance process for such evaluations and reports, or they can work with companies to develop tools.

- An example of the latter is the **International Alert Conflict Sensitive Business Practices (CSBP) Tool**. Published in 2005, the purpose of this tool is to help extractive sector companies assess and mitigate the macro- and project level conflict risks associated with doing business in unstable countries, in the interests of the long-term stability of those societies at local and national levels. Based on extensive consultations and field research with companies, the first iteration of the tool focuses on *Guidelines for Extractive Industries*, and International Alert is now working on a similar approach for project financiers.

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Multi-stakeholder accountability and governance structures – most challenging, but potentially far-reaching, NGOs, companies and governments can establish and jointly govern formal structures to improve either industry-wide or sector-wide accountability systems and processes. These can range from the creation of certification schemes, to rigorous codes and standards, to more aspirational principles. Three examples in the extractive sector are summarized below.

- **The Kimberley Process –** Launched in 2002, the Kimberley Process Certification Scheme (KPCS) aims to certify diamonds in order to limit the trade in conflict diamonds, which has been used to fund conflicts and horrific human rights abuses in Africa. It brings together over 40 diamond producing and processing countries, the European Union, the diamond industry and NGOs and now accounts for some 90% of the global production of rough diamonds. Exploratory discussions are underway to see if this type of multi-stakeholder mechanism can be used to certify the source and integrity of other commodities such as gold.

- **The International Cyanide Management Code** – Another multi-stakeholder initiative, this is an example of an accountability framework targeted not only at a single commodity - gold - but exclusively at a single problem within the production of this commodity - the safe production, transport, use and disposal of cyanide used in gold mining. The code was developed through a transparent and lengthy process of engagement between the producers and users of cyanide, manufacturing and mining companies, NGOs, academics, labor and governments from different geographies, facilitated by the United Nations Environment Programme (UNEP) and the International Council of Mining and Metals (ICMM). Now established as an independent body, the International Cyanide Management Institute, the code will be implemented by its signatories through a comprehensive and independently monitored process.

- **The Voluntary Principles on Security and Human Rights -** Adopted in 2000, as part of a multi-stakeholder process consisting of extractive companies, human rights NGOs and government officials from the United States and United Kingdom, these provide practical guidance to companies on three sets of issues: risk assessment, including the potential for violence; identification of the potential human rights vulnerabilities that firms face as a result of their relationship with public security providers, both military and police, as well as recommendations for how to deal with them; and the same for private security forces. Currently focused on the extractive sector, the VPs serve as a potential model for similar initiatives in other sectors, including humanitarian agencies. In a small number of cases, they have also been integrated into Host Government Agreements and project contracts illustrating how such initiatives can achieve scale over time through integration into public policy frameworks.

2. Mobilizing joint resources to solve specific development or operational challenges

One of the best longer-term investments that companies and NGOs can make in the countries and communities where they operate is to support more equitable, pro-poor development. They can do this through a wide variety of initiatives that provide low-income communities with access to economic opportunity, affordable and decent health services, education, housing, water and sanitation, energy, financial services, or appropriate technology. They can also build the capacity of local NGOs and community leaders in all of these areas, as well as environmental management, and improve local preparedness for emergencies and natural disasters.

There has been a burgeoning of innovation in this area over the past five years driven in large part by new types of partnership between companies, NGOs, and donors, both public and private. The dramatic growth in microfinance programs, health partnerships focused on diseases such as HIV/AIDs and malaria, biodiversity management projects, disaster preparedness alliances, and local enterprise development initiatives are all examples of this trend. Just three of the many examples include:

- **The Diamond Development Initiative (DDI)** - Initiated by a coalition of two NGOs, Global Witness and Partnership Africa Canada, and two companies, De Beers and the Rapaport Group, and supported by the World Bank, DDI focuses on understanding and addressing the challenges faced by artisanal diamond mining communities, which are usually extremely poor, marginalized and prone to conflict situations. *The Sierra Leone Peace Diamonds Alliance* focuses on similar communities and brings together similar partners, as well as USAID and the UK's Department for International Development.

- **The Energy and Biodiversity Initiative (EBI) –** Created in 2001 as a partnership between four major energy companies and five environmental NGOs and managed by Conservation International, this alliance involved the development of guidelines, processes and local projects to improve biodiversity conservation in oil and gas operations. Apart from improving the performance of and relationships between the core partners, the EBI has also catalysed follow-up initiatives and new alliances in other business networks and companies.

- **Awareness and Preparedness for Emergencies at the Local Level (APELL) process -** Initiated in 1986 by UNEP in response to a series of chemical and industrial accidents, the APELL process now includes planning for natural disasters and aims to reduce threats to public health, safety and the environment. It has been implemented in over 30 countries and engages hundreds of companies, community groups, NGOs and local authorities. A key strategy used by the UN system has been to work through industry associations. In November 2005, for example, ICMM and UNDP jointly launched a toolkit to help the mining industry work more effectively with local communities in developing and implementing emergency plans.

3.   Jointly strengthen public sector governance, capacity and institutions

Many of the social, environmental and human rights challenges associated with major extractive sector projects would not be as problematic and difficult to solve if host governments themselves were more effective in implementing the international agreements and treaties they have actually signed up to. As the UN Secretary-General's Special Representative on business and human rights has commented in his interim report, "The debate about business and human rights would be far less pressing if all Governments faithfully executed their own laws and fulfilled their international obligations." [37]

What, if anything, can companies and NGOs do to address some of the public sector problems that lie at the heart of much insecurity, instability and poverty? Most notably, what can be done to tackle weak governance on the part of local, regional or national governments? The OECD defines a weak governance zone as an environment where, "…the government is not working – public officials are unable or unable to assume their roles in protecting rights, providing basic public services and ensuring that public sector management is efficient and effective. These 'government failures' lead to broader failures in political, economic and civic institutions that, in turn, create the conditions for endemic violence, crime and corruption and that block economic and social development." [38] It estimates that about 900 million people, or approximately 15% of the world's population, live in such weak governance zones.

Two key and inter-related areas that require concerted and joint action by both companies and NGOs are efforts to tackle corruption and to improve the transparency and management of resource revenues. A number of encouraging initiatives have been established over the past decade that bring together extractive sector and other companies, NGOs and in some cases governments to improve both public and private sector accountability and transparency in these areas. Notable examples include the following:

- **Integrity Pacts** – These are country-based mechanisms or tools piloted by Transparency International aimed at preventing corruption in public procurement. They are based on an agreement between a government institution and all bidders for a public sector contract outlining a set of operational, bidding and disclosure standards that all parties agree to adhere to in the bidding process, along with sanctions for non-compliance. Although still limited in coverage, Integrity pacts have been demonstrated to work in a number of legal and political settings.

- **Resource Revenue Management Mechanisms** – A growing number of resource rich countries are establishing national, regional or local revenue management mechanisms, usually in cooperation with major corporate partners, financial institutions, donors, and in some cases NGOs. These mechanisms potentially serve a dual purpose of increasing the transparency of resource revenues and also providing a more participatory and accountable process for disbursing these revenues to different.

- **The Extractive Industry Transparency Initiative (EITI)** – Established in September 2002, EITI aims to improve the transparency of revenues generated by extractive projects and to stimulate wider dialogue within developing countries about public expenditure priorities. Partners include donor and developing country governments, the World Bank, oil, gas and mining companies and civil society organizations. Increasing transparency will empower citizens and institutions to hold governments to account and make mismanagement or diversion of funds away from development purposes more difficult. It should also help to improve the business environment, and attract more foreign direct investment. Such an initiative has relevance for other industries where large amounts of resources are exchanged between the public and private sector.

Much remains to be done in all of the above areas. The challenges of ensuring that oil, gas and mining projects cause minimum harm and damage, and create maximum local value and opportunity in host countries and communities are immense – especially in those areas faced with weak or bad governance. Yet, the partnerships that have started to emerge over the past decade between extractive companies, NGOs and governments give cause for optimism. While there will continue to be differences and disagreements between these groups in terms of motives, methods and mechanisms, there is much that they can learn from each other, and much that they can achieve by working more effectively together. Confrontation will never disappear, and at times it plays an important role in pushing the boundaries of responsible and accountable performance. At the same time, there is potential to improve communication, consultation and cooperation between companies, NGOs and governments, with the overall goal of ensuring that the development of natural resources results in a measurable improvement in peoples' lives and opportunities.

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USEFUL RESOURCES ON NGOs and ACCOUNTABILITY ISSUES

Academic Institutions

The Hauser Center for Nonprofit Organizations, Kennedy School of Government, Harvard University – 'International Civil Society Legitimacy and Accountability' project and 'Nonprfit Governance and Accountability' project (www.ksg.harvard/hauser)

The Center for Civil Society Studies, Institute for Policy Studies, Johns Hopkins University – 'Comparative Nonprofit Sector Project' (www.jhu.edu/ccss)

The Institute for Governance and Accountability, School of Public and International Affairs, Virginia Tech (www.iga.vt.edu)

The Centre for Civil Society, London School of Economics (www.lse.ac.uk)

The Center for Democracy and Civil Society, Georgetown University (www.georgetown.edu/centers/cdacs)

Think-tanks, consultancies and NGOs

CIVICUS Legitimacy and Transparency Program (www.civicus.org)

AccountAbility (www.accountability.org.uk)

Keystone (www.keystonereproting.org)

The International Center for Not-for-Profit Law (www.icnl.org)

One World Trust – NGO Forum and Global Accountability Project (www.oneworldtrust.org)

SustainAbility (www.sustainability.org)

Humanitarian Accountability Partnership – International (www.hapinternational.org)

APPENDIX I: Summary of International Non Governmental Organisations Accountability Charter

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SIGNATORIES (as of July 2006):
ActionAid International; Amnesty International; CIVICUS World Alliance for Citizen Participation; Consumers International; Greenpeace International; Oxfam International; International Save the Children Alliance; Survival International; International Federation Terres des Hommes; Transparency International; World YWCA.

Who we are
We, international non-government organisations (INGOs) signatory to this Charter, are independent non-profit organisations that work globally to advance human rights, sustainable development, environmental protection, humanitarian response and other public goods. Our organisations are proud and privileged to work across a wide range of countries and cultures, with a diverse range of peoples and in varied eco- and social and political systems. Our right to act is based on universally-recognised freedoms of speech, assembly and association, on our contribution to democratic processes, and on the values we seek to promote. Our legitimacy is also derived from the quality of our work, and the recognition and support of the people with and for whom we work and our members, our donors, the wider public, and governmental and other organisations around the world. We seek to uphold our legitimacy by responding to inter-generational considerations, public and scientific concerns, and through accountability for our work and achievements. By signing this Charter we seek to promote further the values of transparency and accountability that we stand for, and commit our INGO to respecting its provisions.

How we work

The Charter's purpose

Our stakeholders

Principles
1) Respect for Universal Principles
2) Independence
3) Responsible advocacy
4) Effective Programmes
5) Non-Discrimination
6) Transparency
   — Reporting
   — Audit
   — Accuracy of Information
7) Good Governance
8) Ethical Fundraising
   — Donors
   — Use of Donations
   — Gifts in kind
   — Agents
9) Professional Management
   — Financial controls
   — Evaluation
   — Public Criticism
   — Partners
   — Human Resources
   — Bribery and Corruption
   — Respect for Sexual Integrity
   — Whistle-blowers

APPENDIX II: Summary of the International Council on Mining and Metals (ICMM's) 10 Principles for Sustainable Development

SIGNATORIES (as of July 2006):
Alcoa; Anglo American; AngloGold; BHP Billiton; Freeport-McMoRan Copper & Gold; Mitsubishi Materials; Newmont; Nippon Mining & Metals; Noranda; Pasminco; Placer Dome; Rio Tinto; Sumitomo Metal Mining; Umicore; WMC Resources

In May 2003, the ICMM Council of CEOs committed corporate members to implement and measure their performance against 10 sustainable development Principles. The 10 Principles were developed by benchmarking against other leading global standards including: the 1992 Rio Declaration, the Global Reporting Initiative, the OECD Guidelines for Multinational Enterprises, the World Bank Operational Policies, the OECD Convention on Combating Bribery, ILO Conventions 98, 169, 176, and the Voluntary Principles on Human Rights and Security.

In January 2005, the ICMM Council approved the Global Reporting Initiative (GRI) Mining and Metals Sector Supplement and committed corporate members to report to the highest level of reporting: 'in accordance' with the GRI Guidelines and Sector Supplement. Together the Guidelines* and Supplement provide the basis for ICMM members to report their economic, environmental, human rights and social performance against the 10 Principles. They include specific performance indicators as well as principles for good reporting, such as completeness and materiality. The Sector Supplement was developed over 18 months via a multi-stakeholder working group which involved four meetings and an 11-week public comment period. The working group consisted of 20 people: 10 industry representatives, and 10 from the industry's stakeholders including investors, labor organizations, the World Bank Group and environmental and social development NGOs (Oxfam International, World Wildlife Fund and IUCN Southern Africa Programme).

The 10 Principles:

As members of the International Council on Mining & Metals (ICMM) or as companies that have otherwise agreed to take on the same performance obligations as ICMM members, we seek continual improvement in our performance and contribution to sustainable development so as to enhance shareholder value. In striving to achieve this, we will:

1. Implement and maintain ethical business practices and sound systems of corporate governance.
2. Integrate sustainable development considerations within the corporate decision-making process.
3. Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
4. Implement risk management strategies based on valid data and sound science.
5. Seek continual improvement of our health and safety performance.
6. Seek continual improvement of our environmental performance.
7. Contribute to conservation of bio diversity and integrated approaches to land use planning.
8. Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
9. Contribute to the social, economic and institutional development of the communities in which we operate.
10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.