

# The 2006 Global Accountability Report

## An Analytical and Practical Tool

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one world trust

A large number of organisations from the intergovernmental, non-governmental and corporate sectors affect the global public sphere, sometimes for better, sometimes for worse. Critical accountability gaps in transnational organisations often constrain progress on pressing global problems such as climate change, the spread of disease and terrorism. Increased accountability of these organisations to the communities they affect will improve relationships, enhance trust and increase their effectiveness to address such problems. This will save lives, reduce poverty and improve economic performance.

The Global Accountability Index is the first initiative to measure and compare the accountability of transnational organisations across sectors. In doing so, it extends basic principles of democracy to the global level. The 2006 Report presents the findings of research into the accountability of 30 of the world's most powerful organisations on the basis of four dimensions of accountability: transparency, participation, evaluation, and complaint and response (see Figure 1). Each sector has leaders and those that fall behind; there is significant room for improvement and for valuable learning to be shared across sectors.

### Why is it vital that transnational organisations are accountable?

Trade, finance and communications are global in nature. Problems such as global warming, infectious diseases and terrorism transcend national boundaries. Governments alone cannot respond to such

#### Box 1: Key definitions

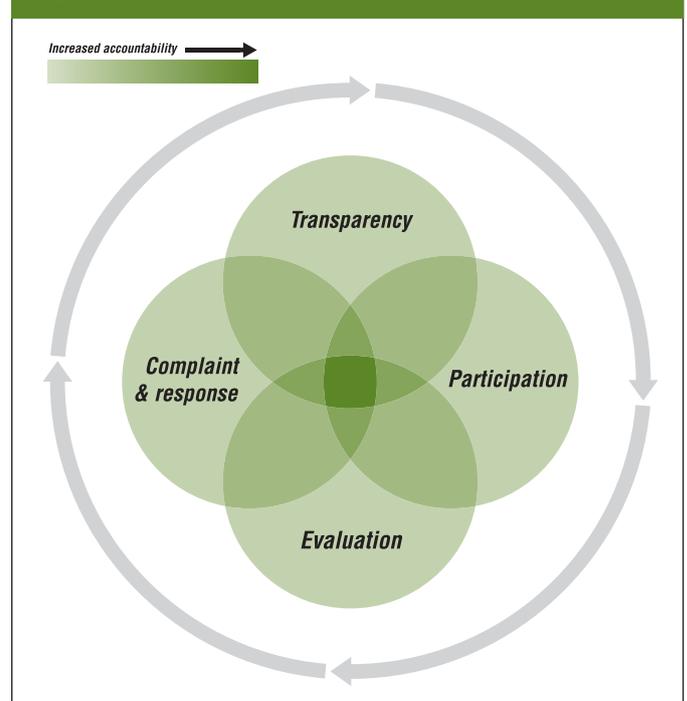
**Accountability** refers to the process through which an organisation *makes a commitment* to balance the needs of stakeholders in its decision-making processes and activities, and *delivers against this commitment*.

**Inter-governmental organisations (IGOs):** organisations whose members are two or more governments or state agencies, e.g. the World Bank; and inter-agency coordinating mechanisms and hybrid institutional arrangements such as the Global Environment Facility.

**International NGOs (INGOs):** civic organisations that are formally registered with government, who receive a significant proportion of their income from voluntary contributions and operate in more than one country, such as Oxfam International; groups such as the International Chamber of Commerce – are also included here.

**Transnational Corporations (TNCs):** companies with operations in many countries around the world, such as Pfizer Inc.

Figure 1: The Global Accountability Framework



multiple and diverse issues. They require global solutions. Inter-governmental organisations (IGOs), transnational corporations (TNCs) and international NGOs (INGOs) have an increasing impact on individuals and communities around the world.

But who takes responsibility to ensure that decisions taken by powerful transnational organisations are not harmful? How should these organisations become more beneficial to the individuals and communities they affect? State-based accountability is necessary, but no longer sufficient to provide people with adequate influence on global decisions. IGOs, INGOs and TNCs must become more accountable to both internal and external stakeholders. This will increase the legitimacy and effectiveness of global governance processes.

The accountability of IGOs in many cases is biased towards the powerful member states, not to those most affected by their decisions. Moreover, with the increased democratic deficit and disconnection between constituencies, elected representatives and foreign policy decision making, citizens do not always have an effective voice at global levels. INGOs too are accountable to government regulators and institutional donors whilst affected communities often lack the power to make demands on them. TNCs also face multiple calls for accountability – from investors and employees to suppliers and governments. However, as it would be expected, the shareholders'

position skews the accountability balance towards them, at the expense of other groups.

### Measuring accountability: the 2006 Global Accountability Index

The Index is based on the Global Accountability Framework and offers a practical tool for analysis and identification of areas for accountability reform. It does not try to replace similar sector-specific initiatives such as Humanitarian Partnership International and Business in the Community, but seeks to complement them. The Index provides a common language and frame of reference that can form the basis for greater dialogue and learning between transnational organisations.

The Index documents the degree to which the headquarters (or international secretariat) of thirty organisations foster accountability to the communities they affect and the wider public. In each of the four dimensions, indicators are grouped into two categories:

- *Policy*: a written document through which the organisation makes a commitment to accountability; and
- *Systems*: the management strategies and resources (such as leadership, training and dissemination of relevant information) through which the organisation encourages and enables the practical implementation of accountability policies.

These two groups of indicators reflect an organisation's *capabilities* to enable, support and foster accountability in practice. They are a necessary means through which organisations can become more accountable. The *presence and quality of accountability policies and systems* at this level can be either a reflection of organisation-wide commitments, or an indication that the headquarters (or international secretariat) recognises that accountability principles should be applied throughout the organisation.

The scores for each organisation were totalled and weighted out of 100 for each dimension (see Table 1). There is an equal weighting

#### Box 2: What is an accountable organisation?

An accountable organisation takes proactive and reactive steps to balance and address the needs of key stakeholders while delivering against its mission.

- It is transparent in relation to both its activities and decision making processes and engages in ongoing dialogue with key stakeholders over the information they need;
- It engages key stakeholders – such as members and affected communities – in decision-making processes related to both policies and practice;
- It evaluates performance, policies and practice in consultation with key stakeholders. It learns from, and reports on the outputs of, these evaluations;
- It has channels through which stakeholders can file complaints and ensures that they receive an appropriate response.

between policies and systems, as both are integral to fostering accountability. **A full list of indicators is available on the One World Trust's website.**

### Main Findings

The findings show differences between and within the three sectors. Each sector has clear leaders and organisations that lag behind. On average, across the sectors evaluation and participation score better than transparency and complaint and response, where much work remains to be done. Specifically, organisations need higher quality information disclosure policies and must provide confidential and independent channels through which external stakeholders can voice their complaints and receive an appropriate response.

Although none of the assessed organisations scores above 50 percent across all four dimensions, seven organisations manage this in three of the four dimensions. They have the most consistently developed accountability policies and management systems, though each still has considerable work to do. This highlights that innovation and developments in accountability are not concentrated in one specific sector. There are many areas where organisations from different sectors can learn from each other.

### Transparency

*The Index assessed the degree to which policies and systems support public disclosure of information and enable the organisations to respond to information requests on decision-making processes and operations that have public impact.*

On average, IGOs score highest on transparency, followed by TNCs then INGOs. However, the scores for transparency are generally low for all three sectors.

Most organisations (26 out of 30) recognise the importance of transparency and have made a commitment beyond what is legally required of them. Of these, however, only nine have an organisation-wide policy that identifies what, when and how information will be disclosed and what the conditions for non-disclosure are. These are ActionAid International, GEF, the IMF, Nestlé, the OECD, Pfizer, World Bank, the WTO and the WWF International. The other organisations instead rely on vague commitments to guide their approach to transparency, through statements such as “We will report our progress and challenges in an open and transparent manner” which do not offer any clarity on what information will be disclosed and under what conditions.

Of the nine organisations that have adopted formal information disclosure policies, only two – ActionAid International and GEF – list a narrowly defined set of conditions for non-disclosure. This is a key principle of any information disclosure policy because it puts the responsibility for justifying non-disclosure on the organisation rather than forcing the public to make a case for why certain information ought to be disclosed. By doing so, these two organisations provide access to information as a right, rather than a privilege.

**Table 1: 2006 Global Accountability Index scores; organisations are listed in alphabetical order by sector and scores are rounded to the nearest whole number**

Organisation	Transparency	Participation	Evaluation	Complaint and Response	Average
<b>Intergovernmental organisation</b>					
Bank for International Settlements	27	11	76	33	37
Food and Agriculture Organisation*	27	63	87	18	49
Global Environment Facility	85	74	98	38	74
International Labour Organisation	27	72	85	48	58
International Monetary Fund	58	34	75	47	53
Org. for Economic Cooperation and Development	56	80	76	37	62
World Health Organisation	15	78	63	30	46
World Intellectual Property Organisation*	15	57	15	10	24
World Bank/IBRD	60	30	91	89	68
World Trade Organisation	33	46	56	33	42
<i>Sector average</i>	40	54	72	38	
<b>International NGOs</b>					
ActionAid International	84	85	88	25	71
Amnesty International	15	64	51	0	33
Human Life International*	13	51	0	0	16
International Chamber of Commerce*	13	21	0	0	9
International Confederation of Free Trade Unions*	13	54	51	0	30
Int'l Federation of Red Cross & Red Crescent Societies	27	62	51	47	47
The Nature Conservancy*	27	63	86	42	55
Oxfam International	33	79	73	37	56
World Vision International	27	58	98	58	60
WWF International	35	69	91	18	53
<i>Sector average</i>	29	61	59	23	
<b>Transnational Corporations</b>					
Anglo American plc	46	56	78	67	62
Dow Chemical Company	30	64	15	43	38
Exxon Mobil Corporation*	18	34	45	28	31
Microsoft Corporation	46	48	39	70	51
Nestlé	54	38	74	44	53
News Corporation*	0	17	0	49	17
Pfizer Inc	52	47	68	81	62
RWE	46	63	47	33	47
Toyota Motor Corporation*	15	31	52	26	31
Wal-Mart Stores Inc*	15	43	15	28	25
<i>Sector average</i>	32	44	43	47	
<b>Dimension average across the 30 organisations</b>					
	34	53	58	36	

\* Organisation did not actively engage in the data collection process and scores are based on publicly available information

 Highlights organisations that scored above 50 percent in three dimensions

## Participation

*The Index assessed the degree to which policies and systems enable both equitable voice and control among members, or shareholders, as well as external stakeholder engagement in decision-making processes.*

On average, INGOs score highest on participation, followed by IGOs then TNCs.

All IGOs in the study face problems ensuring an efficient, yet still representative and accountable executive. Of the three sectors, IGOs register the highest discrepancy between member control on the governing body and member control on the executive. In contrast, the INGO sector provides a number of examples – such as formulas to ensure rotating geographical representation of the whole membership – in which the balance

between efficiency and accountability can be overcome within the executive.

Most IGOs limit external stakeholder engagement to granting civil society organisations observer status. This is a passive form of participation and IGOs rarely show a commitment to changing policy as a result of the engagement processes.

TNCs in the study are behind the other two sectors in terms of external stakeholder engagement in decision making. In the majority of cases, vague commitments guide engagement with affected communities, which is mostly limited to operations rather than social and environmental policies.

### Evaluation

*The Index assessed the degree to which policies and systems foster evaluation of organisational strategies and operations, and integrate learning from evaluation into future planning. For TNCs, the focus has been on evaluation of social and environmental impact.*

On average, IGOs score highest on evaluation, followed by INGOs then TNCs.

Overall, the IGOs and INGOs in the study have high quality organisational documents that guide their approach to evaluation. Only three of the assessed TNCs – Anglo American, Nestlé and ExxonMobil – have policies in place that guide *both* social and environmental impact evaluation.

However, over half of the assessed organisations have mechanisms in place for ensuring lessons learnt from evaluation are disseminated internally. This highlights the recognition among all organisations, irrespective of their sector, that structures that support and enhance organisational learning are important.

### Complaint and Response

*The Index assessed the degree to which policies and systems provide a safe channel for staff, partners, affected communities and the wider public to file complaints and receive a response in relation to issues of non-compliance with organisational commitments.*

On average, TNCs score highest on handling complaints from both internal and external stakeholders, followed by IGOs then INGOs. Regulation has played an important role in this, with the introduction of the Sarbanes-Oxley Act further driving reform among corporations.

Overall, the principles of confidentiality, non-retaliation and independence of investigation are recognised with regards to complaints from internal stakeholders. In contrast, such principles are rarely applied to *external* stakeholders.

For INGOs, formal mechanisms at the international office that handle complaints from external stakeholders such as partners and affected communities are a new concept. The Index results show that the sector lags behind TNCs and IGOs. World Vision International is the only INGO in the report that makes a commitment to setting up formal channels through which affected communities can file complaints and receive a response.

### Global accountability, global responsibility

We are connected to transnational organisations in multiple ways: we fund IGOs through our tax contributions, we support the work of INGOs through our activism and individual donations, and we finance corporate activities through our purchasing habits and pension funds. We all share some responsibility for holding these organisations to account.

For IGOs, citizens must hold their governments to account for decisions at the global level. Some member states have more say in, and control over, these institutions. Political will and changes in current voting arrangements are needed if IGOs are to become more accountable to the global community. This requires citizens of those powerful states to be particularly active in scrutinising their own governments.

For INGOs, national chapters themselves must become champions of accountability, to lead by example at the international level and drive greater accountability throughout the entire organisation. Individual supporters too have a role to play in demanding increased quality, effectiveness and accountability from INGOs.

For TNCs, individual shareholders and institutional investors must become more aware of how corporations they support impact on people, livelihoods and the environment. They need to exercise their influence and hold corporations to account not just for financial returns, but also for the wider impact of their activities.

### Source Material:

This Briefing Paper is based on the 2006 Global Accountability Report by M. Blagescu and R. Lloyd, One World Trust, London (2006).



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