

ANNUAL REVIEW 2007



global witness

**BREAKING THE LINKS  
BETWEEN NATURAL  
RESOURCES,  
CONFLICT AND  
CORRUPTION**



On January 31, 2008, Global Witness was honoured as the 2007 winner of the Commitment to Development Ideas in Action Award, sponsored jointly by the Centre for Global Development (CGD) and *Foreign Policy* magazine. The award honours individuals or organisations for 'raising public awareness and changing the attitudes and policies of the rich world toward developing countries'. In making the award, the Commitment to Development Ideas in Action Award Committee recognised Global Witness for catalysing change through campaigns to end impunity, resource-linked conflict, human rights and environmental abuses. Global Witness' key role in the creation of the Kimberley Process and leadership of the Publish What You Pay campaign were noted as prime examples of translating groundbreaking ideas into action to positively address issues of global poverty and development.

Moisés Naím, Editor-in-Chief of *Foreign Policy* magazine, writes:

"In the last decade or so global demand for natural resources, from wood to diamonds to oil, has boomed. Too often the weak countries endowed with what the world badly wants, find that their natural riches are a curse; that these riches bring poverty not prosperity, war not peace. This paradox has existed for a long time, but as demand booms and globalization spreads, it is becoming more visible.

The intersection between conflict, resources, corruption and globalization is where Global Witness operates and excels. Its existence and success illuminate potent global trends - from the opportunities that globalization opens to few individuals committed to change unacceptable realities to the proliferation of such unacceptable realities.

In 1995 for example, a few friends in London, whose organization we honour today, realized that there was something very wrong going on in Cambodia's timber industry. They quickly discovered that the Khmer Rouge was deeply involved in the illegal exploitation and smuggling of timber and that in the process it committed heinous crimes. At great risk, our awardees said "let's take them on" and they managed to do it successfully, and boldly. Three years later, Global Witness, showed how rebels in Angola were financing a deadly civil war by selling diamonds. Thanks to the movie featuring Leonardo di Caprio, millions now know what blood diamonds are. Yes, the movie helped but without Global Witness the story would have not been told. And these are just two examples.

Together with our partners at the Center for Global Development we at *Foreign Policy* Magazine designed the "Ideas in Action" award to recognize organizations that rely on powerful ideas and hard work to change the world. Global Witness's factual, vigorous investigations have produced positive change in a variety of countries; arguably for the entire planet. That is why it is so fitting that Global Witness is our awardee tonight".

## ABOUT GLOBAL WITNESS

Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses. Too often, reconstruction and development of countries emerging from long periods of conflict is hindered by extensive corruption. Individuals or organisations that carry out illegal trade in natural resources such as diamonds, oil, timber and gas deprive a country's Treasury from receiving much needed revenue, hindering economic growth and contributing to continued instability. Instability makes it easier for the perpetrators of corruption to continue to exploit the country's resources for their own personal gain, and has a direct correlation to human rights and environmental abuses.

This is a critical era for Global Witness' work. The world's accelerating hunger for natural resources offers both opportunities and risks for millions of the poorest people in the world:

equitable distribution of resource revenues could help create wealth, whilst corruption, oppression and unsustainable exploitation condemn them to decades of conflict if the international community gets it wrong.

Our campaigning for reform has been used to form the basis of international policy:

- Uncovering illegal logging that was funding the Khmer Rouge in Cambodia, Global Witness successfully campaigned for closure of the Thai/Khmer Rouge timber trade, significantly contributing to the Khmer Rouge's disintegration. This was the first exposé of the phenomenon of 'conflict timber', which Global Witness followed up with its work on former Liberian president Charles Taylor's arms for timber trade.

• Global Witness' exposure of trade in conflict diamonds catapulted 'conflict' resources into the international spotlight and led to the Kimberley Process Certification Scheme, an international agreement to prevent the trade in conflict diamonds - earning us a co-nomination for the 2003 Nobel Peace Prize.

• Global Witness' campaigns to expose corruption in oil, mining and gas industries operating in the South led to the creation of the Extractive Industries Transparency Initiative (EITI), the main international vehicle working to increase accountability and tackle corruption. Global Witness co-founded the 300-strong Publish What You Pay NGO coalition.

• Global Witness' investigations led to precedent-setting United Nations sanctions on exports of Liberian timber during the civil war, cutting off Charles Taylor's main source of funding.



GUARDING LOGS ALONG THE THAI/CAMBODIA BORDER. GLOBAL WITNESS FIRST EXPOSED THE ISSUE OF 'CONFLICT TIMBER' FINANCING THE WAR IN SOUTH EAST ASIA.  
© GLOBAL WITNESS



## MESSAGE FROM THE DIRECTORS

Our 2007 report *Cambodia's Family Trees*, all 95 pages of it, published in both English and Khmer, was downloaded from our website over 27,000 times between June and December. This is not including the 50,000 downloads in one day that we assume was a cyber attack by an unknown source. The report, documenting the state looting of Cambodia's forests and other public assets by a corrupt elite centred around Prime Minister Hun Sen, was banned in Cambodia within days of publication, and photocopies which went on sale in Phnom Penh's markets for \$5.00 each were seized by the police. Violent threats were made against Global Witness staff and individuals who could be perceived as taking part in the report's production have been subject to surveillance, harassment and death threats. This example of a poor but resource-rich country, led by a corrupt government more beholden to the buyers of its natural resources than to its own population, resorting to censorship and threat to protect its shady deals, is sadly all too typical, but there is light on the horizon. The U.S. Government has passed an act into law which imposes a lifetime visa ban on corrupt foreign nationals, and the accompanying recommendations report specifically encourages imposing prohibitions upon those named in *Cambodia's Family Trees*. Whereas this does not solve the whole problem, it is one way of ending the impunity enjoyed by corrupt elites, of damaging the credibility they crave, and making things very inconvenient for them! Corrupt leaders hate to be banned from the countries where they educate their kids, do their shopping and buy their mansions.

This is an example of why Global Witness' work is so important, and how a small group of determined people can make a real difference. But not without

risk. Last year we suffered legal attack from the son of the President of the Republic of Congo (Congo Brazzaville), for putting his paper trail of corruption on the internet. We won, and the UK judge found that, unless explained, the documents "frankly suggest" that he was indeed corrupt. And one of our campaigners, Sarah Wykes, was arrested and charged with espionage whilst meeting with civil society and government officials in Angola, a notoriously corrupt oil-rich state. A rapid-response global campaign that brought together various governments, the media and numerous NGOs, not least the Publish What You Pay coalition saw her release. Meanwhile, supporters in Angola gave Sarah moral and logistical support, both during and after her imprisonment. This response was truly humbling; a testament to the importance of protecting civil society whilst they work to improve transparency and governance. However, the charges against Sarah remain.

All of this goes to show that we are making a difference, and that corrupt governments at the very highest levels are scared of our investigations and their findings. This is testament enough for us.

Our Conflict Resources campaign, launched in 2006 to a rather sceptical audience at the UN Security Council (UNSC), saw the Belgian Government adopt the issue as the theme of its UNSC Presidency in June 2007, and although we're a long way from the measures we want to see taken, the issue is now firmly on the UN agenda. This was helped in no small part by the continued reverberations caused by the film *Blood Diamond*, and the release of *Hot Chocolate*, our report documenting how the cocoa trade generated around \$118 million for both sides in the recent conflict in Côte d'Ivoire. The report shone a light onto the disappearing

cocoa revenues with the result that the Ivorian government launched an investigation into the trade in October, and in addition released hitherto unavailable financial information to the Council of Ministers, the World Bank and the IMF. The report was also important in that it demonstrated that it's not just headline resources like diamonds that fund wars.

Working closely with Germany's Heinrich Boell Foundation Global Witness co-authored their publication *To Have and Have Not – Resource Governance in the 21st Century*, which brought together NGOs from all over the world to highlight natural resources issues at the German hosted G8 meeting, also in June. Our work in the Democratic Republic of Congo featured large in this, as we continued to shine a light on the corrupt use and mismanagement of natural resources in that country.

2007 has also been the year of the forest. Working closely with other NGOs, Global Witness' 2005 call to find alternative uses to industrial logging in tropical forests has begun to be heard. With the knowledge from the Stern Review on the Economics of Climate Change that land use change is responsible for 18% of global CO2 emissions, more than the entire global transport sector, and that deforestation is the single largest source of land-use change emissions, campaigns to save the world's remaining forests have been given their best opportunity in decades. The issue has captured high level attention from most of the world's governments, but it is not yet clear how they will achieve a solution. Global Witness and its allies do have an idea, and 2008 will see concerted campaigning to end industrial scale logging, and replacing it with forest uses that truly benefit the local populations, national economies and the environment, rather than our old friends - the corrupt political and business elites.

Campaign success depends on a strong organisation. We appointed a Director of Finance and Resources who, with his team, has honed our



internal systems and has substantively improved our financial and people management capabilities, whilst our Development team continue to meet ever increasing targets, bringing in £2.9 million, a fantastic achievement. All of this would be, of course, impossible without the continuing support of our funders, many of whom have supported Global Witness from its earliest days back in the mid-1990s; this loyalty is truly heartening, and an important measure by which we can judge the importance of our work.

Global Witness' work is complex, and despite a history of some impressive quick wins, success can often only be gauged in the long term. Our funders consist of those who understand and embrace this complexity, and are beginning to include a new breed of philanthropist who want to strategically target their money to tackle the root causes of many global problems. To all of our funders we owe a debt of gratitude for their financial, moral and campaign support. Oh – and please tell your friends! And to all our staff and an increasing number of highly skilled and dedicated volunteers, who worked towards the successes we've had, and dealt with the tough situations we've been in, thank you.

And finally, Global Witness' work would be impossible, and in many cases irrelevant, without the valuable partnerships we have with our civil society colleagues in the countries we work on. It is their work, and often their plain courage, that informs what we do, and is at the heart of reforming some of the iniquities that arise from the greed to control valuable natural resources.

Charmian Gooch  
Patrick Alley Simon Taylor

**Patrick Alley, Charmian Gooch and Simon Taylor**  
Founding Directors

SENG KEANG COMPANY LOG STOCKPILES IN KHOAS VILLAGE, CAMBODIA. CAMBODIA HAS LOST 29% TROPICAL FOREST OVER A 5 YEAR PERIOD.  
© GLOBAL WITNESS



# ENDING IMPUNITY

This work is all about contributing to a fair, transparent system of justice where individuals and companies who have a hand in natural resource-related corruption, human rights abuses and violent conflict can be exposed and held accountable through legal or non legal remedies. Throughout our history Global Witness has exposed numerous examples of war, corrupt regimes and attendant human rights abuses being directly fuelled by unscrupulous individuals and natural resource businesses, whose complicity often takes the form of financial and logistical support for unaccountable groups, governments, and security forces. We have shown how looting of resources like diamonds and timber has led to rebels, corrupt state leaders and the multinational companies who do business with them reaping huge profits, whilst innocent civilians often suffer horrific abuse at the hands of looters. "Naming and shaming" only

goes so far: large companies and shady middlemen can shrug off bad publicity and continue their invidious practices. What is really needed is international recognition that companies and individuals, working with corrupt ruling powers or militias to exploit natural resources, all too often go unpunished; then we need to work towards a legal structure which will eventually make that history.

### Holding companies to account

We intensively reviewed and analysed documents and witness testimony gathered over years of Global Witness' investigations to prepare these for possible legal cases against companies involved in the Liberian civil war, and submitted documents to the Truth and Reconciliation Commission on the activities of Liberian and foreign registered companies and individuals who facilitated the war. We published a report into the Kilwa massacre in the Democratic Republic of Congo *Kilwa Trial: a Denial of Justice*, (July 2007) and directly approached two foreign governments to conduct investigations into the role of their nationals in the incident. We advocated on behalf of the victims for accountability and clarity on Anvil Mining's involvement.\* We also worked closely with our DRC team on challenging Afrimex, a UK based company that dealt with rebel groups in the DRC well-known for human rights abuses, with suspected breaches of the OECD guidelines. Our complaint to the UK National Contact Point was accepted for further investigation in September 2007.

\* For further reading on the Kilwa incident please refer to MONUC Special Investigations Unit (SIU), 'Report of the Special Investigation in Kilwa 22-24 October 2004, Lubumahi', 10 October 2004. This was MONUC's preliminary report into the Kilwa incident. MONUC released its final report in September 2005. See also Global Witness' joint report 'Kilwa Trial: a denial of Justice. A Chronology October 2004 - July 2007', 17 July 2007.



FORMER LIBERIAN PRESIDENT CHARLES TAYLOR IS SEEN IN COURT AS HIS TRIAL REOPENED AT THE U.N.-BACKED SPECIAL COURT FOR SIERRA LEONE. THE HAGUE, NETHERLANDS © AP PHOTO/MICHAEL KOOREN



### Holding individuals to account

We have campaigned for years on the role of natural resources in funding former Liberian president Charles Taylor's military exploits, threatening the stability of the entire West African region, with the aim of getting Taylor brought to trial for what we believe should be considered by the international community as war crimes or crimes against humanity. In 2006 Taylor finally appeared in the UN-backed Special Court of Sierra Leone to face 11 charges of such crimes for his role in Sierra Leone. During 2007 Global Witness materially assisted the investigation into Charles Taylor's activities whilst President of Liberia. The trial is likely to last throughout 2008, and we will continue to respond to the prosecuting team's requests for information and analysis. We are helping UK and U.S.-based law firms and investigation agencies in tracking Taylor's assets.

### Holding countries to account

We engaged with governments and prosecuting authorities in several different countries regarding their ability and willingness to hold their nationals and registered companies to account for their activities and crimes committed abroad. A member of Global Witness staff worked for three months with the office of the UN Special Representative on Business and Human Rights, Professor John Ruggie, to focus on this issue of the responsibility of Home States to minimize human rights abuses caused by their companies operating in conflict zones. Through this partnership we contributed analysis of the current relationship between multinational operations and their home states regarding obligations to ensure promotion of human rights in countries of operation, and developing recommendations for national and international policymakers and legal professionals. We also identified two European countries with negligent laws regarding UN Sanctions and are working to close these gaps, to ensure future sanctions violators do not find safe haven in these countries.

SIERRA LEONE FREETOWN. THE AWOKO NEWSPAPER REPORTS THE CAPTURE OF FORMER LIBERIAN PRESIDENT CHARLES TAYLOR AND HIS TRANSFER TO THE SPECIAL COURT FOR SIERRA LEONE. PANOS. © JENNY MATTHEWS



# CORRUPTION, STATE LOOTING AND FINANCIAL FLOWS

Through our work in countries such as Cambodia, Angola, Republic of Congo, Turkmenistan and Kazakhstan, Global Witness has seen first-hand the impact of state looting: the stripping of state revenues and assets by corrupt elites and their middlemen to build their own personal fortunes.

For a developing country, loss of money on this scale causes economic devastation. But it isn't just an economic crime. When vast amounts of capital are siphoned off into overseas private bank accounts, it undermines the ability of the state to provide basic services for its people, diverts funds intended for development, and destabilises whole societies. In the worst cases, it leads to conflict and failed states. The consequence is extreme poverty and human suffering.

## Corruption and Illegal Logging in Cambodia

After several years of investigative research, Global Witness published *Cambodia's Family Trees* – exposing the links between the illegal logging trade and corrupt networks of power in Cambodia. The report showed how Cambodia has become a kleptocratic state: one where the political elite has captured the country's natural resources and is exploiting them for personal enrichment rather than national benefit. Released in June 2008, *Cambodia's Family Trees* revealed how the illegal destruction of Cambodia's forests is carried out with impunity by family members and business associates of Prime Minister Hun Sen, his wife, and other senior officials.

Immediately after the launch of *Cambodia's Family Trees* the authorities reacted by banning the report, confiscating copies, and harassing journalists who covered the story. The prime minister's brother was quoted in a Cambodian newspaper as saying "If (Global Witness staff) come to Cambodia, I will hit them until their heads are broken."\* Despite this attempted censorship the report attracted extensive international media coverage and 27,000 copies have been downloaded from our website.

In the wake of the report, the U.S. 2008 Consolidated Appropriations Act (which determines funding for U.S. overseas assistance) now requires the Secretary of State to keep a running list of foreign government officials – from any country, not just Cambodia – and their family members involved in corruption relating to natural resource extraction. Individuals on this list will be denied visas and will be ineligible for admission to the United States. Language within an attached document specifically urges the administration to prohibit corrupt officials identified in *Cambodia's Family Trees* from entering the U.S. and calls on other western and Asian countries to impose similar restrictions.

\*References to the threat made against Global Witness staff by Prime Minister Hun Sen's brother are drawn from an article by Douglas Gillison and Yun Samean, published in the Cambodia Daily on June 5 2007. In it, the Prime Minister's brother and Kompong Cham provincial governor Hun Neng is quoted as saying: "If they (Global Witness staff) come to Cambodia, I will hit them until their heads are broken."

Global Witness will continue to use the report to encourage other governments to take similar action. And of course, we will continue to expose corruption in Cambodia and call on its donors to insist on reforms to enable ordinary citizens to hold their government to account.

State looting cannot take place without the collusion, whether active or passive, of actors in the developed world. This can involve inaction by donor governments, who in the case of Cambodia have repeatedly stood by and continued to provide funds to prop up basic services while state officials strip the state of its assets. Or it can involve bankers, lawyers and accountants, who set up the routes used to transfer dirty money around the world.

In 2006 we revealed how \$3 billion Turkmen gas revenue accounts at Deutsche Bank in Frankfurt appeared to be allowing a regime notorious for human rights abuses to keep the majority of the nation's revenues offshore and hidden from the national budget, while spending on health and education went into freefall. In 2007 our campaigning on this issue prompted an investigation into the accounts by BaFin, the German financial regulator. BaFin confirmed that the accounts are compliant with German regulation meaning that Deutsche Bank acted entirely within current regulations, but we think this actually reveals the weaknesses in BaFin's regulatory systems.

Global Witness continues to lobby for change: what are banks' responsibilities with respect to 'state accounts' when the state itself is in effect in the control of one person.

We are also investigating further cases where states and their accounts are effectively within the control of one person and starting to think about the legal mechanisms needed to bring these 'state looters' to account.

In today's world if an individual robs a bank they risk arrest, trial and imprisonment. Yet the same treatment does not apply to officials who use their positions of power to steal from national coffers. Domestic legislation has serious limitations: the power wielded by state looters means their acts will not be prosecuted in the courts of their own countries. It is up to the international

community to act, given the well-documented, destabilising effect of failed states and poverty on international security.

Global Witness is now reaching out to the international legal community to explore ways to end impunity for the perpetrators of massive corruption.



CAMBODIAN PRESIDENT HUN SEN. GLOBAL WITNESS BELIEVES WE HAVE PROVEN HOW HIS RELATIVES CONTROL THE COUNTRY'S MOST POWERFUL LOGGING SYNDICATE, ACCUSED OF CORRUPTION, ILLEGAL LOGGING ACTIVITIES AND THE ATTEMPTED MURDER OF COMMUNITY FOREST ACTIVISTS. HUN SEN IS IMPLICATED AS COMPLICIT IN THESE ACTIVITIES IN OUR REPORT *CAMBODIA'S FAMILY TREES*. © GLOBAL WITNESS



# FORESTS

Worldwide consumer demand for wood products is growing, and the combination of illicit and often illegal logging and industrial scale export-orientated logging is devastating natural forest ecosystems and the livelihoods of millions of forest-dependent people throughout the world.

For over a decade Global Witness has led campaigns against illicit and often illegal logging and the trade in conflict timber in some of the world's greatest trouble spots, including Cambodia, Burma, the Democratic Republic of Congo (DRC) and Liberia. We expose illegal logging and corruption in the forest sector, strengthen civil society oversight of their forest resources and undertake international advocacy work to shape pro-poor initiatives to combat illicit logging.

In 2007 we played a key role in commenting on the draft Legal Timber Protection Act in the U.S. and securing changes to the document that have strengthened the scope of the legislation to really crack down on those companies that import illegally harvested timber. Throughout 2007 we also worked closely with environmental NGOs Greenpeace, Friends of the Earth, FERN and the Environmental Investigation Agency to get legislation to ban the importation and sale of illegal timber.

## Independent Forest Monitoring (IFM)

Global Witness pioneered the concept of Independent Forest Monitoring (IFM), which has helped to expose illicit and often illegal logging and corruption in the forest sector, strengthen civil society oversight of forest resources, and establish partnership projects to support forest ministries in effective forest governance.

## Scoping the Potential for IFM in the Democratic Republic of Congo

The DRC's forests represent the second largest remaining natural forest block in the world, and a sustained advocacy campaign is essential to push for the responsible management of this resource, and the rejection of industrial-scale, export oriented logging, which has consistently failed globally to provide meaningful development opportunities.

In 2007 Global Witness conducted a three month IFM feasibility study jointly with the DRC Forest Administration and with the support of the World Bank and European Commission. The study exposed numerous alarming issues in the management of the Congolese forests including: an incomplete legal framework, the inexistence of a National Forest Policy or Land Use Plans, and absence of a functioning forest control system or institutionalised control structure at any levels. We also found a weak and heavily underpaid forest administration that opens the door to abuse and corruption. There is wide spread anarchic logging practices that exacerbate rapid forest destruction, failure to collect due revenue for the state, failure of re-distribution of revenues to the regions affected and little investment in socio-economic development.

In view of these critical shortcomings the study concluded that a full moratorium on all industrial-scale logging was necessary as an interim

measure whilst forest land use zoning, a comprehensive legal framework, meaningful regulatory capacity and measures to strengthen community rights and participation are put in place, and the conversion process be fully completed, with all disputes satisfactorily settled. This period should be used to seek alternative use of the country's forests and financing and technical support by the international community, to ensure the forests are conserved and benefit populations reliant on them. A reading committee consisting of DRC Government, civil society and private sector representatives approved the report, with no detailed comments on our findings. Since then, the government has begun to apply some of the recommendations of our report, specifically in putting into practice the outstanding technical legal frameworks of forest management.

## Nicaragua

In 2007, Global Witness' work in Nicaragua reached an important milestone. Following an eighteen-month IFM pilot project, we published fifteen reports, documenting our findings as the official independent monitor and shedding a spotlight on the grave problems facing the forest sector. There are major weaknesses in forest governance at an institutional level, most notably a lack of control by the law enforcement institutions. At the same time evidence shows a climate of impunity among some logging companies, leading to poor and illegal management practices without fear of prosecution. These mission reports provide concrete conclusions and recommendations, supporting forest law enforcement in the country. Jorge Canales, Sub-Director of the Nicaraguan Forest Institute, praised our work in

"helping to put the sector in order". Authorities have since agreed to establish a review committee for the mission reports, which will provide comments from an institutional point of view and follow up on the reports' recommendations.

Building on this work, we are currently looking at how we can build the capacity of civil society in Nicaragua to take an active role in monitoring the forest sector and pressing the Government to improve forest governance.

## Honduras

Since 2005, together with the Honduran Commission for Human Rights (CONADEH), we have implemented and advised on IFM in Honduras, bringing to light the staggering scale of deforestation and illegal logging in the country, which deprives the Honduran people of state revenues that could be spent on much-needed poverty reduction. In 2007 we revealed serious illegalities in the confiscation and management of illegally logged mahogany, a protected species, and problems in the running of forestry cooperatives that are jeopardising the distribution among communities of benefits from forest use. After two years

of successful missions and training we handed over monitoring to our partner CONADEH, who have integrated forest monitoring into the Honduras 'social audit' process, an opportunity for citizens to participate in overseeing the implementation of forest law, voice their concerns with the ways in which their communities are run, and hold their leaders and government officials to account.

In 2007 the Honduran Government established a Reporting Panel - an important development that shifts legal responsibility for following up forest law infractions towards the forest authority. Much, however, remains to be done. We must continue to document evidence of forest governance failures and push the authorities and international donors to act, forging links with civil society organisations who can strengthen the fight for good forest governance in the country.

## Addressing China's Role in Logging and Forest Use in Burma

There has been a significant decline in illegal cross-border logging between China and Burma since the closure of the border to the trade following Global Witness' report *A Choice for China* in

2006. In 2007 we undertook further investigations into the Burmese/China timber trade to assess the actual impact of the border closure. We found that, although there is less timber arriving in China from Burma than before, it appears that the trade ban has not been applied consistently across all border areas and permits are still being granted to some companies to continue logging practices.

We also wanted to capitalise on our achievement in getting the border closed 2006, one of the few times that external pressure of this kind has actually forced a tangible change in Chinese Government practice. Some success can be seen in developments within the Chinese Government in 2007: the Ministry of Commerce commissioned a study of China's global impact, including the timber industry, and in August authorities announced the publication of guidelines for enterprises engaging in logging overseas. With a view to both our work in Burma and other parts of the world, it is imperative that we continue this pressure and learn more about how we can influence Chinese global policy on natural resources in the future.



EQUADOR SOUTH EAST. LOGGING IN THE RAINFOREST. PANOS © RHODRI JONES.



# OIL AND TRANSPARENCY

Global Witness believes that the citizens of countries rich in natural resources have a right to benefit from the revenues that these resources create. In order to monitor their governments and ensure that natural resource wealth is turned into public benefit, citizens need full information about the flow of revenues to the state from natural resource companies. Lack of transparency has led to gross corruption and waste of public revenues in many countries that are rich in natural resources, which suffer entrenched poverty, instability and avoidable human suffering as a result.

Through field investigations and high-level advocacy, Global Witness works to ensure that full information about the flow of revenues to countries from oil, gas and mining companies is available to citizens of those countries. Global Witness is a founding member of Publish What You Pay, a global coalition of more than 350 civil society groups from over 50 countries, which calls for the public disclosure of revenue payments to governments by oil, gas and mining companies. Our efforts led directly to the creation of the Extractive Industries Transparency Initiative (EITI), a global initiative that brings together governments, companies and civil society groups, and we have played a major role in shaping its rules and procedures and have led on delivering EITI's detailed and precedent-setting validation system. More than 21 countries are now EITI Candidates, meaning that they are (broadly) en route to a more transparent and participatory system of oil and mining revenue management.

Because the EITI is voluntary for countries to join, and many of the most opaque and autocratic oil-rich countries show no signs of doing so, we want to create a regulatory requirement on companies to publish their revenue payments to all the countries where they operate. In 2007 we worked closely with members of the U.S. Congress on a bill that would require U.S.-listed extractive companies to disclose such payments.

In Liberia, we worked with local activists to persuade the new democratically elected government to sign up to EITI. As a country that depends heavily on natural resource extraction for its income, it is vital that following so many years of conflict Liberia commits to the transparent and equitable use of its resource wealth.

There are signs that the principles of EITI are starting to become an accepted way of working: the European Bank of Reconstruction and Development and some donors have started to promote revenue transparency through the conditions they place on their support for investments in the extractive industries.

## Promoting and Protecting the Role of Civil Society

While the EITI is a great achievement, transparency activists around the world are still facing harassment, including imprisonment, for their work investigating and campaigning on extractive sector transparency issues, and attempting to hold their governments to account for revenues and spending.

In Angola, as the run-up began to the country's first democratic elections, anti-corruption and human rights defenders were harassed and intimidated. Most recently, the UN announced the closure of its Human Rights Office in Angola, due to the government's refusal to extend its mandate. Earlier in 2007, Global Witness campaigner Dr Sarah Wykes was arrested in Angola while visiting the oil-rich enclave of Cabinda to discuss transparency issues with local civil society representatives. She was imprisoned for 3 days on charges of espionage and subsequently undefined crimes against state security, accusations which Global Witness has strongly refuted. Dr Wykes was finally allowed to leave Angola on bail and returned to the United Kingdom on 18th March 2007. While her legal representatives have filed a request that the case be dropped, the case remains open and due process has not been followed. Northern international NGOs often enjoy a slightly safer environment than local groups. The treatment of Dr Wykes can only hint at how difficult it must be to operate for local civil society. Global Witness has serious doubts about the Angolan Government's respect and promotion of the rights of civil society groups to debate and advocate on issues of good governance and human rights which raises questions regarding the country's notoriously opaque management of natural resources.

Where civil society activists are unable to operate freely and are harassed or arrested, the international community should speak out in their defence, given that the credibility of the EITI rests on the free and effective participation of civil society.

## Defending Transparency and Access to Information

Global Witness has for some years been monitoring mismanagement and corruption in the oil industry in the Republic of Congo (Congo Brazzaville), a prime example of a conflict-prone country failing to maximise its oil wealth for the benefit of its population. Congo won debt relief from the international community in March 2006 after pledging to clean up its finances, in particular by ending mismanagement of the country's oil revenues. Work by activists in Congo and internationally, and a series of recent court cases between the Congolese state and foreign creditors have shed light on blatant conflicts of interest among public officials and mechanisms of corruption operating in Congo's oil sector. One case in June 2007 revealed that the President's son, Denis Christel Sassou-Nguesso, who is also responsible for selling the state's oil, appears to have used money related to sales of oil to pay for hundreds of thousands of dollars worth of designer and luxury goods. Global Witness published documentation on this case, including credit card bills, on our website, so that Congolese citizens and other concerned parties could have access to them. Sassou-Nguesso hired a top London law firm to force us to remove the documents.

This assault on free speech ended in defeat for Sassou-Nguesso. The judge ruled that in the absence of explanation, the documents suggested that he was "unsavoury and corrupt". The judgement also ruled that where the propriety of the financial affairs of a public official is brought into question, then there is a public interest in those affairs being publicly scrutinised.

The case was an important victory for the right of Congolese citizens to know how government officials are managing public money, and represents a victory for free speech by organisations and individuals investigating corruption.



KAZAKHSTAN NR. AQTAU. PIPELINES TRANSPORTING OIL FROM THE OUZEN FIELD  
PANOS © YANN MINGARD



NIGERIA NIGER DELTA. A MAN SORTS THROUGH PIECES OF BURNT WOOD AS A FIRE FROM AN OIL PIPELINE BURNS BEHIND. REVENUES FROM OIL EXTRACTION WORLDWIDE SHOULD BE PLOUGHED BACK INTO SUSTAINABLE DEVELOPMENT AND POVERTY ALLEVIATION, RATHER THAN LOST TO MISMANAGEMENT AND CORRUPTION.  
PANOS © GEORGE OSODI



# DRIVING INTERNATIONAL ACTION ON CONFLICT RESOURCES

The last twenty years has seen an upsurge in conflicts fuelled by the trade in natural resources. Global Witness has exposed the way in which armed groups in countries such as Angola, Cambodia, Democratic Republic of Congo, Liberia and Sierra Leone have sustained their activities by exploiting resources including diamonds, timber, minerals and cocoa. Such 'conflict resources' have perpetuated wars that have cost millions of lives. Although there are fewer resource wars than there were at the beginning of this decade, the ever increasing demand for increasingly expensive and scarce resources raises the potential of further conflict.

## Launching a campaign to stop cocoa funding conflict in Côte d'Ivoire

2007 saw us launch a new campaign on a new conflict resource: cocoa. Our report, *Hot Chocolate*, revealed how the cocoa industry in Côte d'Ivoire – which supplies 40% of the world's cocoa – has contributed more than US\$118 million to the war chests of both the Ivorian government and the Forces Nouvelles rebel group that controls the northern half of the country. The report received widespread media attention, and prompted the country's president to announce an official judicial investigation into the issues raised. Our work on Côte d'Ivoire highlights how 'conflict resources' can include commodities other than diamonds and timber and how international policy-makers need to adopt policy approaches that address all cases of natural resources fuelling wars.

## Campaigning for international action to address the issue of conflict resources

The international response to natural resource-driven conflicts thus far has typically been piecemeal, incoherent and delayed. Since 2006, we have been campaigning for a more systematic and effective approach, by the UN in particular, to take natural resources out of conflict.

While our ideas initially met with considerable scepticism and opposition, in 2007 the campaign saw a number of significant breakthroughs. Early in the year, we began a dialogue with the Belgian government about how they could use their June presidency of the UN Security Council to initiate action on conflict resources. The result was the first ever thematic debate at the Security Council on natural resources and conflict, and it produced broad recognition of the need for the UN system to address the issue more effectively.

Since the debate, we have continued to work closely with key UN member states to advocate for a UN Secretary General's report on the issue. Such a report would help the UN to assess its achievements, consider lessons learned and formulate recommendations on how to improve its performance.

## Ensuring that the work of the UN's Peacebuilding Commission includes natural resources

The Peacebuilding Commission was created by the UN at the end of the 2005 to help countries emerging from conflict get back on their feet. In its first

year of operation, it focused on two countries, one of which was Sierra Leone – a country that probably more than any other exemplifies the horrors of the use of natural resources, in this case diamonds, to fund conflict.

In October 2007, we made a submission to the Sierra Leonean Government and the Peacebuilding Commission urging them to include natural resource management in their strategy for the country. Our submission was successful in changing their strategy: a great achievement for Sierra Leone but also a model for other countries which may receive the support of the Commission.

## Campaigning for the accountable behaviour of natural resource companies operating in conflict and post-conflict zones

In 2005 the world's largest steel company, Mittal Steel, signed a \$900 million iron ore deal with the Transitional Government of Liberia. The contract gave Mittal control over the price of the ore and thereby the amount of tax the company would pay the government. It effectively created a state within a state that would have seen citizens living in the concession area subject to a different legal regime to those in the rest of the country. We exposed the inequitable nature of this deal last year.

This year, our lobbying of Mittal and advice to the newly elected Government of Liberia, which inherited the bad deal, helped prompt a renegotiation of the contract. The amended contract, which has been almost completely re-written, addresses



IVORY COAST ABIDJAN. COCOA BEANS BEING LOADED ONTO A CARGO SHIP AT THE PORT. THE COUNTRY IS AMONG THE WORLD'S LARGEST PRODUCERS OF COCOA - AND CHOCOLATE PRODUCTS MANUFACTURED AROUND THE WORLD DIRECTLY CONTRIBUTED TO EXACERBATING THE FIGHTING IN CÔTE D'IVOIRE. PANOS © SVEN TORFINN



the most onerous provisions of the original agreement, increased the value of the contract for the Liberian Government by U.S.\$100 million, and gives the country a real chance of extracting reasonable benefits from the concession.

**Combating conflict diamonds: from mine to retail**

In 1998, Global Witness launched an international campaign to expose how diamonds were funding devastating conflicts in a number of African countries, often with the collusion of the international diamond industry. Our investigations and reports led to the creation of the Kimberley Process, a government-run rough diamond certification scheme set up to stop the trade in conflict diamonds, and now supported by 47 countries and the European Commission.

As a result of our ongoing research and advocacy work, the 2007 Kimberley Process plenary adopted the Brussels

Declaration, the first decision calling for stronger government oversight in diamond trading and manufacturing centres. Our analysis of global rough diamond trade statistics led to increased accuracy and transparency in Kimberley Process statistical reporting.

In 2007, we also worked to broaden and strengthen civil society participation in the Kimberley Process through the creation of the Kimberley Process Civil Society Coalition. The Coalition brings together over a dozen NGOs, many of which are based in diamond-producing countries in Africa and South America and focus on diamond mining and transparency issues.

We successfully advocated for the U.S. Congress to allocate \$3.5m in the 2008 Consolidated Appropriations Act to support implementation of the Kimberley Process and civil society monitoring of the process. We worked with the State Department and the

Senate to ensure that the U.S. Government Accountability Office recommendations to strengthen Kimberley Process controls in the U.S. were adopted.

Following our consultancy work on the film *Blood Diamond* in 2006, we continued to collaborate with the film's producers and with Amnesty International to raise awareness about conflict diamonds among policymakers and the wider public, and to maintain pressure on governments and industry to improve controls on the trade in rough diamonds. We hosted an exhibition of *Diamond Matters*, photojournalist Kadir van Lohuizen's photographic series tracing a diamond's journey from mine to jewellery. The exhibition also featured a screening of award-winning Sierra Leonean journalist Sorious Samura's documentary *Blood on the Stone*, which we advised on.



ROUGH DIAMONDS BEING SORTED IN A FACTORY IN ANGOLA. CONTROLS OVER THE DIAMOND TRADE MUST BE STRENGTHENED ALL ALONG THE CHAIN, FROM MINE TO RETAIL. © GLOBAL WITNESS

# WHERE WE WORKED IN 2007

**Focus on Natural Resource Governance in the Democratic Republic of Congo (DRC)**

DRC produces a large percentage of the world's most sought-after minerals – diamonds, gold, copper, cobalt, cassiterite (tin ore) – and has the world's second largest block of tropical forest. In a context of persistent mismanagement and weak state control, the presence of these resources has contributed to continuing corruption and fraud and has continued to fuel one of Africa's bloodiest armed conflicts. Global Witness focuses on: highlighting the role of natural resources in the ongoing violence in eastern DRC; promoting accountability and transparency in the mining and forestry sectors; engaging with the government and other institutions to encourage fundamental reforms; influencing international donor policies and the practices of companies trading in natural resources.

In 2007, the government launched a review of over 60 mining contracts. Many contained serious flaws and had been signed by an unelected transitional government. Global Witness closely monitored the review process and published a critique, *The Congolese mining sector in the balance*, warning that lack of transparency could undermine the review. Partly as a result of campaigning by Global Witness and other international and Congolese civil society groups, the government eventually published most of the contracts under review as well as the Commission's report. The review concluded that many contracts should be renegotiated and that others should be revoked.

We filed a complaint against British company Afrimex for suspected breaches of OECD Guidelines for Multinational Enterprises, examining its role in eastern DRC's mineral trade at

the height of the armed conflict: we alleged that Afrimex had paid taxes to a rebel group responsible for grave human rights violations and bought minerals produced in extremely harsh conditions. Afrimex has denied any breaches of the OECD guidelines. The British government is currently investigating the allegations.

Our corporate accountability work also turned to Anvil Mining, an Australian / Canadian company whose transport and equipment were used by the Congolese army in an operation resulting in the killing of more than 70 civilians in the town of Kilwa in 2004. Together with British NGO RAID and Congolese human rights organisations ASADHO and ACIDH, we published a detailed chronology of events leading up to the trial of nine Congolese military and

three foreign Anvil Mining employees before a Congolese military court in 2007. This documented events which resulted in the acquittal of those accused of crimes in Kilwa and the denial of justice to the victims. We continue to campaign for justice, looking at possible legal action in a foreign jurisdiction.

2007 saw an increase in our campaigning on DRC's forests. We focused on the risks of uncontrolled industrial-scale logging, the threats to the rights of local communities and the weakness of government control of the sector. Sustained advocacy towards the World Bank and donor governments led to heightened international awareness of these problems and pledges by several donors to provide assistance to the DRC in protecting and managing its forests.



YOUNG MAN CARRYING SACK OF MINERALS, RUASHI MINE, KATANGA. THE DRC'S MINERAL WEALTH HAS THE POTENTIAL TO MAKE A REAL CONTRIBUTION TO HELP LIFT THE COUNTRY OUT OF POVERTY, IF PROPERLY MANAGED. © GLOBAL WITNESS



# WHERE WE WORKED IN 2007

Global Witness works internationally, focussing our campaigns on the long-term issues, countries and regions where our particular strengths and skills can have the greatest impact, and in responding to local civil society requests for support. Throughout 2007, region and country specific work towards our strategic objectives included:

## United States of America

In 2007 we have focussed on engaging the U.S. administration and legislators on the need for greater anti-corruption measures in the extractive sector. We published a report calling on the U.S. government to take a leading role in pushing energy revenue transparency *Oil Revenue Transparency: A Strategic Component of U.S. Energy Security and Anti-Corruption Policy*, and successfully advocated for increased U.S. funding for the EITI – up 300% since 2006. We also successfully promoted legislation to target individual politicians accused of corruption: the State Department will compile a list of individuals and their family members involved in natural resource corruption, paving the way for banning them from entering the U.S. and for their assets to be seized. New language was adopted by the 2008 Consolidated Appropriations Act to promote the U.S. governments' efforts to "assist those foreign governments to increase the transparency of national budgets", and insists incorporating anti-corruption activities into its development assistance strategies.

## Forest Monitoring in Central America

After two years of successful missions and training in Honduras, in late 2007 we handed over forest monitoring to our local partner CONADEH. In Nicaragua, our forest monitoring uncovered illegal logging with the involvement of influential business people and local administration officials, incompetent forest management and a climate of impunity.

## Cocoa and Conflict in Côte d'Ivoire

Our report uncovering the cocoa industry's contribution to the war chests of both the Ivorian Government and the Forces Nouvelles rebel group provided yet another example of a natural resource fomenting conflict.

## Peacebuilding in Sierra Leone

Our October 2007 submission to the Sierra Leone Government and the Peacebuilding Commission regarding the Integrated Peacebuilding Strategy being negotiated led to the inclusion of "natural resource management" as part of the peacebuilding priority area of "good governance".

## Accountability in Liberia

Our 2006 report *Heavy Mittal*, exposing the inequities of a contract negotiated by Mittal Steel with the Liberian government, prompted a comprehensive renegotiation of the deal and is being promoted as a model for extractive industry practices in post-conflict countries. We worked closely with local activists to persuade the new democratically elected government to sign up to EITI. As a country that depends heavily on natural resource extraction for its income, it is vital for the reconstruction of the country after so many years of conflict that Liberia commits to the transparent and equitable use of its resource wealth.

## Defending Access to Information on Congo Brazzaville

After years of monitoring the Republic of Congo's oil industry, in 2007 Global Witness fought off an attempt by the son of the president, Denis Christel Sassou-Nguesso, to remove documents from our website which suggested he may have used state oil revenues to fund his lavish personal lifestyle.

## Angola

In 2007, we researched mismanagement and corruption in the natural resource sector and encouraged the government to introduce specific transparency measures such as EITI participation and independent auditing of natural resource revenues, to increase transparency and accountability. We partnered with Angolan civil society groups to build the capacity of revenue accountability reform and advocacy at national, regional and international levels.

## Corruption and Deforestation in Cambodia

Our report on illegal logging and high-level corruption in Cambodia provoked a massive reaction from the Cambodian Government, attracted extensive worldwide media coverage of international donor failure to try to reign in the government's worst excesses, and resulted in the U.S. Senate considering punitive sanctions against the officials named and shamed therein.

## Illegal logging across Burma-China border

Following our exposure in 2006 of the full scale of illegal logging across the border, resulting in its closure, the Chinese Ministry of Commerce has commissioned a study of China's global ecological impact, including the timber industry, and the Chinese authorities announced in 2007 the publication of guidelines for enterprises engaging in logging overseas.

## Caspian Region: Kazakhstan, Azerbaijan, Kyrgyzstan, Mongolia, Georgia, Turkmenistan

Global Witness partners with civil society groups to investigate the systematic misappropriation of resource revenues, promote transparent and accountable governance of state resources and build civil capacity. In 2007 we researched cases of suspected corruption in the allocation of oil, gas and mining concessions, and in July 2007 raised issues of Deutsche Bank's handling of high-value Turkmen accounts and potential connections to Turkmenistan's missing gas revenues at a UN Global Compact conference. We also continued to lobby for Kyrgyzstan, Mongolia and Georgia to take steps towards full EITI implementation.



# HOW WE WORK

## Our methodology combines investigative research with targeted campaigning and support of local civil society led advocacy.

Global Witness is a unique organisation, starting work where illegal deals happen and where victims suffer, and following the issues up the chain through international trade and domestic policies, to international fora like the World Bank or the UN Security Council and, of course, to the governments of the nations that consume these resources, and to the consumers themselves.

• **Investigating** Through in-depth investigations on the ground into cases of corruption, conflict and environmental and human rights abuses brought about by illegal or illicit exploitation of natural resources, we gather detailed, first hand evidence and publish and distribute our findings. We have become a leading authority on identifying and addressing issues concerning how the unaccountable exploitation of natural resources has driven human suffering.

• **Changing** Through international policy advocacy we fundamentally alter the architecture of natural resource management and trade worldwide: change political will, instigate reforms that improve natural resource management and campaign to outlaw practices that foment or encourage corruption, human rights abuses and conflict.

Awareness-raising and lobbying by Global Witness staff was key to the inclusion of many policies to fight corruption and human rights abuses in the U.S. 2008 Consolidated Appropriations Act that was finalised towards the end of 2007. Our campaigners made sure that our publications which document cases of lack of transparency in the natural resource sector, and provide concrete recommendations for increasing transparency to fight corruption, were read by relevant U.S. policymakers and their aides. We jointly held a cross-sector non-partisan panel discussion in Washington D.C. with the Woodrow Wilson School on oil revenue transparency. Our staff hold regular meetings with key legislators' aides to ensure that they remain briefed on our policy recommendations during all the stages of bringing such bills to pass.

In 2007 we investigated the role of the cocoa trade in the Côte d'Ivoire in funding and fomenting the conflict there. Our investigations involved on-the-ground research which took our team across Côte d'Ivoire, Burkino Faso and Togo talking to those involved in selling and transporting cocoa, and border and customs officials. Our campaigners got information from members of the government and rebel groups, in situations where revealing the true purpose of their questions would have put them in a risky position. Investigating the cocoa industry in Côte d'Ivoire has proven dangerous in the past, as can be seen from the disappearance (and probable murder) of Franco-Canadian journalist Guy-André Kieffer to the kidnapping of a French lawyer who was auditing the cocoa sector for the European Union in 2004. Having weighed up these dangers, we felt that the information we could obtain – incontrovertible proof of cocoa's role in the conflict that could be used to press for action to end the conflict by the international community, the Ivorian government and rebels, and the private sector – and the impact this could have on achieving lasting peace in Côte d'Ivoire, was worth the risks.

• **Partnership** To strengthen the call for change we work in partnership with local civil society groups, using our leverage as a respected international organization to raise issues at the global level. We ensure that evidence collated by local NGOs reaches international audiences, and use our knowledge of international policy system to get effective results and create a domestic political space that local activists use.

Throughout 2007 Global Witness worked with local Congolese NGOs *Association Africaine de Défense des Droits de l'Homme* (ASADHO/Katanga) and *Action Contre l'Impunité pour les Droits Humains* (ACIDH) to support their efforts to gain justice for the victims and families affected by the Kilwa massacre in the DRC in 2005. Together with the international NGO Rights and Accountability in Development (RAID), we provided legal advice on how best to represent the victims and their families and pursue the case, as well as lobbying the Congolese and international officials to push for a trial free from political and military interference and that addressed the victims' needs. After the unsatisfactory outcome of the trial, we continued to lobby with and on behalf of ASADHO and ACIDH for an effective appeal to be launched and for compensation to be negotiated, assisting them in facilitating meetings and gaining access to the relevant officials.



### Global Witness on the web

All our investigative reports and policy briefing documents are available to read and download from our website -

[www.globalwitness.org/media\\_library.php](http://www.globalwitness.org/media_library.php).

Our publications are read by high-level policymakers and their aides in a wide range of Northern and Southern governments and international institutions, and make a real impact on policy; our recommendations have been incorporated into legislation from Liberia to the United Nations.

### Which of Global Witness' reports were downloaded most?

Cambodia	77,365*
Conflict Diamonds	24,049
Oil and Transparency	20,751
Conflict Resources – Cocoa in the Cote d'Ivoire	4,820

\*we believe that some 50,000 of these, all downloaded in one day, constituted a cyber attack from an unknown source.



# WHERE NEXT FOR GLOBAL WITNESS?

The commodities boom is creating an unprecedented transfer of wealth from rich consuming nations to poorer producers. In 2006, exports of oil and minerals from Africa were worth roughly \$249 billion, nearly eight times the value of exported farm products (\$32 billion) and nearly six times the value of international aid (\$43 billion). A similar story is apparent elsewhere in Central and South East Asia, Latin America and much of the rest of the developing world.

Used properly, this money could be one of the best chances in a generation to lift many of the world's poorest and most dispossessed citizens out of poverty. Yet history shows that countries relying on oil and mining revenues tend, with surprisingly few exceptions, to be poor, badly run, and prone to violent instability: the infamous 'resource curse'.

If the resource curse is tackled more systematically, we stand a much better chance of lifting hundreds of millions of citizens of resource-rich countries out of poverty over the coming few years. Alternatively if the international community doesn't respond to these challenges in a coherent and concerted way, we risk the opposite: a chaotic scramble for resources, with a race to the bottom in ethical behaviour and corruption leaving the citizens of the affected countries as poor, or poorer, as they were a generation or two ago.

## Pushing for greater natural Resource Transparency

The Extractive Industries Transparency Initiative (EITI) breaks new ground by bringing together governments and the private sector with civil society groups from around the world to promote greater transparency in the flow of revenues to governments from oil and mining companies.

But the initiative has shortcomings. It does not cover the allocation of oil and mining concessions or the marketing of oil, both notorious for corruption, or the role of the financial sector in laundering stolen public money. Nor does it track revenues once they reach government budgets, to ensure that the money is spent properly. The voluntary character of EITI means that some of the oil-producing countries with the worst reputations for corruption, notably Angola, are not compelled to take part.

Global Witness wants to expand initiatives such as EITI into a roadmap that will help countries to manage all their natural resource revenues better and more fairly, starting from the award of concessions through to the drawing up of transparent public budgets. We plan to launch a major new strand of advocacy in 2008-09, to promote more transparency in the allocation of concessions. We need to shape international best practice in this area so that ordinary citizens in resource-rich countries will be able to be broadly confident that their mineral concessions have been awarded by their government on their behalf in a fair and transparent manner and that the best bidder has won.

## Changing the way International Institutions approach natural resources

A more forward-thinking approach by the UN on resources and conflict prevention will be critical to these efforts. It will also probably save a huge amount of money: consider the fortune that the UN has spent – some \$9 billion and rising – to help reconstruct countries like the Democratic Republic of Congo and Liberia, which have been devastated by wars driven by the predatory hunt for natural resources.

Engendering a UN Secretary General's report on natural resources and conflict will be key to reforming the UN's institutional machinery and we will be working directly on this, building on our initial success in encouraging Belgium to lead a Security Council debate on the issue.

We also need to get the International Financial Institutions, especially the World Bank as a lead donor, to join up their own interventions on tackling the resource curse. We have used the opportunity of the Bank's emerging Good Governance and Anti-Corruption strategy to call for the Bank to have a fully coherent policy on good governance in resource extraction across the value chain of extraction and have presented this case extensively to Bank staff (most recently at an internal round table of over 50 Bank staff in Washington D.C.). The Bank appears to be listening; it launched an initiative to begin the process of joining-up its own interventions on natural resource management at its recent Spring Meeting. We now need to build on this constituency to ensure it further develops best international practice, delivers on it in all its country lending and technical assistance operations, and also catalyses similar reforms elsewhere.

## Pushing for effectiveness in international aid

We are increasingly concerned about donor's failure to address corruption and want to encourage them to get serious on this issue. Throwing more aid money at weak and corrupt governments without requiring concomitant improvements in governance may only serve to entrench the ruling elite and allow them to cover up the failure of the state to provide for its citizens. As such, it will fail to address the real causes of poverty. There is a lot of talk about promoting governance by

donors but this is undermined when the crunch comes and hard decisions have to be taken.

Global Witness' work in Cambodia has shown how systematic and institutionalised corruption has deprived the entire population of the revenue that could have come from these public goods. Cambodia's donors have provided the equivalent of over 50% of the government's annual budget for over a decade now, consistently failing to bring the government to account.

It is important to look at the implications of this 'no strings attached' approach towards aid in countries with proven problems with corruption, and consider the ways in which the international community can make a positive impact on local efforts to tackle corruption.

## Tackling the middlemen who make corruption possible

We need to address the impunity of national elites and those who provide services to them that enable corruption and state-looting to flourish. Corrupt regimes do not operate on their own. If they did not have access to the global financial network, to lawyers, accountants, and company service

providers and trusts in offshore jurisdictions, they would not be able to loot government coffers on the scale that they do. We think it is now time to challenge, both morally and legally, the way that national sovereignty is manipulated by corrupt politicians to shield such actors from scrutiny and allows them to cover actions which are really facilitating high level corruption in a cloak of superficial legitimacy.

As well as unaccountable government officials and their corruption consultants, we also need to address the role of the global financial system in hiding and laundering stolen wealth – compare the seriousness with which banks pursue terrorist financing to that with which they pursue the proceeds of corruption. There has been remarkably little sustained and systemic campaigning to put pressure on the banking industry as a whole to alter cultural practices which facilitate corruption.

## Pressing for sustainable, equitable alternatives to industrial-scale logging and deforestation

Global Witness has a strong track record in investigating illegal logging, the trade in conflict timber, and corruption in the forest sector.

However, we don't think anyone has done enough to tackle the root causes of the problem and to prevent promulgation of this failed industrial logging model by the international development institutions. We will seek to demonstrate convincingly how benefits of industrial scale timber extraction, especially in areas of poor governance, are relatively low and how the costs are potentially much larger. We intend to use this to open up new approaches for international conservation. Put simply: the international community should, in their own enlightened interest, pay forest-rich but poor countries to keep those forests standing. The torrent of money that is chasing climate change mitigation under the Kyoto Protocol and other initiatives to tackle climate change could be put to good use here. At the moment, it appears much of that money will be wasted and misdirected or hijacked by the logging community to reward companies simply for obeying the law.



ANGOLA LUANDA. VIEW OVER A 'MUSSEQUE' - SLUM SETTLEMENT - TOWARDS THE 'ILHA' - ISLAND. DESPITE HAVING HUGE OIL WEALTH, ANGOLA REMAINS ONE OF THE POOREST - AND MOST UNEQUAL - COUNTRIES IN THE WORLD  
PANOS © THOMAS HAVISHAM



# FUNDING

Global Witness' ability to combat the links between the corrupt exploitation of natural resources and the poverty, conflict and human rights abuses that it engenders is possible because of the support of our funders. Maintaining a strong financial support base is critical both to our survival as a not-for-profit organisation and to our ability to continue to grow and to challenge these situations around the world. We are enormously grateful for this support and we endeavour to ensure that every penny invested in us delivers real results as effectively as possible.

## Support for Global Witness in 2007

2007 was Global Witness' most successful year to date in terms of income generation. We generated £2.9m which is an increase of £400,000 (3%) on 2006.

Financial support for Global Witness comes from all over the global North: a quarter of our funding comes from the United Kingdom, while just over a third comes from other European countries and almost 40% from the United States and Canada.

The core of our fundraising achievement – 95% – has come from the renewed and generous pledges of our existing donors. Global Witness is greatly encouraged by and deeply appreciative for the continuing commitment they

have to our work. In 2007 we also welcomed a significant number of new donors who are helping us to develop new ways to tackle corruption and human rights abuses in the natural resource trade. Increased donations by private individuals, engaged in part thanks to the *Blood Diamond* film and our participation in the BBC Radio 4 Appeal, also helped us push up our unrestricted support.

Global Witness received its first and very generous legacy (£356,000) in 2007 from John Roffey, who was a long-term supporter of Global Witness. This kind of support is very encouraging for an organisation such as ours, helping to ensure that we can continue our efforts to free future generations from the curse of resource-driven conflicts and corruption.

## Looking Ahead

Global Witness' findings and reports have significantly shaped international policy. With relatively limited resources we have sought long term and lasting solutions to conflict and corruption. However our funding base is relatively narrow and we now need to put our financial future on a more secure footing. Legacies and similar unrestricted funding are hugely valuable to us, as they go beyond the constraints of our annual budget and allow us to address some of our longer term

challenges, but still make up only a small proportion of our income.

In 2008 we have a 12% increase in budgeted expenditure. There is an increasing need for Global Witness' work. As the prices of commodities continue to rise globally, and demand for natural resources grows disproportionate to international supply, the risk grows that pressures on governments and private companies will lead them to ride roughshod over democratic governance and environmental and human rights concerns in the immediate rush for resources. As global poverty grows, the effectiveness of how development aid from the North to the resource-rich but poor South is managed needs to be questioned. Poor management of natural resources and other sources of wealth, high levels of corruption and theft among government and the private sector, and the difficulties faced by civil society in calling their leaders to account for such waste all need to be tackled. Our work to expose inequitable, unsustainable and corrupt resource management and the governments, individuals, institutions and 'middle-men' involved is particularly vital in these situations, but require the investment of skilled staff and the development of campaigns that expose and publicise the problems – and all this needs funding.

We also need to be increasingly prepared for legal defence – a growing problem for activist NGOs such as ourselves, as unscrupulous individuals use England's notorious libel laws to try and silence those calling them to account. In the face of such threats and confronted with a growing global recession, we also need to build our reserves, to enable us to continue our work in the face of unforeseen

expenses or blocks to our funding. Advances in recording equipment, telecommunications and web-based activism could increase the impact our work can have globally, but these need capital to invest in new technology.

We have the opportunity to engage in a variety of debates that could, with our and other NGOs' help, shape the sustainability and fairness with which the world manages its natural resources. For example, as the deforestation caused by industrial-scale logging is increasingly questioned in a world more aware of the threats of climate change, we need to push for the rights of forest communities and the importance of preserving forest cover and prioritising other wealth-earning uses of the forests, as part of the global fight to reduce climate change.



RENOWNED BROADCASTER JULIAN PETTIFER RECORDS THE BBC RADIO 4 APPEAL FOR GLOBAL WITNESS © GLOBAL WITNESS

## Support

Tax-efficient donations to Global Witness from anywhere in the world can be made online through our website, [www.globalwitness.org/donate](http://www.globalwitness.org/donate)

Alternatively

- contact our Development Team at [fundraising@globalwitness.org](mailto:fundraising@globalwitness.org)
- call the Development Team on +44 (0)207 272 6731
- write to the Development Team at **PO Box 6042, LONDON N19 5WP, United Kingdom**

*"By working with governments and businesses, environmental charities can punch above their weight. Global Witness pushes governments to close their borders to the illegal log trade by gathering detailed evidence, writing meticulous reports, and lobbying policy-makers for long-term solutions... for every £5 (\$10) invested in GW, two trees have been saved from destruction every year for the foreseeable future. Carbon offset companies, in comparison, will get you only one tree for your fiver."*

**Sylvia Rowley, The Logic of Green Giving. BBC News, 24 December 2007**



SIERRA LEONE FREETOWN. 'SAY NO TO CORRUPTION - REDUCE POVERTY' - POSTER ON THE ROADSIDE. GLOBAL WITNESS' WORK AIMS TO MAKE A REAL IMPACT ON REDUCING CORRUPTION. PANOS © JENNY MATTHEWS



# FINANCIAL BREAKDOWN

Global Witness Limited	
INCOME	
Grants from Global Witness Trust	1,314,254
Grants from governments	512,215
Grants from trusts and foundations	702,983
Grants from multilateral organisations and NGOs	139,246
Grants from other organisations	224,447
Other income	10,612
Bank interest	4,824
<b>TOTAL INCOME</b>	<b>2,908,581</b>
EXPENDITURE	
Ending impunity	198,382
Corruption, state looting and financial flows	148,966
Driving international action on conflict resources	581,668
Forests	569,335
Oil and transparency	502,622
Democratic Republic of Congo	228,447
Special projects	126,049
Climate change	32,912
Fundraising	203,219
Governance costs	15,206
<b>TOTAL EXPENDITURE</b>	<b>2,606,806</b>

Global Witness Trust	
INCOME	
Grants from governments	103,235
Grants from trusts and foundations	756,054
Grants from NGOs	67,047
Other income	22,812
Bank interest	8,012
<b>TOTAL INCOME</b>	<b>957,160</b>
EXPENDITURE	
Grants to Global Witness Limited*	1,314,254
Governance costs	7,270
<b>TOTAL EXPENDITURE</b>	<b>1,321,524</b>

*\*This includes the granting to Global Witness Ltd of a legacy of £363,660 left to Global Witness Trust in the previous year, and held by Global Witness Trust at 30 November 2006*

We are looking beyond our own staff to push the development of the organisation, engaging those skilled philanthropists, activists and policy-shapers who have supported our work since the beginning. Our special thanks go to these, and all our supporters who have helped Global Witness contribute to a more just, sustainable world throughout 2007.

**Governments and International Institutions:**

- Canada (Department of Foreign Affairs and International Trade Canada)
- Germany (Deutsche Gesellschaft für Technische Zusammenarbeit)
- Ireland (Irish Aid)
- The Netherlands (Netherlands Ministry of Foreign Affairs)
- Sweden (Swedish International Development Agency)
- United Kingdom (Department for International Development; Global Opportunities Fund)

**Institutional Foundations, Non-Governmental Organisations, Corporate Bodies and Individuals:**

- AJA Charitable Fund
- Alexander Abraham Foundation
- The Ajahma Charitable Trust
- Bates, Wells and Braithwaite Solicitors
- Blue Moon Fund
- William A. Cadbury Charitable Trust
- Concern Worldwide
- Stichting Doen
- Ethical Investors
- Fledgling Fund
- The Funding Network
- Rollo Gabb
- Conrad N. Hilton Foundation
- Humanist Institute for Co-operation with Developing Countries (Hivos)

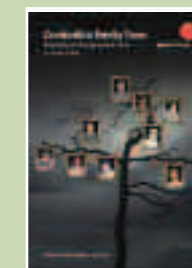
- Jocarno Fund
- JWL Foundation
- Lovells LLP
- Orr Mackintosh Foundation
- Foundation Open Society Institute (Zug)
- Oxfam Novib
- Alton E. Peters Charitable Trust
- RH Southern Trust
- Sigrid Rausing Trust
- The Revenue Watch Institute
- The Roddick Foundation
- The Rufford Maurice Laing Foundation
- The Staples Trust
- Mark Taylor
- Trócaire
- The Mary Webb Trust

**Collectively we are known as Global Witness, but the organisation's work and finances are split into distinct entities.**

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