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For immediate release: 30 June 2010

Global Witness welcomes decision on Liberian debt relief, but warns that better financial controls are needed to prevent corruption

The decision yesterday by the World Bank to grant debt relief to Liberia under the Heavily Indebted Poor Countries Initiative (HIPC) is welcome but more needs to be done to prevent corruption in the post-conflict country, said campaign group Global Witness today. Global Witness is calling upon the Government of Liberia to promote better financial governance by implementing the recommendations of audits carried out as part of the HIPC process.

Five key ministries were audited by the Liberian Government's General Auditing Commission as a requirement under HIPC, including the Ministry of Lands, Mines and Energy. Reforms in the latter are particularly important to ensure accountability and transparency in the mining sector.

"Being granted debt relief is an important step on Liberia's road to economic recovery. The next will be to ensure that revenue from Liberia's natural resources is not lost to corruption and mismanagement but instead helps to fund the country's reconstruction," said Natalie Ashworth, campaigner for Global Witness.

An audit of the Ministry of Lands, Mines and Energy reported financial irregularities amounting to over US\$2.8 million. It also identified major weaknesses in the internal controls within Liberia's diamond sector. These threaten the Government's ability to implement the Kimberley Process – the international certification scheme to prevent the trade and export of conflict diamonds. The audit recommends that the mining ministry provides receipts for its unexplained expenditures and ensures that the Kimberley Process guidelines are followed.

HIPC aims to ensure that no poor country faces a debt burden it cannot manage. The debt relief should free up resources to fund Liberia's reconstruction effort following years of resource-fuelled conflict.

"The Liberian government will only be able to make the most of this debt relief and harness the revenue from the country's natural resources if it is gets serious about stamping out corruption, institutes the necessary financial controls and implements the findings of the audit of the mines ministry," said Ashworth.

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Notes:

- (1) The audit was released on 5 April 2010. It can be downloaded from www.gacliberia.com.
- (2) The Kimberley Process is a rough diamond certification scheme, established in 2003. It brings together governments, industry and civil society, and aims to eradicate the trade in conflict diamonds. Member states are required to pass national legislation and set up an import/export control system.
- (3) HIPC provides assistance to eligible countries that commit to poverty reduction through policy changes that institute sound economic governance.

Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses.