

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

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

Global Witness Limited is a non-profit company limited by guarantee and incorporated in England (Company No. 2871809). Global Witness Limited exposes and breaks the links between the exploitation of natural resources and the funding of conflict, corruption and human rights abuses. Global Witness Limited carries out investigations in countries devastated by conflict, corruption and poverty and our findings from these investigations are used to brief governments, intergovernmental organisations, civil society and the media. Global Witness Limited is recognised as the equivalent of a US public charity as described in section 509(a)(1) of the US Internal Revenue Service Code 1986.

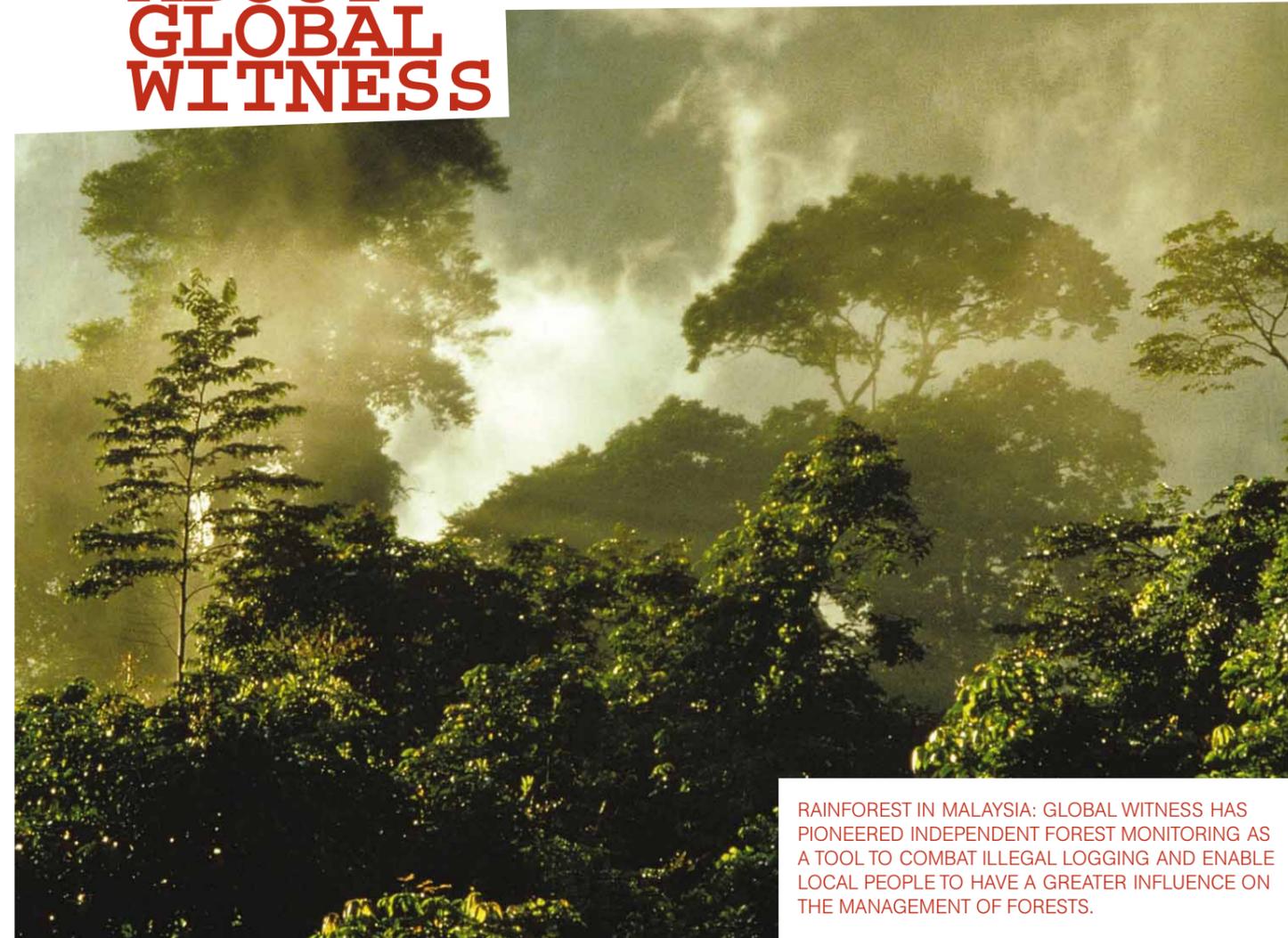
The Global Witness Trust is a UK registered charity (Charity No.1071946). The Trust promotes research into the impact that environmental damage or change has on the human rights of inhabitants. The Trust is legally independent of Global Witness Limited and is governed by a voluntary board.

The Global Witness Foundation is an independent Californian non-profit public benefit corporation which is tax exempt under Section 501(c)(3) of the US Internal Revenue Code. The Foundation supports research and investigations into the causes and effects of the exploitation of natural resources by public and private entities throughout the world, specifically where such exploitation is used to fund conflict, human rights abuses and corruption. The Foundation is legally independent of Global Witness Limited and is governed by a voluntary board.

Global Witness Publishing Inc. is incorporated in Washington, D.C. and publishes reports relating to the links between exploitation of natural resources and human conflict.

Global Witness has offices in London and Washington, D.C.

# ABOUT GLOBAL WITNESS



RAINFOREST IN MALAYSIA: GLOBAL WITNESS HAS PIONEERED INDEPENDENT FOREST MONITORING AS A TOOL TO COMBAT ILLEGAL LOGGING AND ENABLE LOCAL PEOPLE TO HAVE A GREATER INFLUENCE ON THE MANAGEMENT OF FORESTS.

## GLOBAL WITNESS CAMPAIGNS TO ACHIEVE REAL CHANGE BY HIGHLIGHTING THE LINKS BETWEEN THE EXPLOITATION OF NATURAL RESOURCES, CONFLICT AND CORRUPTION.

Through a combination of covert investigations and targeted advocacy, Global Witness has changed the way the world thinks about the extraction and trading of natural resources, and the devastating impact their unsustainable exploitation can have upon development, human rights and stability.

Since launching our first campaign in 1995, Global Witness' pioneering investigations have exposed countless cases of corruption, domestic and international crime and state looting. Our findings and recommendations have catalysed international thinking and significantly shaped global policy. We seek not simply front-line relief from the consequences of conflict and corruption, but lasting solutions to bring about their end – our ultimate vision is of a world in which populations as a whole are able to benefit from natural resource revenues.

“ One of the best watchdogs on resource issues is Global Witness, a small organization in London that publishes excellent reports even though its 2004 budget of \$3.4 million would not cover the fund-raising costs of its big American brothers.

PETER MAASS  
NEW YORK TIMES, 18 DECEMBER 2005

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## DIRECTORS' STATEMENT

In May 2005, Global Witness celebrated its tenth anniversary, an event that coincided with us being awarded the Gleitsman Foundation International Activist Award.

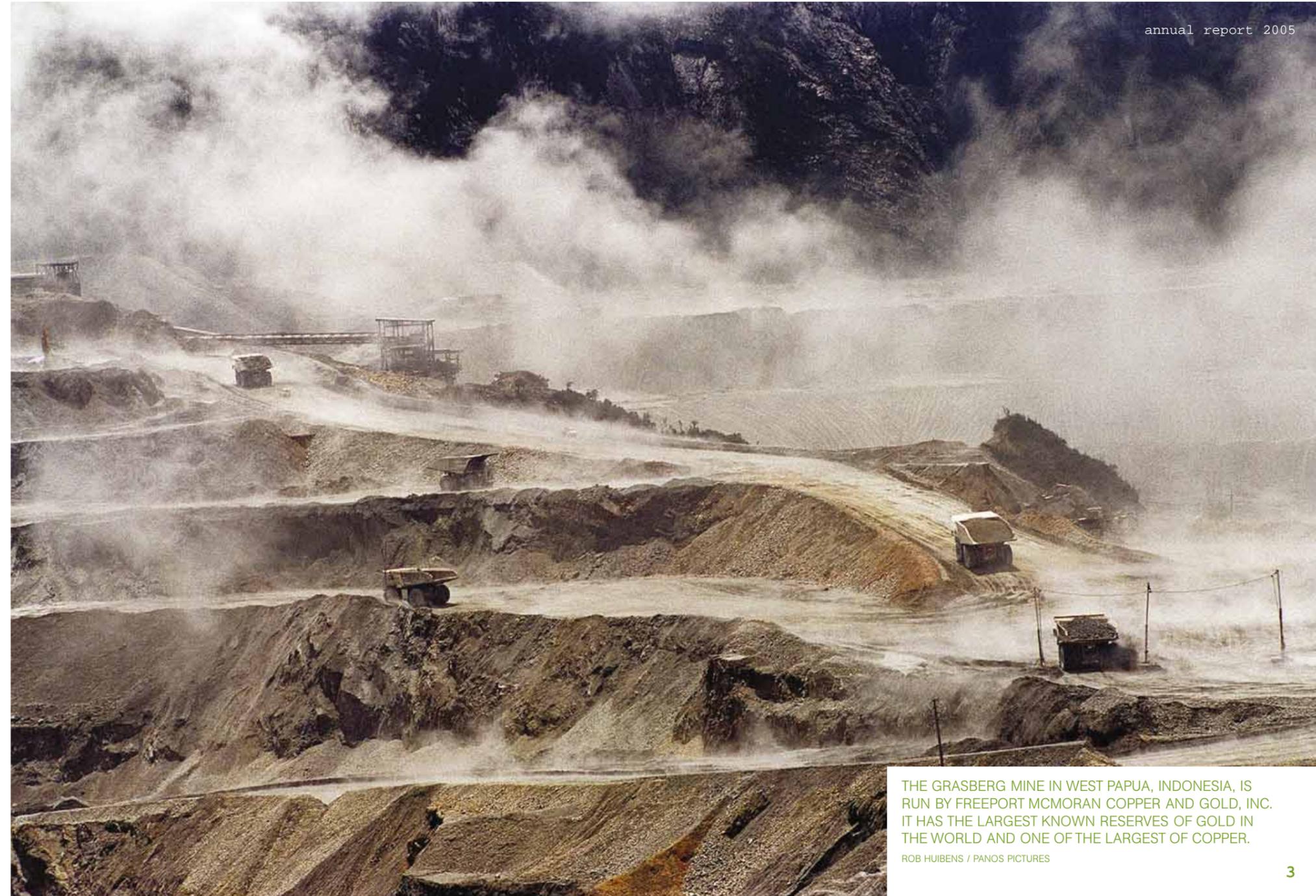
In the decade since we initiated our first campaign we have been successful in creating a growing international awareness that poor governance and exploitation of natural resources leads to massive human suffering. Our undercover investigations, hard-hitting reports and targeted advocacy have unequivocally shown that unaccountable resource exploitation leads to poverty, human rights violations and geo-political and economic destabilisation. Global Witness' findings have significantly shaped global policy and with relatively limited staff and resources, we have sought - and

continue to seek - not just front-line relief from the consequences of conflict and corruption, but long-term and lasting solutions to bring about their end.

As we enter our second decade, Global Witness is working towards the creation of a number of internationally-recognised mechanisms for preventing the misappropriation of natural resources and resource-fuelled wars once and for all. We believe that revenue from natural resources can drive peaceful and sustainable development in the world's poorest countries, rather than providing the logistics for war and corruption. In order for this to happen however, the global legal framework, the policies of governments and multilateral bodies and the behaviour of private companies and financial

institutions all need to be overhauled. This is a huge and challenging task but one which we feel must be undertaken if the underlying causes of conflict and poverty are to be addressed. Our success will depend as always on Global Witness' staff, partners and supporters. We'd like to take this opportunity to thank the many people without whom the achievements of the last ten years could not have happened and without whom we would not be able to contemplate the task that lies ahead. We'd also like to express our deep sorrow at the passing of Alan Gleitsman, whose recognition of social activism and support of Global Witness will long be remembered.

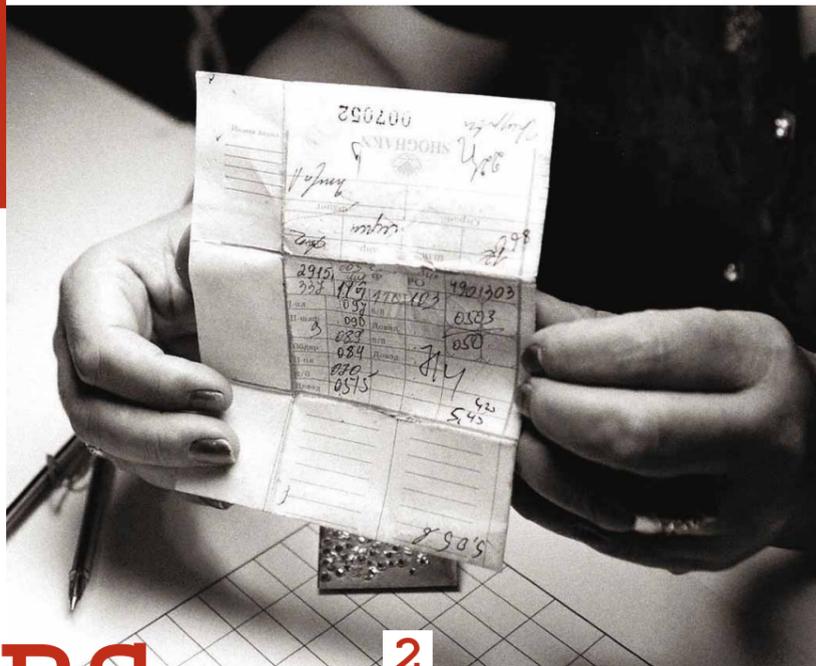
PATRICK ALLEY, CHARMIAN GOOCH AND SIMON TAYLOR,  
DIRECTORS OF GLOBAL WITNESS



THE GRASBERG MINE IN WEST PAPUA, INDONESIA, IS RUN BY FREEPORT MCMORAN COPPER AND GOLD, INC. IT HAS THE LARGEST KNOWN RESERVES OF GOLD IN THE WORLD AND ONE OF THE LARGEST OF COPPER.

ROB HUIBENS / PANOS PICTURES

UNDER THE KIMBERLEY PROCESS, PARTICIPANTS EXPORTING ROUGH DIAMONDS COMMIT TO ISSUING CERTIFICATES STATING THAT STONES ARE CONFLICT-FREE. GLOBAL WITNESS IS CAMPAIGNING FOR LOOPHOLES TO BE CLOSED AND FOR GREATER OVERSIGHT OF DIAMOND POLISHING AND CUTTING CENTRES.



# TEN YEARS AND TEN THINGS TO BE PROUD OF

## 1 HELPING TO CLOSE DOWN THE KHMER ROUGE

Global Witness successfully campaigned, in 1995, for the closure of the Thai-Cambodia border to the Thai/Khmer Rouge timber trade. This deprived the Khmer Rouge of US\$90 million per year and contributed to the movement's disintegration.

## 2

### INSTIGATING THE KIMBERLEY PROCESS

Global Witness' campaign on conflict diamonds led directly to the establishment of the Kimberley Process Certification Scheme, an international agreement to prevent the trade in conflict diamonds.

## 3

### INSTIGATING THE PUBLISH WHAT YOU PAY COALITION

Global Witness pioneered the campaign to expose corruption in the oil, mining and gas industries operating in the developing world. This led to the establishment of the 300+ strong Publish What You Pay coalition and the creation of the UK government's Extractive Industries Transparency Initiative (EITI), which is supported by the majority of the world's oil, mining and gas companies and institutional investors worth US\$8.3 trillion.

## 4

### CONSISTENTLY PUSHING FORWARDS THE INTERNATIONAL CONSENSUS ON CONFLICT RESOURCES AND CORRUPTION

Policies and concepts formulated by Global Witness now form the basis of rafts of international policy, including those of the International Financial Institutions, the United Nations, the UK Africa Commission, the EITI, the Kimberley Process and the annual US Appropriations Acts.

## 5

### CONCEIVING INDEPENDENT FOREST MONITORING

Global Witness conceived and pioneered the concept of Independent Forest Monitoring to expose illegal logging, working with host governments. Global Witness established the first two Independent Monitoring operations, in Cambodia and Cameroon, which have resulted in numerous prosecutions of logging companies, the generation of millions of dollars of fines and, in Cambodia, a total logging moratorium and a significant decrease in illegal activity.

## 6

### CUTTING OFF CHARLES TAYLOR'S ACCESS TO NATURAL RESOURCE REVENUES

Global Witness' investigations and campaigning directly led to the imposition of precedent-setting UN Security Council sanctions on exports of Liberian timber, depriving former President Charles Taylor's despotic regime of vital revenue and establishing international recognition of the potential role of the timber trade in arms trafficking and the funding of conflict.

## 7

### EXPOSING THE INDIVIDUALS, CORPORATIONS AND INSTITUTIONS THAT PROMULGATE NATURAL RESOURCE EXPLOITATION

On 18th March 2005 Guus Kouwenhoven, president of the Oriental Timber Company, was arrested by the Dutch authorities and charged with involvement in war crimes and breaking a United Nations arms embargo, relating to his activities in Liberia (he has since been found guilty of the latter). This is the first time anyone has been charged with these offences in relation to the trade in natural resources. According to the press release of the Dutch prosecutor, the investigation was instigated because of the work of both Global Witness and the UN Expert Panels on Liberia.

## 8

### BRIEFING THE UNITED NATIONS SECURITY COUNCIL

In January 1999 Global Witness was the first NGO to be asked to provide an informal briefing to the UN Security Council. The briefing concerned conflict diamonds. Since then we have continued to brief the United Nations on issues around conflict resources.

## 9

### UNCOVERING MINERAL SMUGGLING OPERATIONS IN THE DEMOCRATIC REPUBLIC OF CONGO (DRC)

In 2004 Global Witness' investigations in the DRC's Katanga province uncovered large-scale copper and cobalt smuggling operations which deprived the country's economy of between US\$1-4 million per day. This exposé has resulted in a sharp increase in international attention on political and economic tensions relating to the role of natural resources in the DRC, and in Katanga in particular.

## 10

### EXPOSING BURMA'S \$250 MILLION A YEAR ILLEGAL TIMBER TRADE

Global Witness' investigations have uncovered the key players and the political and economic motivations driving the unsustainable logging which has destroyed large swathes of virgin forests in one of the world's 'hottest' biodiversity hotspots. As a result of Global Witness' advocacy the EU has changed its Common Position on Burma to allow for support for environmental protection, and the destructive logging of Burma's forests has been made a priority issue for EU-China diplomatic discussions.



CHINESE TRADERS INSPECTING TIMBER FROM BURMA: GLOBAL WITNESS IS CAMPAIGNING FOR CHINA TO TAKE ACTION TO END THE UNSUSTAINABLE LOGGING OF BURMA'S FORESTS.

## THE META PROJECT

GLOBAL WITNESS LAUNCHED THE META PROJECT IN 2005. WE HAVE LEARNED THAT ALTHOUGH CAMPAIGNS FOCUSED ON A SINGLE COUNTRY OR RESOURCE CAN BE HIGHLY EFFECTIVE, THEY OFTEN TAKE PLACE AFTER THE MOST DESTRUCTIVE PHASE OF A CONFLICT HAS OCCURRED. THE META PROJECT THEREFORE, ACTS AS AN OVERARCHING INITIATIVE, FOCUSING ON CHANGING THE GLOBAL ARCHITECTURE OF NATURAL RESOURCE EXTRACTION AND TRADING, IN ORDER THAT THE INTERNATIONAL COMMUNITY CAN ACT TO PREVENT CONFLICTS BEING FUNDED BY NATURAL RESOURCE EXPLOITATION AND TO ENSURE THAT NATURAL RESOURCES ARE NOT MISMANAGED IN POST CONFLICT COUNTRIES.

### NATURAL RESOURCES AND CONFLICT

Since launching the Meta Project Global Witness has carried out extensive analysis to prepare an internationally recognised definition of conflict resources, which we will present to the UN Security Council and other key policy makers throughout 2006. An agreed UN definition of conflict resources will help create an international framework to better control natural resources and the flows of conflict finance. Once implemented it could greatly speed up international responses and action in regard to specific cases of state looting and could prevent a reoccurrence of what happened in Liberia, where it took two years of Global Witness campaigning before the UN Security Council recognised timber as a conflict resource and took action to deny the warring powers an important source of finance.

“ You can urge a corrupt government to reform itself, but its own corruption constitutes an obstacle ...outsiders have to begin by overhauling their own practices and institutions. In the past five years or so, there's been remarkable progress in this field - much of it driven by newcomers to the development scene such as Global Witness, a terrific activist group in London. Global Witness and its allies are on the brink of persuading the development establishment to give their agenda the priority it deserves.

SEBASTIAN MALLABY THE WASHINGTON POST 8 AUGUST 2005

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## NATURAL RESOURCES IN THE DEMOCRATIC REPUBLIC OF CONGO

**WE HAVE LED CALLS FOR THE INTERNATIONAL COMMUNITY TO ADDRESS THE TRADE IN CONFLICT RESOURCES IN THE DEMOCRATIC REPUBLIC OF CONGO (DRC) AND TO WORK WITH THE DRC GOVERNMENT TO END THE MILITARISED CONTROL OF RESOURCES IN MINING AREAS.**

### EXPOSING THE ROLE OF NATURAL RESOURCES IN ONGOING INSTABILITY IN THE DRC

In 2005, we released *Under-Mining Peace: Tin - The Explosive Trade in Cassiterite in Eastern DRC*, documenting how, despite the supposed reunification of the country in 2003, mines in the eastern part of the DRC remain under the control of various armed factions, including the national army. As a result, not only are groups with appalling human rights records gaining unfettered access to world markets but huge amounts of revenue that could be funding development and reconstruction in the DRC are being lost.

### RWANDA'S GAIN, THE DRC'S LOSS?

Our investigations have revealed that much of the DRC's cassiterite (tin ore) is being smuggled through neighbouring Rwanda (which has been claiming the production as its own, exporting five times as much ore as it officially produced in 2004). Our evidence indicates that no taxes from this multi-million dollar trade are reaching the Central Bank in the Congolese capital, Kinshasa. With the majority of the DRC's budget currently being funded by the international community, we are calling on the DRC government to urgently start capturing revenues from the country's vast natural resource wealth.

### MILITARISED CONTROL OF RESOURCES

In June, the UK's Channel 4 national news programme broadcast a special report into the brutal cassiterite trade in the DRC. In this report, which we facilitated, foreign correspondent Jonathan Miller travelled to mines located in remote areas of eastern DRC, far beyond the realms of UN peacekeepers. Here, cassiterite, the most traded metal on the London Exchange,

is extracted under the control of the national army. Five armies or armed groups have battled for control of these mines in just five years. These mines are at the heart of the world's deadliest conflict, which has claimed the lives of nearly four million people in the past eight years.

### LOOKING AHEAD

In 2006 we will publish the findings of new field research on abuses and corruption in the copper and cobalt trade in Katanga province. Throughout the year, we will focus worldwide attention on the exploitation of the DRC's forests, pushing for the current logging moratorium in the DRC to be maintained until significant reforms are implemented to limit logging to sustainable levels, protect the rights of the local population and ensure revenue transparency. We will also examine in more detail the cross-cutting issue of labour conditions, as a common thread that links all the different resources we investigate to the broader problems of conflict, corruption and the enrichment of individuals or companies at the expense of the population as a whole.

## COMBATING CONFLICT DIAMONDS

“NGOs like Global Witness have been instrumental in documenting the trail of illegal natural resource exploitation and holding politicians and officials to account.”

HILARY BENN, UK SECRETARY OF STATE FOR INTERNATIONAL DEVELOPMENT  
24 FEBRUARY 2006

**GLOBAL WITNESS' CONFLICT DIAMONDS CAMPAIGN, WHICH WAS LAUNCHED IN 1998, HAS EXPOSED HOW THE INTERNATIONAL DIAMOND INDUSTRY'S LACK OF CORPORATE RESPONSIBILITY WAS FUELLING SOME OF AFRICA'S MOST DESTRUCTIVE CIVIL WARS. SINCE THIS TIME, GLOBAL WITNESS HAS BEEN INSTRUMENTAL IN THE CREATION AND IMPLEMENTATION OF THE KIMBERLEY PROCESS CERTIFICATION SCHEME, A MULTI-STAKEHOLDER INITIATIVE COMPRISING GOVERNMENTS, THE DIAMOND INDUSTRY AND CIVIL SOCIETY WHICH WORKS TO PREVENT CONFLICT DIAMONDS FROM ENTERING THE LEGITIMATE TRADE.**

### WORKING TO FURTHER CURB THE TRADE IN CONFLICT DIAMONDS

In 2005, a key focus of our work was to advocate for improvements in the effectiveness of the Kimberley Process. We participated in monitoring missions to Angola, Armenia, Belarus, China, Guinea, Namibia and Ukraine, to review how national diamond control systems are working in

practice and put forward recommendations for addressing weaknesses. Our efforts have led to concrete improvements in the scheme, helping to further curb the trade in conflict diamonds. Another major indicator of the campaign's success this year has been the decision of the United States government, heavily influenced by Global Witness' campaigning efforts, to improve its methodology for reporting diamond imports and exports. This decision was made in light of the fact that the US has been reporting import and export statistics in a manner incomparable to that of the other countries participating in the Kimberley Process. The US decision to change their methodology is significant as statistics are a very important tool for detecting trading in conflict diamonds and without consistency it is much more difficult to analyse them effectively. As the largest diamond consumer in the world, the full compliance of the United States in the Kimberley Process Certification Scheme is essential and their leadership is crucial to its overall success.

### INVESTIGATING AND EXPOSING: COTE D'IVOIRE AND ARMENIA

In 2005, we carried out investigative work that exposed serious loopholes in the Kimberley Process, showing the extent to which conflict

diamonds continue to enter the legitimate diamond trade. We released *Making it Work: Why the Kimberley Process Must Do More to Stop Conflict Diamonds*, which showed how conflict diamonds mined in rebel-held northern Cote d'Ivoire are being smuggled into neighbouring West African countries. We released this report at the Kimberley Process annual plenary meeting in November 2005, and in December 2005 the United Nations Security Council imposed an embargo on the export of all Ivorian diamonds. We will advocate for the continuation of this embargo until reforms have been implemented to ensure Ivorian diamonds are conflict-free. Also detailed in the *Making it Work* report were the findings of an investigation in Armenia, a diamond cutting and polishing centre, to bring greater attention to the need for more government oversight of the diamond trade in trading, cutting and polishing centres, as well as the countries where diamonds are mined.

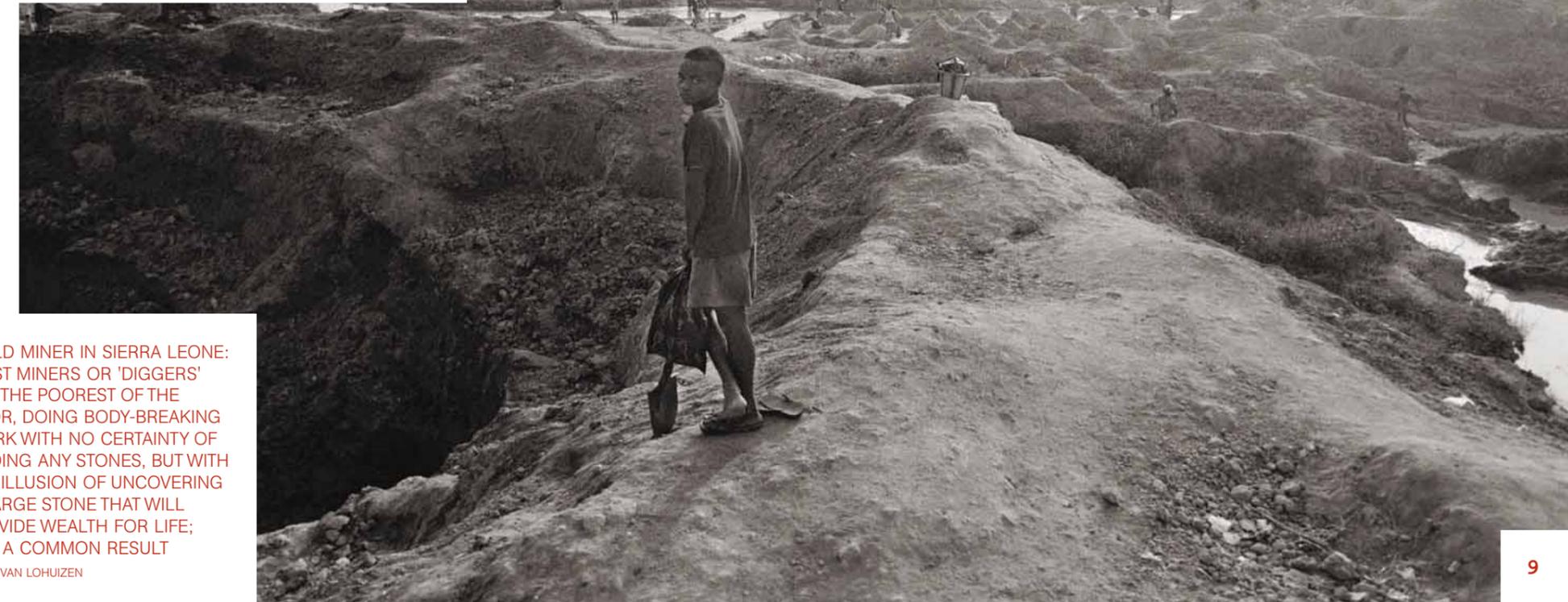
We presented the findings of this investigation at the Kimberley Process plenary meeting and an interest in establishing best practices for diamond cutting and polishing centre has been expressed by a number of participating governments.

### DIAMONDS FOR DEVELOPMENT

Another focus for 2005 has been on encouraging the utilisation of diamonds as a tool for development, with particular attention to the potential benefits of artisanal mining to local communities across Africa. In January 2005 we co-hosted a meeting to discuss the issue of diamonds and development and as a result the international Diamond Development Initiative (DDI) was officially launched at a meeting in Accra, Ghana in October. We have also participated in an initiative in Sierra Leone to monitor the chain of custody from mine to export in five diamond cooperatives. This initiative provides on the ground experience in relation to effectively tracking diamonds mined in the artisanal sector, in order to prevent them being used to fund conflict.

**IN 2006, GLOBAL WITNESS WILL CONTINUE TO ENCOURAGE THE USE OF DIAMONDS AS A POSITIVE FORCE FOR DEVELOPMENT, WITH A PARTICULAR FOCUS ON STRENGTHENING CONTROLS OVER, AND REGULATION OF, THE ALLUVIAL MINING SECTOR.**

2006 will be a critical year for the diamond campaign because the Kimberley Process will undergo a review, providing an opportunity for us to press for further strengthening and broad-based implementation of the scheme and for more monitoring of the diamond industry's compliance with the agreement.



CHILD MINER IN SIERRA LEONE: MOST MINERS OR 'DIGGERS' ARE THE POOREST OF THE POOR, DOING BODY-BREAKING WORK WITH NO CERTAINTY OF FINDING ANY STONES, BUT WITH THE ILLUSION OF UNCOVERING A LARGE STONE THAT WILL PROVIDE WEALTH FOR LIFE; NOT A COMMON RESULT

KADIR VAN LOHUIZEN

# MAKING GOVERNMENTS AND COMPANIES TRANSPARENT

**GLOBAL WITNESS STARTED THE INTERNATIONAL FOCUS ON REVENUE TRANSPARENCY IN THE EXTRACTIVES SECTOR IN 1998 AND WE CO-LAUNCHED THE PUBLISH WHAT YOU PAY (PWYP) COALITION IN 2002.**

The coalition now consists of over 300 NGOs from both the global North and South. PWYP led directly to the creation of the Extractive Industries Transparency Initiative, or EITI, a UK government led multi-stakeholder process to deliver revenue transparency. A core remit of our current work is deepening and broadening the PWYP coalition and, as a member of the EITI International Advisory Group, ensuring the full implementation of EITI as a binding and effective process.

**OPENING A SPACE FOR CIVIL SOCIETY PARTICIPATION**

In 2005 a set of six minimum criteria for genuine participation in EITI was agreed. One of the criteria, heavily influenced by our campaigning, is the active engagement of civil society in the design, monitoring and evaluation of the EITI process, with the ability to contribute towards public debate on revenue transparency. Civil society's access to information and their

involvement in applying domestic and international public pressure is crucial to the promotion of revenue transparency. There is now a coherent network of PWYP platforms in Sub-Saharan Africa, working towards a regional strategy. Throughout 2006 we will work to build support for coalitions in Asia, the Middle East and North Africa and the Americas.

**FOCUS ON THE US**

In 2005, members of the PWYP US coalition and Global Witness successfully worked to ensure provision in this year's US Foreign Appropriations Bill that requires the US Treasury Department to press the International Financial Institutions on resource revenue transparency, and to allocate funding to support implementation and civil society monitoring of the EITI. This reflects an increasing interest and awareness in Congress of the issues we work to address.

**INVESTIGATING AND EXPOSING: INDONESIA**

In 2005, we continued to investigate and expose the individuals, groups and corporations that promulgate natural resource exploitation, and in turn corruption, entrenched poverty and conflict. In July, we published *Paying for Protection: The Freeport Mine and the*



*Indonesian Security Forces*. This report reveals suspicious payments that appear to have been made by Freeport McMoRan Copper & Gold Inc, which runs the world's biggest gold mine, directly to Indonesian military and police officers in a conflict region where the security forces have a track record of corruption and brutality. We are calling for these payments to be investigated under anti-corruption laws in the United States and Indonesia and are working in partnership with a number of Indonesian civil society groups, who are using *Paying for Protection* to advocate for military reform. The Indonesian government has subsequently announced an investigation into the case and has promised to regulate payments by private companies to the military in future. Freeport has



“ I am proud to be associated with Global Witness and the Publish What you Pay Campaign ”

GEORGE SOROS  
FOUNDER AND CHAIRMAN OF THE OPEN SOCIETY INSTITUTE  
AND THE SOROS FOUNDATIONS NETWORK.

also admitted receiving “informal inquiries” from US government agencies about its payments, a positive development given our concern about possible violations of the US Foreign Corrupt Practices Act.

**INVESTIGATING AND EXPOSING: THE REPUBLIC OF CONGO**

In December we published *The Riddle of the Sphynx: Where has Congo's oil money gone?* detailing a court judgment which describes how top officials in the Republic of Congo have been selling state oil at a cut price to private companies owned by the head of the state oil company, with no evidence of the profits ending up in the public purse. The scandal raises troubling questions about the sincerity of the government's promises to reform a corrupt

and mismanaged oil sector, at a time when the impoverished African country is asking the international community for debt relief. We are advocating for international donors to put appropriate safeguards in place to ensure transparent and accountable future management of Congo's oil money before providing any non humanitarian financial aid to the country, in order to prevent the ruling elite bankrupting the country again.

**THE TRADE IN TURKMEN GAS**

Throughout 2005 we have undertaken research into the misappropriation of Turkmen gas revenues in the context of instability in former Soviet countries and gas supplies to Europe. The findings of this research will be published in 2006.



A SLUM IN LUANDA; WHEREVER THE MONEY FROM ANGOLA'S MANY LOANS GOES, IT ISN'T HERE.  
JEREMY HORNER / PANOS PICTURES

# ENDING ILLEGAL AND UNSUSTAINABLE LOGGING

**BURMA  
OUR WORK ON BURMA, WHICH WAS LAUNCHED IN 2003, HAS DOCUMENTED THE \$250 MILLION A YEAR ILLEGAL TIMBER TRADE CARRIED OUT BY THE BURMESE REGIME AND THE COUNTRY'S CEASEFIRE GROUPS.**

The objectives of the campaign are to expose illegal and unsustainable logging in Burma and to facilitate international support for local and international initiatives to prevent predatory natural resource exploitation in the country. For years, timber revenue and the political support gained from granting logging concessions have maintained Burma's highly oppressive military regime's grip on power and have exacerbated conflict in ethnic minority areas. The timber trade is linked to increased criminality, human rights abuses and escalated rates of HIV/AIDS. A primary focus of our campaign is calling on the Burmese government to demonstrate a real commitment to the sustainable development of Burma's forests and to the long-term interests of the local population. Over the last year we have increasingly expanded our advocacy targeted at Chinese policymakers, calling for them to take a more sustainable approach to cross-border timber importation from Burma.

## **BURMESE TIMBER - CHINESE DEVELOPMENT?**

In October 2005 we published *A Choice for China: Ending the destruction of Burma's northern frontier forests* which exposed the staggering extent of illegal timber exports to China from northern Burma. As a direct result of this report, the Burmese and Chinese governments met in November 2005 to discuss how to bring the illegal cross-border trade under control and shortly afterwards the Burmese forest minister admitted for the first time that the country has a big problem with large-scale illegal timber trading.

In the last months of 2005, the Burmese military regime appears to have banned logging and timber transport in Kachin State, northern Burma. Questions remain, however, over whether this is the start of a sustainable approach to forest management or an attempt by the Burmese regime to undermine ceasefire groups in Kachin State that derive much of their income from timber taxes.

**THROUGHOUT 2006 GLOBAL WITNESS WILL BE ADVOCATING FOR THE CHINESE GOVERNMENT TO STOP TIMBER IMPORTS FROM BURMA WITH IMMEDIATE EFFECT, AND TO TAKE ACTION AGAINST THE COMPANIES AND OFFICIALS INVOLVED IN THE ILLEGAL CROSS-BORDER TRADE.**

## **PROMOTING SUSTAINABLE FOREST MANAGEMENT**

A further focus for 2006 will be on ensuring that EU governments better support civil society in Burma in promoting sustainable forest management. In 2004, as a result of our advocacy, the EU changed its Common Position on Burma. The EU has for many years suspended non humanitarian aid and development programmes in Burma but has now included an exemption to support environmental protection and in particular, programmes addressing non sustainable logging resulting in deforestation. In 2005, again as a result of our advocacy, the EU made the role of China in the destructive logging of Burma's forests a priority issue for EU-China diplomatic discussions. Whilst Global Witness welcomes these positive developments there remains a need for the EU and international governments to take further action to address the issue of illegal and predatory logging in Burma, with a specific focus on in-country initiatives and donor coordination.

## **CAMBODIA**

As a result of recurrent threats made to local staff and their families, we were forced to close our office in Cambodia in September 2005. We have not received any credible explanation from the Cambodian authorities as to why our staff have been targeted in this way, although there does appear to be some connection with the publication of our *Taking a Cut: Institutionalised Corruption and Illegal Logging in Cambodia's Aural Wildlife Sanctuary* report in November

2004. This report is a detailed documentation of Cambodia's shadowy timber business, where corruption is so entrenched that almost everyone in a position to do so appears to be taking their cut. As it names middling to high ranking officials, we anticipated a strong governmental reaction to the report and indeed, three months after its publication, the Cambodian authorities impounded 2,000 copies of it.

**THE CLOSURE OF GLOBAL WITNESS' CAMBODIA OFFICE HAS TAKEN PLACE IN THE CONTEXT OF A WORRYING RISE IN THE LEVEL OF INTIMIDATION TARGETED AT CIVIL SOCIETY ORGANISATIONS AND MEMBERS OF THE PUBLIC BY THE CAMBODIAN GOVERNMENT.**

Intimidation has been directed particularly at individuals and groups addressing institutionalised corruption, land rights issues, illegal logging and human rights abuses.

## **PUSHING REFORM**

From September 2005 we have continued to work towards the reform of the forest sector in Cambodia from our head office in London. A notable success of the last few months has been the World Bank finally acknowledging that the concessions system in Cambodia is irredeemable. For years the Bank has clung to the notion that the mafia-style logging syndicates which have ravaged Cambodia's forests can be reformed. Its recent u-turn came in the context of an investigation into the Bank's forestry project in Cambodia by the Inspection Panel – the Bank's internal ombudsman. This inspection was triggered by a request for inspection submitted by us and local activists. We will be following up on the Inspection



A TIMBER YARD ON THE CHINESE SIDE OF THE NEARBY BORDER WITH BURMA, WHERE HARDWOOD HAS BEEN ILLEGALLY LOGGED.

MARK HENLEY / PANOS PICTURES

Panel's findings on the Cambodia case, which are due to be published in May 2006, to push the World Bank to undertake more wide ranging changes to the way it approaches forestry projects worldwide.

Meanwhile the Cambodian government and international donor community are continuing to use Global Witness' recommendations on increasing transparency in the management of natural resources as the basis for reform targets. These were reiterated as a primary element in the 2006/07 reform agenda at the March 2006 Consultative Group meeting of Cambodian officials and donor representatives.

## **SEEKING SOLUTIONS**

Throughout 2006 we will seek to broaden the scope of our Cambodia campaign. As the fundamental obstacle to meaningful progress in forestry reform (and arguably to reform of any kind) in Cambodia is the consolidation of a political elite which is totally unaccountable, rather than seeking solutions to forest management problems in isolation, we will use our investigations into Cambodia's forests as an entry point into broader issues of corruption, human rights, democracy and development. At the same time, we will link our forest management and timber trade work more closely to related initiatives we are pursuing at regional and international levels.

# CONFLICT COMMODITIES IN WEST AFRICA

It is widely recognised that countries highly dependant on natural resources are significantly more likely to experience civil war. Timber and diamonds provided the funding and logistics for recent warfare in Liberia and Sierra Leone and natural resources are instrumental in the current conflict in Cote d'Ivoire.

Since 2000, we have campaigned successfully to break the nexus between the timber and diamond industries in Liberia and conflict and regional instability. We successfully lobbied for the United Nations Security Council to impose sanctions on the export of Liberian timber in 2003, and as a consequence drastically reduced the warring parties' ability to exploit the country's forests to fund conflict. Less than six weeks after the imposition of the timber embargo, former president Charles Taylor left Liberia for exile in Nigeria and a Comprehensive Peace Agreement was signed. Since the war ended in 2003 we have advocated for the maintenance of sanctions until sufficient reforms are put into place to prevent timber and diamonds from again being used to fund regional war.

The election of a new president, Ellen Johnson-Sirleaf, in November 2005 presents Liberia with an historic opportunity to pursue policies that will bring about peace and prosperity. To ensure that natural resources are used to contribute to the country's development, rather than being exploited to fund or fuel conflict, we will seize this opportunity to develop proposals for wide-ranging reforms in the natural resource sector in Liberia and to engage in dialogue with the new government on their implementation.

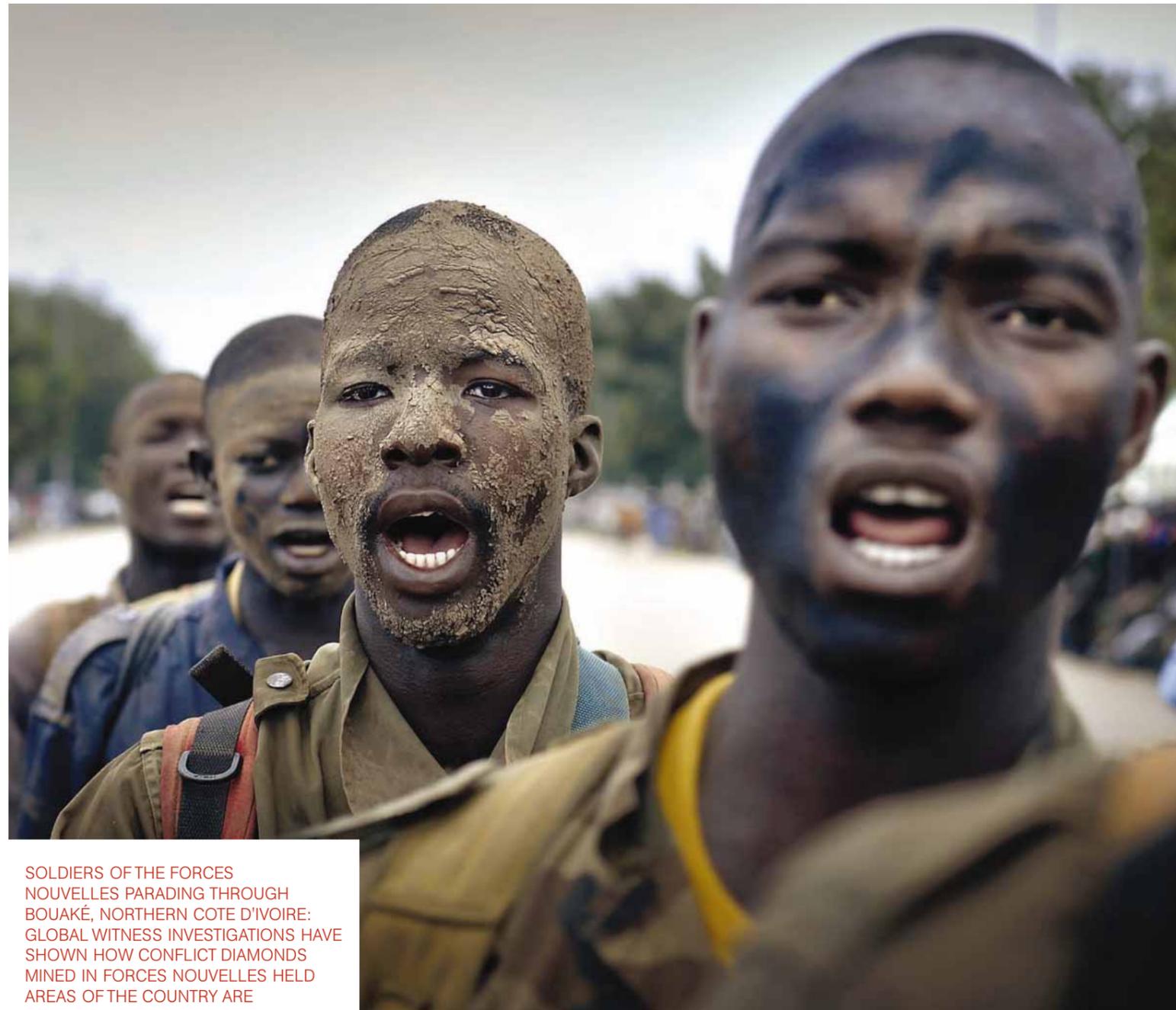
## INVESTIGATING AND EXPOSING NATURAL RESOURCE EXPLOITATION

Throughout 2005, we have gathered extensive evidence to demonstrate the extent to which the illegal Liberian timber and diamond trades continue to pose a threat to good governance and stability in the region. This evidence was published in two reports. *Timber, Taylor, Soldier, Spy*, published in June, detailed the continued threat that Charles Taylor posed to West Africa through his ongoing contact with key military and government figures in Liberia and his influence over a number of Liberian political parties. *An Architecture of Instability*, presented to the incoming Liberian Government, the

United Nations Security Council and international donors in December 2005, demonstrated how a lack of employment opportunities was causing ex-fighters to drift into natural resource extraction and warned that an upsurge in the illegal extraction of natural resources could lead once again to huge amounts of revenue ending up in the hands of warlords.

## PREVENTING FUTURE RESOURCE FUELLED WARS

Throughout 2006, we aim to work in cooperation with the new Liberian government and to continue to monitor the natural resource industry in order to ensure that the same individuals and companies who perpetuated conflict in the past are not granted new concessions. In the short-term, the continued enforcement of UN sanctions will be an important way of keeping up the pressure for reform and good governance of the industry. We will also be conducting comprehensive research into the role of natural resources in exacerbating conflict in Cote d'Ivoire and formulating specific recommendations to the UN Security Council and other key actors aimed at ending resource fuelled wars in West Africa once and for all.



SOLDIERS OF THE FORCES NOUVELLES PARADING THROUGH BOUAKÉ, NORTHERN COTE D'IVOIRE: GLOBAL WITNESS INVESTIGATIONS HAVE SHOWN HOW CONFLICT DIAMONDS MINED IN FORCES NOUVELLES HELD AREAS OF THE COUNTRY ARE ENTERING THE GLOBAL MARKET.

SVEN TORFINN/ PANOS PICTURES

“ The President wishes me to convey to you appreciation for the important work and role that Global Witness has played in bringing to the attention of Liberians and the world the mismanagement by previous governments of our country's resources. ”

LETTER TO GLOBAL WITNESS  
ON BEHALF OF HER EXCELLENCY  
PRESIDENT ELLEN JOHNSON-SIRLEAF  
FEBRUARY 2006

# INDEPENDENT FOREST MONITORING

**SINCE 1999, WE HAVE PIONEERED INDEPENDENT FOREST MONITORING (IFM), AS A TOOL TO COMBAT ILLEGAL LOGGING AND IMPROVE SUSTAINABLE SYSTEMS OF FOREST LAW ENFORCEMENT. THE ULTIMATE GOAL OF IFM IS TO ENABLE THE POPULATIONS OF THE COUNTRIES WHERE IT IS IMPLEMENTED TO BENEFIT MORE EQUITABLY FROM THE SUSTAINABLE USE OF THEIR FORESTS.**

2005 saw the conclusion of Global Witness' role as Independent Monitor in Cameroon. As a result of our work in Cameroon over five years, the forest ministry was able to levy penalties on logging companies breaking the law totalling over US\$7.5 million, a significant contribution to state coffers and a strong deterrent to illegal logging. Building on this success, and at the request of state officials in each country, throughout 2005 we conducted scoping studies for initiating IFM in Peru, Ghana, Honduras and Mozambique.

## IFM EXPANSION: HONDURAS

In Honduras, we have conducted a pilot IFM project, carried out in conjunction with the Honduran Commission for Human Rights (CONADEH). Field missions have documented illegal activities in timber harvesting, transport and processing, as well as corrupt official practices. A civil society group has reported that, since the monitor has been active in Honduras, there has been a change in attitude of forest operators, who now pay more attention to respecting the law. The impact of the project has also been acknowledged by the government, which has expressed a strong interest in seeing it continue and increasing its scope to cover the whole country and become a long-term initiative. The international credibility that Global Witness brings has been singled out as a key element in the success of the project.

## EXPLAINING AND PROMOTING IFM

Another major achievement of 2005 was the production of a definitive *Guide to Independent Forest Monitoring*, which has been widely distributed to international and local NGOs, government agencies and other organisations working in forest control and monitoring. The guide aims to meet this increasing demand for IFM around the world by building the professionalism of monitors and potential monitors as well as those who fund and host IFM. It provides a detailed step-by-step description of IFM design, emphasising the official-yet-independent status of the monitor and covering practical aspects of field investigations and the production of authoritative and objective mission reports.



LABELLED LOG, INDONESIA: GLOBAL WITNESS WORKS TO SUPPORT LOCAL COMMUNITIES IN HOLDING THEIR GOVERNMENTS TO ACCOUNT OVER FOREST MANAGEMENT.

FRED HOOGVORST / PANOS PICTURES

On a policy level we have also made significant progress. IFM has gained wide support in the course of 2005 and a recent indicator of this was the long-awaited Briefing Note 9 from the EU Forest Law Enforcement Governance and Trade (FLEGT) process, through which the EU has made it clear that Independent Monitoring will be a core component of their legality licensing system for timber products.

## SUPPORTING CIVIL SOCIETY

In 2006, in addition to delivering further pilot missions, Global Witness will maintain a key focus on ensuring the role of civil society in holding their governments to account around forest issues. IFM training workshops are planned in Indonesia, Central America and West Africa.

# RAISING OUR PROFILE

As well as a ceremony in May to celebrate Global Witness' three directors receiving the Gleitsman International Activist Award and the organisation's 10th anniversary, 2005 saw Global Witness hosting a reception at London's National Theatre (June) and an event in Washington DC to mark a year since the opening of our office there (October).

The National Theatre was putting on a performance of *The UN Inspector*, a modern day satire on endemic corruption adapted from Gogol's masterpiece *The Government Inspector*. We contributed factual elements to the play, briefed the cast on corruption issues in some former Soviet states, wrote programme notes and invited guests to a performance of the play, followed by a reception.

In Washington, we hosted a reception to highlight to distinguished guests, including politicians, funders and the media, the significant extent to which we are now raising awareness within the US government about the importance of adopting policies to address resource revenue transparency.

In 2005 we received grants from a number of new funders including: the Swedish International Development Agency, the Rufford Maurice Laing Foundation, The Diana, Princess of Wales Memorial Fund, Global Opportunities Fund, HIVOS (Humanist Institute for Co-operation with Developing Countries), and the National Endowment for Democracy.



THE UN INSPECTOR  
MANUEL HARLAN

# GLOBAL WITNESS' FUNDING

**AS WE ENTER OUR SECOND DECADE WE ARE ACTIVELY SEEKING TO EXPAND OUR FUNDING BASE TO MEET THE EVER INCREASING FINANCIAL DEMANDS OF A GROWING ORGANISATION.**

We rely entirely on raising voluntary income to meet the costs of our activities and it is only through the vision and forethought of our donors that we are able to achieve what we do.

Our operating budget for 2005/06 is £2.6 million and we have grown at an average rate of 25% per year for the last four years. If we are to reach our objectives for the next five years, we need to raise in the region of £20 million between 2007 - 2012.

Currently, around 43% of our income comes from private trusts and foundations, 40% comes from statutory sources such as the Dutch, Swedish and UK governments and 17% is made up of revenue from development NGOs (like Oxfam and its European equivalents), corporate donors and individuals.

Global Witness is not a membership organisation and we do not spend large amounts of money on publicity or mailing out fundraising appeals and updates. We are proud of the fact that our fundraising, marketing and publicity costs represent only 6% of our total expenditure and our administration and central costs represent only 15% of total expenditure.

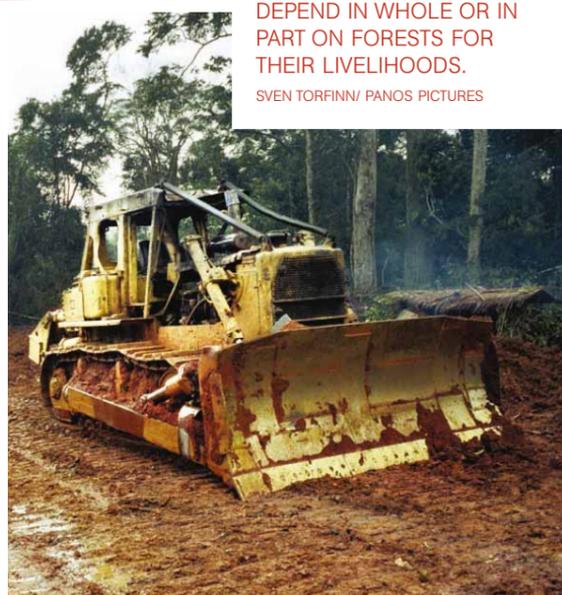
For the last ten years we have been successful in securing the necessary funds required to underwrite our campaign activity. As the majority of these funds are project allocated and time bound however, income and expenditure has never taken us beyond an annual break-even point. We are actively trying to build a working reserves base and new programmes fund in order that we can plan our work, develop new initiatives, and react quickly to critical new campaigning needs.

The summarised financial statements opposite contain information from the Global Witness Trust and Global Witness Limited audited accounts for the period 1st December 2004 – 30th November 2005. The accounts can be viewed in full at:

[www.globalwitness.org/donate/financial\\_disclosure.php](http://www.globalwitness.org/donate/financial_disclosure.php)

LOGGING COMPANY BULLDOZING ROADS THROUGH THE RAINFOREST IN CAMEROON: UP TO 1.6 BILLION PEOPLE WORLDWIDE DEPEND IN WHOLE OR IN PART ON FORESTS FOR THEIR LIVELIHOODS.

SVEN TORFINN/ PANOS PICTURES



CLEARING A FOREST IN THE DEMOCRATIC REPUBLIC OF CONGO: GLOBAL WITNESS IS CAMPAIGNING FOR SAFEGUARDS TO LIMIT LOGGING IN THE DRC TO SUSTAINABLE LEVELS.

NICK ROBINSON / PANOS PICTURES

# FINANCIAL BREAKDOWN

Global Witness Limited is a non-profit company limited by guarantee and incorporated in England (Company No. 2871809). The activities of Global Witness Limited involve campaigning and political lobbying and as such it is not eligible for charitable status.

The Global Witness Trust is a UK registered charity (Charity No.1071946). As a charity it is able to receive tax efficient gifts, such as gift aid.

GLOBAL WITNESS LIMITED	
INCOME	£
Grants from Global Witness Trust	602,429
Grants from governments	563,013
Grants from trusts and foundations	525,619
Grants from Non-governmental Organisations	224,481
Other income	91,828
Bank Interest	3,397
<b>TOTAL INCOME</b>	<b>2,010,767</b>

GLOBAL WITNESS LIMITED	
EXPENDITURE	£
Combating Conflict Diamonds	197,318
Making Companies and Governments Transparent	314,686
Meta Project	102,535
Conflict Commodities and West Africa	220,199
Ending Illegal Logging - Burma	118,289
Ending Illegal Logging - Cambodia	163,937
Natural Resources in the Democratic Republic of Congo	204,151
Independent Forest Monitoring (IFM) Cameroon Forest Monitoring Project	131,819
i2 Project	197,559
Other Projects	193,609
Systems and Communications	5,677
Governance Costs	23,307
Fundraising and Publicity	114,486
<b>TOTAL EXPENDITURE</b>	<b>2,189,203</b>

GLOBAL WITNESS TRUST	
INCOME	£
Grants from governments	143,633
Grants from trusts and foundations	445,000
Grants from Non-governmental Organisations	78,794
Online and individual donations	7,265
Bank Interest	1,935
<b>TOTAL INCOME</b>	<b>676,627</b>

GLOBAL WITNESS TRUST	
EXPENDITURE	£
Combating Conflict Diamonds	77,295
Making Companies and Governments Transparent	30,000
Meta Project	95,000
Conflict Commodities and West Africa	86,882
Ending Illegal Logging - Burma	29,988
Ending Illegal Logging - Cambodia	59,986
Natural Resources in the Democratic Republic of Congo	34,640
Forest Policy	20,000
i2 Project	133,636
Systems and communications upgrades	100,000
Governance costs	5,959
<b>TOTAL EXPENDITURE</b>	<b>673,386</b>

## OUR FUNDERS

**GLOBAL WITNESS WOULD LIKE TO EXPRESS OUR DEEP THANKS TO ALL THOSE WHO SUPPORTED US IN 2005**

### **GLOBAL WITNESS LIMITED**

Canadian Department of Foreign Affairs and International Trade

Ethical Investors

The Gleitsman Foundation

Global Opportunities Fund

Humanist Institute for Co-operation with Developing Countries (Hivos)

i2 Limited

IUCN - The World Conservation Union

The National Endowment for Democracy

Netherlands Ministry of Foreign Affairs

Open Society Institute

Oxfam GB

Oxfam Novib

The RH Southern Trust

Swedish International Development Cooperation Agency (Sida)

UK Department for International Development (DFID)

### **GLOBAL WITNESS TRUST**

Ajahma Charitable Trust

Concern Worldwide

The Diana, Princess of Wales Memorial Fund

The Doen Foundation

Mary Webb Trust

The Rufford Maurice Laing Foundation

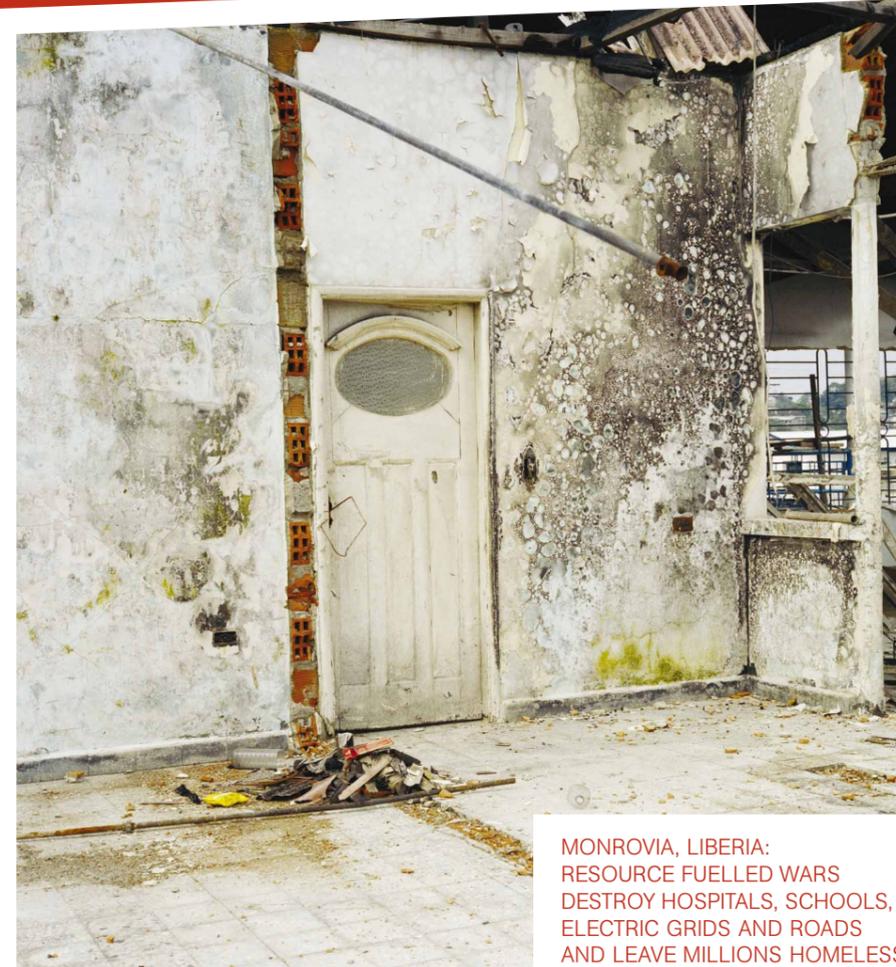
The Sigrid Rausing Trust

The Staples Trust

Trócaire

US Agency for International Development

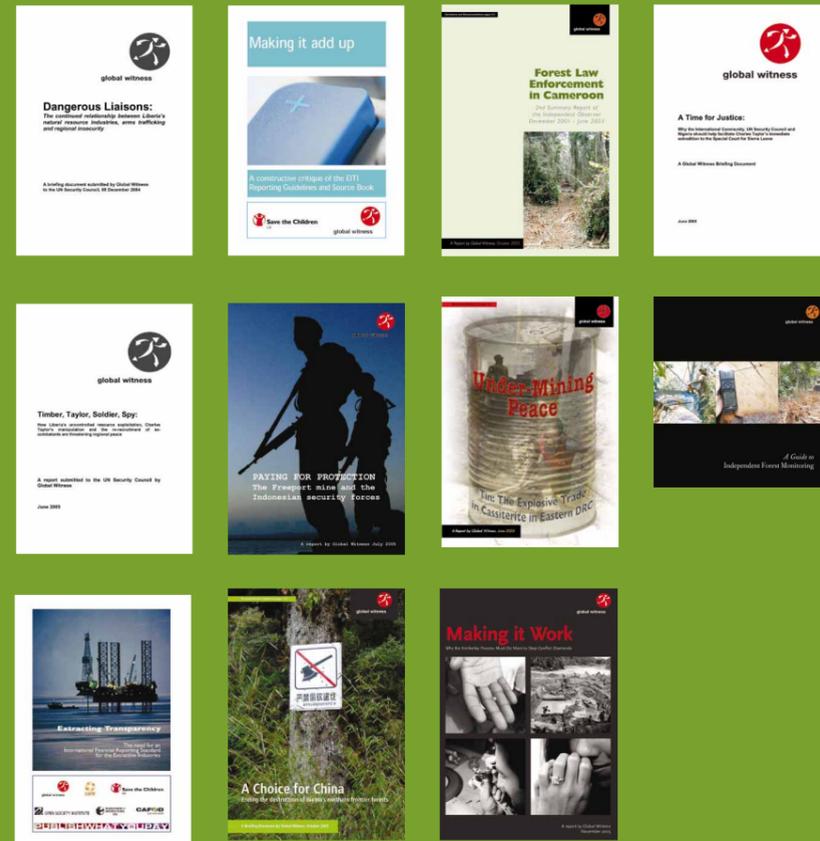
**WE WOULD ALSO LIKE TO THANK ALL OUR INDIVIDUAL AND ANONYMOUS DONORS WHO ARE NOT LISTED HERE**



**MONROVIA, LIBERIA:** RESOURCE FUELLED WARS DESTROY HOSPITALS, SCHOOLS, ELECTRIC GRIDS AND ROADS AND LEAVE MILLIONS HOMELESS, DISABLED AND ORPHANED.

TIM HETHERINGTON / PANOS PICTURES

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