

ABOUT GLOBAL WITNESS

THEY [GLOBAL WITNESS] EPITOMISE THE COMMITMENT, CREATIVITY AND DILIGENCE THAT SHOULD BE THE HALLMARK OF LEADERSHIP – WHETHER OF NON-PROFIT ADVOCACY GROUPS, COMPANIES, OR NATIONS...MOST NOTABLY [GLOBAL WITNESS] HAVE REJECTED EASY ANSWERS THAT, FOR TRUE CHAMPIONS OF PEACE, ARE FLEETING AND EMPTY.

**TONY P. HALL AND FRANK R. WOLF, MEMBERS OF US CONGRESS AND PATRICK LEAHY, US SENATOR
RECOMMENDATION LETTER FOR THE 2003 NOBEL PEACE PRIZE**

**GLOBAL WITNESS INVESTIGATES AND CAMPAIGNS
TO PREVENT NATURAL RESOURCE-RELATED CONFLICT
AND CORRUPTION AND ASSOCIATED ENVIRONMENTAL
AND HUMAN RIGHTS ABUSES.**

In 2006, aid flows to Africa totalled \$49 billion while payments for natural resources were an incredible \$250 billion. This discrepancy illustrates the potential that natural resources have to eliminate poverty and promote economic growth. The trade in natural resources is huge – and so are the profits associated with it. However, often the benefits are diverted or co-opted by elites who ride roughshod over human rights in their attempts at self-enrichment. Extensive corruption, particularly in vulnerable countries, including those that are coming out of lengthy periods of conflict, exacerbates inequality and entrenches poverty.

Global Witness aims to promote improved governance and transparency in the natural resource sector to ensure that revenues accruing from resources such as oil, gas, mineral and forests are used for peaceful and sustainable development rather than to finance or fuel conflicts, corruption or state-looting.

Our work was a driving force behind the establishment of the Kimberley Process Certification Scheme (KPCS), a joint government, industry and civil society initiative to stem the flow of conflict diamonds; the Publish What You Pay coalition (PWYP), a global civil society coalition that helps citizens of resource-rich developing countries hold their governments to account for the management of revenues from the oil, gas and mining industries; and the Extractive Industries Transparency Initiative (EITI), which sets a global standard for greater transparency in the extractives sector by encouraging companies to publish revenue flows and governments to disclose what they receive.

Throughout 2008 Global Witness continued to make great strides towards breaking the links between natural resource extraction and conflict, corruption and human rights and environmental abuses across the world. From investigations into conflict minerals in the Democratic Republic of Congo and illegal logging in Liberia, to a new and ambitious strand of work on banks and financial institutions, Global Witness continued to use its analysis, awareness-raising, lobbying, and policy development to advocate for systemic change.

By exposing the roots of conflict and corruption, and refusing to accept that some problems are too large to be tackled, or some attitudes too entrenched to be challenged, Global Witness seeks not just front-line relief from the consequences of conflict and corruption, but systemic and lasting solutions to the underlying causes. These solutions will have a positive effect on millions of people adversely affected by the misuse of natural resources in the countries and regions in which they live.

MESSAGE FROM THE DIRECTORS

Towards the end of 2008 the war in eastern Democratic Republic of Congo (DRC), always simmering, flared up again, as forces clashed in the province of North Kivu. As usual, the civilian population bore the brunt of the fighting, adding to the toll of what was already the world's most costly war in human terms since WW2, with over 5 million dead.

In August 2008, Global Witness investigators were once again gathering evidence, this time in DRC's South Kivu Province, which continued to demonstrate that this is a war over natural resources, where armed groups, including the government army, fight for control of mine sites and trade routes in order to benefit from the country's vast mineral wealth.

This information and Global Witness' subsequent lobbying played a major part in ensuring that, in December, the UN Security Council passed a resolution requiring its peacekeepers to crack down on the lucrative natural resource trade that funds this war. Whilst this was an historic decision, it was long-overdue, and with severe manpower shortages will be hard to implement. The knowledge that the natural resource trade is central to this conflict is not new and the UNSC's welcome but belated action at a time of crisis only serves to highlight that the international community has failed to take effective and cohesive long-term action to stop this conflict.

Alongside the DRC work, another Global Witness campaign team was putting the finishing touches to a report on the role of banks in facilitating conflict and corruption, including through enabling state looting, money laundering and the financing of corrupt natural resource deals. Just when we were thinking that banks would be a tough nut to crack, the economic meltdown hit in earnest, and not only did our work become even more relevant, but the political door was potentially opened to change.

We continue to escalate our work on forests. In December 2007, with the launch of the Bali Road Map at the United Nations Framework Convention on Climate Change (UNFCCC) meeting it was recognised that unless we halt deforestation, we cannot win the battle against climate change. Deforestation comprise 18% of annual carbon emissions, greater than the entire global transport sector. Between now and the UNFCCC meeting in Copenhagen in December 2009, the parties to the convention will decide upon a mechanism to pay forest-rich countries to preserve their forests.

Known as REDD (Reduced Emissions from Deforestation & Degradation), this mechanism could be a powerful weapon in the fight to protect the world's forests from the ravages of the global timber industry and industrial-scale agriculture. However, these

same industries, and vested interests within various governments, are currently trying to lever maximum revenues for a 'business as usual' approach.

So with our extensive knowledge of forests Global Witness has entered the fray. Linking with like minded NGOs we co-founded the Ecosystems Climate Alliance – a group determined to ensure that any REDD mechanism really will preserve the world's forests, protect the rights of forest dependent peoples, and ensure that the revenues, expected to be around \$35 billion a year, reach the people that should benefit and do not get siphoned off by corrupt elites.

Despite the economic crisis, Global Witness entered 2009 in better financial shape than any other year in our history, a testament to our donors, and to the work they're investing in. We started relationships with two new but major foundations, Zennstrom Philanthropies and the Adessium Foundation.

We will certainly need all the support we can get as 2009 will be our busiest year yet, with major investigations being planned looking into large scale financial fraud, the international banking system and the role of oil in Sudan's fragile political situation amongst others. It's great that we are able to rise to this level of activity as we're a lean organisation, and we're confident that we'll achieve major impact. However, this work does not come cheap, so we'll be counting on the continuing support of our existing donors, and working to develop new relationships.

Finally, Global Witness is becoming increasingly influential and has become one of the world's leading organisations working on the issues of natural resources, conflict and corruption. We depend on and continue to invest in the best people we can hire, and the results speak for themselves.

As ever, there is too much to talk about in this overview letter, but hopefully this report will do justice to the work of our campaign teams and our supporters.

With best wishes,

Patrick Alley, Charmian Gooch and Simon Taylor
Founding Directors



Tropical forest canopy in Cambodia. A range of natural resources, including timber, have been used to fund armed conflict and corruption.

PICTURE CREDIT: GLOBALWITNESS

HOW WE WORK

WHEN WE SIT FACED WITH SITUATIONS OF TERRIBLE VIOLENCE, ENVIRONMENTAL DAMAGE AND HUMAN RIGHTS ABUSES, WE HAVE A CHOICE. THERE REALLY ARE JUST TWO WAYS TO GO: ACTION OR INACTION. I HAVE ALWAYS PREFERRED ACTION. AND I SUPPORT GLOBAL WITNESS BECAUSE IF YOU ARE GOING TO BE ACTIVE, YOU WANT TO SUPPORT A GROUP THAT GET RESULTS.

GORDON RODDICK, THE RODDICK FOUNDATION

We operate a highly successful working methodology that combines investigative research, highly targeted advocacy and support of local civil society organisations.

INVESTIGATING

Through a combination of on the ground investigations and in-depth research, we gather first hand evidence of human rights abuses resulting from the exploitation of natural resources. We have become the leading authority on identifying and addressing how natural resources have driven violent conflict, corruption and widespread human suffering. Our investigative teams work across the world, often in politically volatile environments, to uncover the hard facts that inform our policy recommendations.

CHANGING

Our hard-hitting and authoritative reports make considered and practical recommendations for reform within the international community. We compile evidence to brief governments, inter-governmental organisations, civil society and the media in order to catalyse lasting change. Our high level advocacy missions, often undertaken in partnership with local representatives, bring the realities of regions suffering from natural resource fuelled conflict and corruption to those in a position to effect positive change.

COLLABORATING

We help build the capacity of local organisations, enabling them to hold their government and companies operating in their country to account over the management of natural resources. To strengthen the call for change, we work in partnership with local civil society groups with whom we share a common vision and often use our leverage as a respected international organisation to raise issues that otherwise might not be heard.

FOUR THEMES

Our work is divided into four thematic areas: **conflict resources, corruption, accountability, and protecting global goods**. The progress and achievements made in these thematic areas are detailed in the following pages.

1. ADDRESSING THE ROLE OF NATURAL RESOURCES IN CONFLICT

[GLOBAL WITNESS IS] KNOWN FOR CONDUCTING INNOVATIVE RESEARCH AND FINDING CREATIVE SOLUTIONS TO DIFFICULT PROBLEMS. THEIR WORK ON CONFLICT ZONES AND CONFLICT RESOURCES, IN PARTICULAR, HAS BEEN PATH BREAKING.

PROFESSOR JOHN RUGGIE, UNITED NATIONS SECRETARY-GENERAL'S SPECIAL REPRESENTATIVE FOR BUSINESS AND HUMAN RIGHTS, SEPTEMBER 2007

ANALYSING AND EXPOSING THE RELATIONSHIP BETWEEN NATURAL RESOURCES BEFORE, DURING AND AFTER A CONFLICT; USING FINDINGS TO FORMULATE AND PROMOTE POLICY RECOMMENDATIONS TO BREAK THE LINK BETWEEN NATURAL RESOURCES AND CONFLICT.

Global Witness is the only organisation which, as its principle aim, focuses upon the crossover between conflict and natural resources. Our focus and experience in this area means that Global Witness regularly achieves real change.

We work to break the links between natural resources and conflict by carrying out in-depth investigations and using the findings to influence international, regional and national policies. We do not only want to address the most egregious examples of conflict resources in the present moment but also make sure that adequate international systems are in place to help prevent such problems in future.

INTERNATIONAL ACTION TO ADDRESS THE ROLE OF NATURAL RESOURCES IN CONFLICT

Throughout 2008 Global Witness championed the issue of natural resources and conflict to key national, regional and international institutions and donors. We undertook a number of trips to New York to work with diplomatic missions on a strategy for addressing natural resources and conflict following the thematic debate on the issue at the UN Security Council in 2007. Along with the Heinrich Boll Foundation we also co-organised a series of seminars on natural resources, conflict and the role of the UN for civil society representatives, diplomats, and UN and African Union officials.

Global Witness joined a new group of experts set up to assist the UN Environment Programme (UNEP) to develop a policy on dealing with natural resources in post conflict interventions. We also contributed to a UNEP report on the links between natural resources, environmental issues and conflict (scheduled for publication in 2009). A draft of the report was

presented at a meeting of the UN Peacebuilding Commission's Working Group on Lessons Learned in May 2008, prompting calls from a number of Southern states present at the meeting for the Peacebuilding Commission to do more work on natural resources.

In response to our campaigning, the UN Peacebuilding Commission incorporated natural resources as a theme in its integrated peacebuilding strategy for Sierra Leone and is now considering doing the same thing in its strategy for Central African Republic.

In November, we testified at a UN Security Council meeting on the role of natural resources in the conflict in the eastern Democratic Republic of Congo and our calls for the Security Council to include natural resources in the mandate for the MONUC peace-keeping operation met with a positive response.

In July 2008, following persistent Global Witness lobbying, the Belgian government announced that it would seek to convene a debate in the 63rd session of the UN General Assembly on natural resources and conflict, and agreed on the need for a Secretary-General's report on the issue as a next step. The Belgians are pushing for this debate to take place in early 2009. Both Belgian and British governments have sought our support in lobbying other diplomatic missions at the UN to get this agreed.

Finally, in May 2008, the UK Foreign Ministry set up a Conflict Resolution and Natural Resources team focusing specifically on the relationship between natural resources and conflict, indicating a significant increase in UK government commitment to the work on the issues that appears to have come in response to our lobbying.

FOCUS ON DEMOCRATIC REPUBLIC OF CONGO (DRC)

Since the late 1990s, brutal conflict, primarily driven by natural resources, has devastated the Democratic Republic of Congo (DRC), costing the lives of millions of people and resulting in widespread population displacement. The recent conflict in east of the country again demonstrated that it was not simply an issue of human rights, nor of the environment, but of how natural resources are accessed and the scramble by unscrupulous companies, armies and corrupt officials to obtain these without regard for human, economic or ecological cost.

The resurgence in fighting in 2008 again highlighted the conflict's economic dimensions that will continue to hinder the peace process until they are adequately addressed.

Global Witness investigations in July and August 2008 revealed how the direct involvement of the national army and armed groups in tin and gold mining in the eastern Kivu provinces were putting peace efforts at risk. We uncovered evidence of the involvement of armed groups in the exploitation and trade of minerals in North and South Kivu. The groups had consolidated their economic base, and their trading activities had become an end in themselves. They had established a lucrative business, which was keeping their movement alive and which they had little incentive to leave. Further complicating the matter was the groups' unspoken complicity with the Congolese national army, the FARDC. Our researchers found that the FARDC had been engaged in similar activities, taking over mines and forcing civilians to work for them.

In the face of escalating violence and instability in eastern DRC, we immediately intensified our lobbying and public campaigning on this issue, calling on international facilitators and mediators in the peacekeeping process to look into the economic activities of the different parties, and to recognise the integral links between natural resource management and the ongoing conflict. We also pointed to the responsibility of buyers and exporters, who often knowingly purchase minerals sourced from these mines, to break this illicit trade cycle.

Throughout the year we continued to campaign with other Congolese and British NGOs for justice for the Kilwa massacre, which took place in the southern province of Katanga in 2004. With judicial avenues in the DRC now almost exhausted, we concentrated our efforts on other jurisdictions, specifically Australia and Canada. We also continued lobbying the British and US governments in relation to their support for Anvil Mining, whose transport and

equipment were used by the Congolese army in the operation which resulted in the killing of more than 70 civilians. (For more details of the case, see Global Witness' joint report: *'Kilwa Trial: a denial of Justice'*, from July 2007.)

CONFLICT MINERALS IN THE DRC

In the Democratic Republic of Congo, natural resources remain one of the significant fuelling factors to the conflict, providing lucrative revenues that enable armed groups to survive. The desire to gain or maintain control of mines and mineral trade routes has been a central motivating factor for the warring parties, and in the course of plundering these minerals human rights abuses have included forced labour, child labour, extortion and rape.

DIAMONDS - KEEPING THE KIMBERLEY PROCESS HONEST

The international conflict diamond campaign launched by Global Witness ten years ago was instrumental in the creation of the Kimberley Process (KP) rough diamond certification system in 2003. The scheme relies on government regulation and certification to try to exclude blood diamonds from the global trade, but research carried out by Global Witness during 2008 in West Africa, Uganda and India revealed that implementation in key countries is still weak. In a report published jointly with Partnership Africa Canada in November, we warned of the increasing trade in conflict and illicit diamonds circumventing government controls and threatening the effectiveness of the Kimberley Process.

Throughout 2008 we pushed governments to take decisive action in cases where Kimberley Process participants were violating the scheme's basic provisions, notably in Venezuela and Zimbabwe. At the KP Plenary meeting in November, as a direct result of our campaigning, Venezuela suspended itself from the certification scheme for two years. We also successfully lobbied the Kimberley Process to agree a set of Guidelines on Interim Measures, which provide for incremental action to be taken when participants are in non-compliance with the KP's minimum requirements.

The end of 2008 saw a dramatic increase in state-sponsored violence and abuse in the Chiadzwa diamond fields of eastern Zimbabwe. We intensified our campaign to address the militarisation of diamond mining and associated human rights violations in the area, calling for Zimbabwe to be suspended from the Kimberley Process. This campaign will form a central part of our lobbying work in 2009.



Security Council unanimously decides to extend the arms embargo against the Democratic Republic of the Congo (DRC) and the mandate of the Group of Experts established to monitor those sanctions.

PICTURE CREDIT: UN PHOTO

2. CORRUPTION

WHAT IS AT STAKE COULD NOT BE MORE IMPORTANT. BY EXPOSING CORRUPTION, AND BY SIMPLY MAKING TRANSPARENT THE DEALINGS OF GOVERNMENTS AND MULTI-NATIONALS, WE ARE HELPING SOME OF THE POOREST PEOPLE IN THE WORLD LIFT THEMSELVES OUT OF POVERTY.

GEORGE SOROS, OPEN SOCIETY INSTITUTE

GLOBAL WITNESS AIMS TO CHANGE THE INTERNATIONAL NORM SO IT IS NO LONGER ACCEPTABLE TO LOOT A STATE OF ITS ASSETS OR TO FACILITATE ANYONE DOING SO, AND SO THAT NATURAL RESOURCE WEALTH IS USED TO BENEFIT THE PEOPLE WHO LIVE IN RESOURCE-RICH COUNTRIES

In the first half of 2008, oil, gas and mining companies made record profits and host governments reaped giant windfalls. But the commodities boom of early 2008 had little positive impact on the poor who live in resource-rich countries.

Instead, public revenues earned from selling these resources were squandered through corruption and lack of government accountability. Revenue that could have paid for public services like healthcare and education were siphoned off into the pockets of corrupt political, business and military elites, and populations were forced to subsist on international aid.

The world's leaders have promised to make poverty history but they will not succeed unless they also tackle corruption. A key part of the process must be to ensure that natural resource revenues are available for development.

Global Witness works to increase transparency in the flow of revenues from oil, gas and mining, in the awarding of mineral concessions, and the trading of natural resources. In 2008 we also stepped up our work to tackle inaction on the part of the international donor community and turned our attention to the role of financial institutions in laundering looted assets.

STRENGTHENING COMMITMENT TO REVENUE TRANSPARENCY

In 2008 Global Witness continued to make progress in promoting increased supply chain transparency in natural resource industries including through our work on the Extractives Industries Transparency Initiative (EITI) and participation in the Publish What You Pay (PWYP) coalition.

Following a joint proposal from Global Witness and representatives of the oil industry and investors, rules for all

EITI Candidate countries, and future joiners, were significantly tightened in 2008 so that all Candidate countries must reach Compliance within two years.

Working closely with members of the PWYP U.S. coalition, we built support in Congress for the Extractive Industries Transparency Disclosure (EITD) Act which was introduced in 2008 in both the Senate and House of Representatives by Senator Schumer and Representative Barney Frank. The bill would require companies registered with the U.S. Securities and Exchange Commission to disclose their payments to foreign governments. The passage of this bill would be a huge step forward and we will push for its reintroduction in 2009 under a new Administration.

New language in the U.S. 2008 Foreign Operations Appropriations Bill committed the U.S. Government to incorporating anti-corruption activities into its development assistance strategies with a view to increasing the transparency of developing country budgets. The Senate also allocated \$3m for strengthening the EITI.

THE EITD ACT - POTENTIAL FOR CHANGE

The Extractive Industries Transparency Disclosure (EITD) Act will be critical for establishing improved governance in oil-producing countries, promoting freedom of information and setting a global standard for transparency in the oil sector. The bill is a powerful tool for poverty reduction, as increased transparency would enable oil revenues to be managed in a more accountable manner. Armed with real numbers from oil companies, local civil society groups could finally fight for social services and accountability for their country's oil wealth. The importance of this bill lies in its global coverage: 90% of the major internationally operating oil companies would be covered under the bill, including 27 of the top 30 internationally operating companies.

GETTING IT RIGHT FROM THE START - TRANSPARENCY AND FAIRNESS IN EXTRACTIVE CONTRACTS

Until now Global Witness has focused its efforts on transparency of revenue flows. We now intend to shift our focus down the supply chain - to the early stages when the deals get done. We want to enable civil society to watchdog companies' natural resource-related payments and shape international best practice in this area so that citizens can be confident that their government has awarded mineral concessions on their behalf in a fair and transparent manner.

One of the major problems faced by developing countries trying to utilise their natural resource wealth is the inequities found in the contracts with extraction companies. The contracts are often heavily biased towards the company and weak on human and social rights. It can be as long as 99 years before renegotiation is possible and tax breaks and financial regimes are often weighted heavily in the company's favour. In 2008 Global Witness focused on contract renegotiation in two countries: Liberia and the DRC.

Concerned about the lack of transparency of the renegotiation process in Liberia we undertook analysis of contracts in an attempt to provide recommendations and external scrutiny. One of the contracts was with Firestone, the world's largest tyre and rubber company. The contract was signed despite having only been open to public scrutiny and consultation for two days. Global Witness and Liberian NGO SAMFU identified a number of problems, including a lack of financial transparency, a lack of third party recognition, and a lack of clarity on environmental commitments. We made recommendations for improvement to help in future natural resource contract negotiations.

In 2007, the government in the Democratic Republic of Congo launched a review of over 60 mining contracts. Many contained serious flaws and had been signed by an unelected transitional government. In 2008 we continued to follow the government's review of contracts closely, reacting to significant developments jointly with other international and Congolese NGOs. Lack of transparency was one of the main issues of concern as well as the ability of civil society to participate in the review.

At this critical contract negotiation stage Global Witness believes the process should be transparent, open to public scrutiny and as favourable to the people of the country as possible.

PUSHING FOR A MORE EFFECTIVE DONOR RESPONSE TO CORRUPTION

While international aid is a crucial and life-saving element of rich countries' development strategies, Western donors have too often failed to act on evidence of high level corruption, and in some cases have effectively rendered themselves complicit through their failure to act. Propping up poor and conflict-ridden countries through international aid should only ever be a temporary measure, with the ultimate aim being self-sustaining development rather than dependency. In the worst cases, aid may actually do more harm than good by providing legitimacy to illegitimate actors and covering up their failings.

In Kenya and Sierra Leone, for example, the UK Department for International Development (DFID) laudably funded anti-corruption agencies, but then the UK government failed to back the institutions and the reformers within them when they uncovered high level government corruption. The subsequent violent implosion of Kenya's political system, followed, in part, from that decision.

Global Witness is advocating for a more joined-up and far-sighted donor approach to corruption and state looting. While there is no denying that international aid provides a vital lifeline for poor people in many countries around the world, the sad truth is that too much of it is wasted, diverted or stolen by corrupt governments. Refreshing and rebalancing the international community's approach to development assistance could significantly improve its potential to do lasting good.

Following our 2007 report, *Cambodia's Family Trees*, on illegal logging and high level corruption in Cambodia, the U.S. Senate Appropriations Committee urged the administration to ban the officials named and shamed therein from entering the United States. Our work helped create momentum for Congress to go a step further and pass an 'Anti-Kleptocracy' provision in the 2008 Appropriations Act; this provision required the Secretary of State to maintain a list of all foreign officials and their family members who have been involved in natural resource-related corruption. Throughout 2008, we continued to push forward the Anti-Kleptocracy provision in the 2009 Appropriations Act and lobbied for the provision to be expanded to include asset-seizure as an additional consequence.

PREVENTING THE FINANCIAL SYSTEM FROM HELPING THOSE WHO LOOT STATE FUNDS

To make corruption history, we also need to address the role of the financial sector in laundering looted assets and allowing illicit financial flows. Every instance of conflict and corruption that Global Witness has investigated over the last thirteen years has involved the financial services sector, principally looted money being laundered through international banks in some form. As a result, we have become more and more interested in these banks and their activities in their own right.

Despite making broad claims about their commitments to social responsibility, and despite a raft of anti-money laundering measures, banks are still doing business with dubious customers in corrupt, resource-rich states. They are thus, directly or indirectly, assisting those who are stripping their state of its assets and their citizens of an economic future and are complicit in helping to perpetuate poverty, corruption and conflict.

Until now there has been remarkably little pressure on the banking industry to alter cultural practices which facilitate corruption, especially compared to the seriousness with which banks pursue terrorist financing. What pressure there has been has resulted in relatively shallow, voluntary commitments with no clear monitoring or verification procedures.

Global Witness' investigations throughout 2008 examined failures at three levels: the bank's ethics, the bank's regulatory obligation to know its customer, and the duty of the bank's regulators to enforce these obligations.

Following the scandal of the subprime losses and the ensuing economic turmoil the question of bank regulation is now at the top of the agenda. The sector is clearly going to be under enhanced regulatory scrutiny for some time and we can take advantage of this shift to get solutions to our concerns and help change banks' due diligence culture and their governing legislation in a systematic way.

In 2008 we began to present our findings and recommendations in external fora: we were invited to participate as expert contributors in the International Task Force on the Development Impact of Illicit Financial Flows convened by the Norwegian government. We ensured that our recommendations on how to close the financial system to corrupt funds were reflected in the Task Force's findings, which went forward to the Doha Governmental meeting on Financing for Development at the end of 2008.

We also approached the UK government and the World Bank in the lead up to the G20 financial summit in Washington in November 2008 to ensure that they pushed the message that anti-money laundering issues must be included on the agenda: the summit communiqué included wording on preventing illicit financial activity. In 2009 we will publish a definitive campaign report compiling our main findings and making comprehensive recommendations for reform.

CAMBODIA – A CASE IN POINT

Cambodia's natural resources and state assets - the land, forests, minerals and heritage sites - could have helped to kick-start the post-conflict economy. However, instead of going towards poverty alleviation and rebuilding infrastructure, the revenue generated from these public goods was siphoned off through the systematic and institutionalised corruption of a small elite bent on extracting as much revenue for themselves and their cronies, as quickly as possible.

Cambodia's international donors have plugged the gap created by this wholesale government failure - providing the equivalent of over 50% of the government's annual budget for over a decade now. Despite calls from civil society to address the issue, donors have consistently failed to hold the Cambodian government to account for widespread corruption and its blatant failure to protect human rights and the environment. The end result is that, despite the provision of billions of dollars in aid money over the past 16 years, Cambodians are still amongst the world's poorest people and genuine democracy is a distant dream. Fourteen years after it was first called for by civil society and donor governments, there is still no anti-corruption law in the country.



The Cambodian Prime Minister, Hun Sen (right). Despite Cambodia's rich natural resources, the majority of the country's citizens live in dire poverty due to endemic corruption and nepotism at the highest levels.

PICTURE CREDIT: GLOBALWITNESS

3. ACCOUNTABILITY

GLOBAL WITNESS PLAYS A CATALYTIC ROLE IN MOVING CERTIFICATION, ENFORCEMENT AND REGULATORY REGIMES FORWARD IN ILLICIT ACTIVITY THAT NO GOVERNMENT HAS YET TOUCHED...HISTORY SUGGESTS THAT THE ONLY TIME GOVERNMENTS OR BUSINESSES EVER REALLY SHIFT IS WHEN CONFRONTED BY THEIR CRITICS OR SHAMED BY EVIDENCE THAT EXPOSES AND LAYS BARE THEIR POLICIES.

ALISON BENJAMIN, ROUGH DIAMONDS. THE GUARDIAN, 31 JANUARY 2007

HOLDING GOVERNMENTS, COMPANIES, INDIVIDUALS AND ORGANISATIONS ACCOUNTABLE FOR ABUSES AND COMPLICITY IN ABUSES IN THE CONTEXT OF NATURAL RESOURCE EXPLOITATION

Whilst corrupt governments are rightly cited as a fundamental barrier to socio-economic development in the world's poorest countries, the complicity of 'outside' international elements – individuals and private companies – working hand in hand with corrupt ruling powers or militias to exploit natural resource riches frequently goes unpunished.

In many volatile areas (natural-resource-rich countries prone to conflict) civil infrastructure has collapsed, leading to an absence of governance and legal structures, which means that criminal activities cannot always be brought to justice. At the same time, increasing demand for natural resources has made it more likely for transnational corporations to be operating in areas of open conflict, where there is widespread repression and weak or nonexistent regulations against human rights abuses. There are numerous documented cases of where companies have become complicit in, or actually exacerbated, these violations.

MINIMISING HUMAN RIGHTS ABUSES: HOW CORPORATIONS MUST BE MADE ACCOUNTABLE

We recently had the opportunity to push the debate on developing new and better legal mechanisms to prevent businesses becoming involved in human rights abuses. In 2007 we began working with the UN Secretary General's Special Representative for Business and Human Rights, Professor John Ruggie, addressing corporate activity and human rights abuses in conflict zones. The aim was to identify the actual and potential roles of 'Home States' (the countries where a transnational company is registered) in monitoring and regulating the activities of their companies in places with

weak governance and little respect for human rights. What is their role and in what instances can lines of legal accountability be drawn or retribution given?

Following Professor Ruggie's presentation to the UN Human Rights Council in April 2008, Global Witness co-hosted a multi-stakeholder meeting with the British Institute of International and Comparative Law (BIICL) and participated in a conference organised by the Fundación Ideas Para la Paz in Colombia under the theme Business, Social Corporate Responsibility and Armed Conflict.

This was an opportunity to discuss the proposed framework and explore practical strategies for addressing the role of Home States. Conference participants, including experts from business, academia, the legal profession and civil society, envisioned Home States as playing both a policy and regulatory role in minimising corporate human rights abuse in volatile areas. However, with the exception of a handful of leading countries, few States have yet to accept this responsibility. Global Witness will continue to campaign on this issue next year.

ENDING IMPUNITY AND PROMOTING JUSTICE

Global Witness aims to contribute to a transparent and fair justice system where individuals and companies complicit in natural resource-related corruption, human rights abuses and violent conflict can be exposed and held accountable.

THE AFRIMEX CASE: PUSHING CORPORATE RESPONSIBILITY FOR EXTRACTIVE COMPANIES IN CONFLICT AREAS

In 2007 Global Witness submitted a complaint to the British government detailing how the UK company Afrimex had breached the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises by purchasing minerals from a war-torn region of the Democratic Republic of Congo (DRC).

Drawing on our research, the complaint described how Afrimex, which traded in the minerals coltan and cassiterite throughout the conflict in the DRC from 1996 onwards, made tax payments to the *Rassemblement congolais pour la démocratie-Goma* (RCD-Goma), an armed group with a well-documented record of carrying out grave human rights abuses, including massacres of civilians, torture and sexual violence. During the conflict, the RCD-Goma controlled large parts of the eastern provinces of North and South Kivu, where coltan and cassiterite are mined.

In August 2008 the British Government upheld our allegations. The ruling affirmed that Afrimex initiated demand for minerals from a conflict zone and used suppliers who had made payments to rebel group RCD-Goma. It concluded that Afrimex had failed to contribute to sustainable development in the region and to respect human rights and stated that Afrimex applied insufficient due diligence to the supply chain, sourcing minerals from mines that used child and forced labour.

The ruling provides positive guidance to help Afrimex change their practices, demands that the company publicises the steps it takes, and also provides clear guidelines for companies operating or trading in conflict zones. This is precedent-setting: it means their statement can be referred back to in future cases.

PROMOTING TRANSPARENCY AND ACCOUNTABILITY IN THE IVORY COAST

Following the release of our report *Hot Chocolate: How Cocoa Fuelled the Conflict in Côte d'Ivoire in 2007*, Global Witness continued campaigning for increased transparency and accountability in the cocoa trade and in the chocolate industry as a whole.

The report showed how more than \$118 million from the cocoa trade had funded both sides in the Ivorian civil conflict and went on to expose patterns of mismanagement of revenues, opacity of accounts, corruption and political favouritism in the country's cocoa sector.

In June 2008, for the very first time, the Ivorian government published figures on the revenues generated by the taxes collected from the cocoa sector and what they were spent on: a major step towards transparency and accountability.

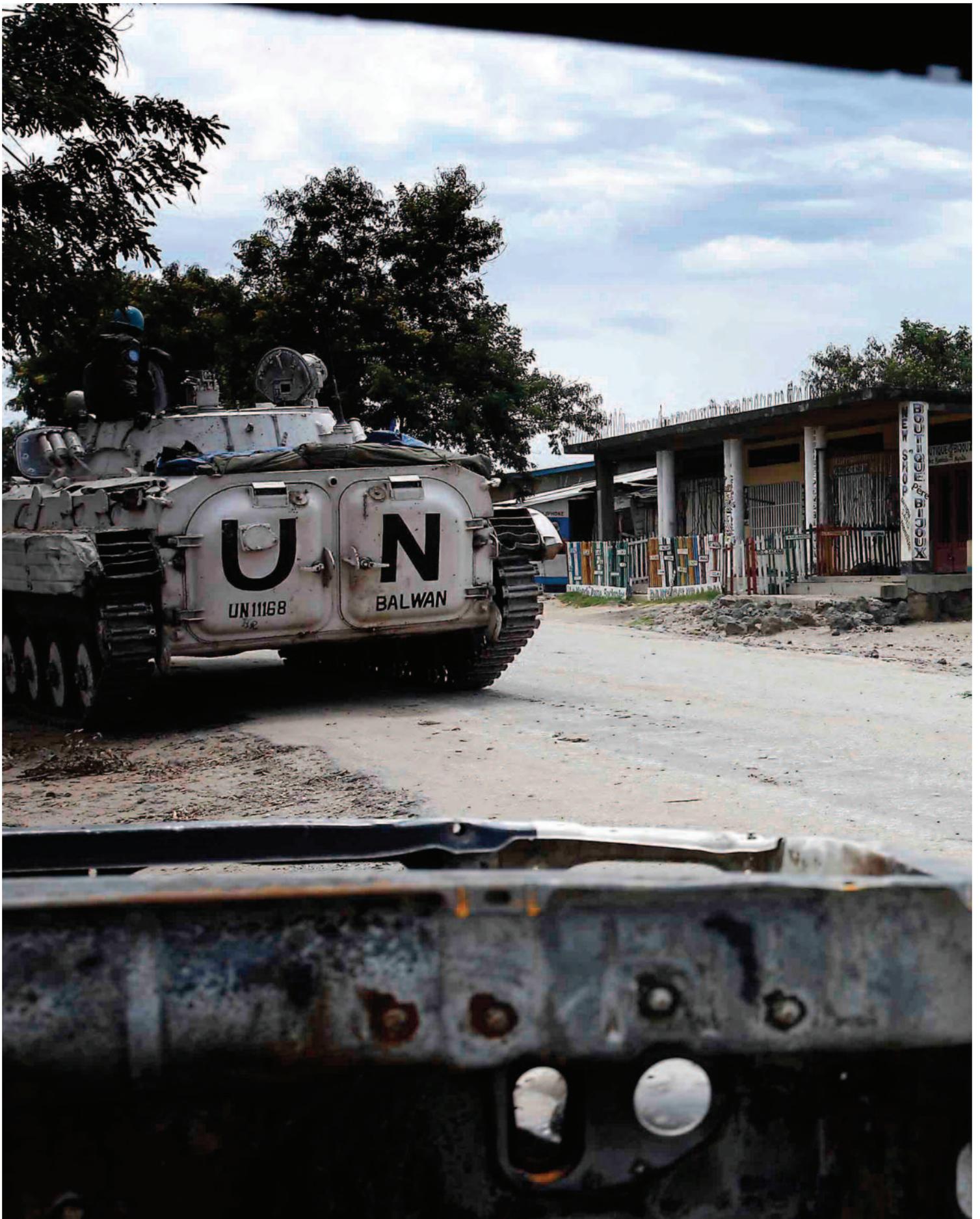
For it to be effective regular publication of such data is needed. Companies must now do the same so Ivorian people get the full picture, and are able to hold their government accountable for missing or misspent revenues.

In the same month, the Ivorian Attorney General announced that 23 employees of national cocoa institutions, including most top officials and officials from the only fully state-owned institution, the Regulatory Authority of Coffee and Cocoa, were

being charged with fraud and embezzlement following an investigation into alleged misappropriations of funds. Most of them were arrested and remain in jail to this day. However, no government Ministers were charged.

Despite shortcomings, this is a positive move for Côte d'Ivoire's notoriously opaque cocoa sector. The credibility of the process will stand on its capacity to bring accountability to top levels of government – namely those Ministers involved in misappropriating funds to finance the war effort. Global Witness is now calling for the Attorney General's office to disclose more information on the nature of the charges against each individual and to ensure that the cases are processed in a transparent manner.

In September 2008, the Ivorian government announced that it would scrap all four institutions administering the country's cocoa sector and replace them with a single entity. This plan to create a temporary single entity will not ensure transparency as long as cocoa exporters fail to publish what they pay the government and its institutions.



A burnt out car and UN tank in Kiwanja, near Rutshuru, in the Democratic Republic of Congo on the 6th November, 2008.

PICTURE CREDIT: KATE HOLT

4. FORESTS - PROTECTING OUR GLOBAL GOODS

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.

SYLVIA ROWLEY, THE LOGIC OF GREEN GIVING, BBC NEWS, 24 DECEMBER 2007

THE OVERALL OBJECTIVE OF OUR FORESTS WORK IS TO FUNDAMENTALLY SHIFT THE USE AND MANAGEMENT OF FORESTS WORLD-WIDE TOWARDS PRO-POOR, PRO-ENVIRONMENT ALTERNATIVES WHICH MITIGATE CLIMATE CHANGE

Illegal logging and trade in illegally logged timber poses a huge threat to many timber-producing countries. It siphons off billions of dollars of potential revenue and undermines the rule of law and good governance. It causes environmental damage and obstructs sustainable development in some of the poorest countries of the world. Local people, especially forest-dependent communities, are deprived of resources indispensable for economic development and traditional livelihoods.

Throughout 2008 Global Witness has continued to push for more sustainable approaches to logging and timber imports, tackling illegal production and promoting transparency and forest governance, helping to end the destabilising and destructive impact of industrial scale logging in forest-rich countries. We believe that improving forest governance and empowering communities to manage their forests sustainably is of the most effective way of fighting poverty.

FORESTS AND CLIMATE CHANGE

One of the most significant developments in 2008 has been the increased prominence of forests in the climate debate. Specifically, the current unprecedented interest in forests at international negotiations around the United Nations Framework Convention on Climate Change (UNFCCC), where a mechanism on reducing deforestation and forest degradation in developing countries (REDD) is being negotiated, provides an important window of opportunity to achieve our aims to protect forests globally.

At the heart of REDD is a simple idea – by reducing deforestation and degradation we make dramatic cuts in global greenhouse gas emissions quickly. It is hard to overstate just how large the impact of REDD could be: upon safeguarding biologically rich forests, upon climate change, and upon the lives of vulnerable people in many countries.

In December 2008, Global Witness launched its REDD campaign at the UN Climate Change Conference in Poznan, with the production of two briefings: Honest Engagement, which addressed governance, transparency and multi-stakeholder engagement in REDD, and Independent Forest Monitoring and REDD, which was informed by our unique experience on the ground and participation in the UN-REDD workshop on monitoring earlier in September. We sent a Global Witness delegation to Poznan where we engaged in intensive advocacy, raising significant issues and opening up space for civil society views.

We formed a new alliance of like minded non governmental-organisations, which became known as the Ecosystems Climate Alliance. This new coalition, aimed specifically at getting a good international agreement on REDD, brings together a spectrum of organisations with a range of complimentary expertise on climate change, forests, wetlands and natural resource governance.

COMBATING ILLEGAL LOGGING: THE UNITED STATES' LACEY ACT AMENDMENT

Historically, the lack of legislation to prevent illegally logged timber from entering consumer markets has meant that over the years every timber importing country has often unwittingly purchased illegally logged timber from large-scale organised crime networks.

One of Global Witness's priorities over the years has always been to campaign for legal strategies and policies that act as a deterrent to illicit natural resources exploitation and trade. Following years of work, one such moment came about recently with the U.S. Congress passing the much anticipated amendment to the Lacey Act.

Not only does this amendment make it possible for the U.S. government to prosecute those who import illegal timber, but by requiring a basic declaration accompanying every shipment of plants or plants products, including timber, it also adds transparency to the trade.

THE EU - A STEP IN THE RIGHT DIRECTION

Following on the U.S. example, there have been discussions about developing same style legislation at the European level. In October 2008 the European Commission issued a proposal for regulation: 'Laying down the obligations of operators who place timber and timber products on the market'. Under the proposal, operators would have to exercise due diligence to minimise the risk of placing illegally harvested timber and timber products on the market. Global Witness does not consider this proposal sufficient to tackle the problem of trade in illegal timber and will continue to press for improvements.

Earlier in 2008, Ghana and the EU signed a groundbreaking trade agreement that should stop imports of illegal timber into Europe from Ghana. The deal is the first of a series of legally-binding bilateral agreements, known as Voluntary Partnership Agreements (VPAs), between the EU and individual timber-producing countries and will offer European consumers a credible guarantee that Ghanaian timber products have been obtained in a manner that protects Ghana's remaining forests and benefits local forest communities.

Global Witness made two trips to Ghana in 2008, to contribute to the VPA negotiation process. We held a workshop introducing Independent Forest Monitoring (IFM) to civil society representatives at the National Forest Forum and also gave a similar briefing to a range of government officials. Both events enabled Ghanaian stakeholders to extend their understanding of IFM in the context of the VPA.

Towards the end of 2007, the Liberian government also embarked on preliminary work to negotiate a VPA with the EU. Throughout 2008, Global Witness worked in close contact with civil society activists in the Liberian forest sector, providing information on the VPA process, and sharing lessons from colleagues in Ghana. The aim is a VPA between the EU and Liberia that delivers environmental, social, human rights and anti-corruption benefits and meets forest governance objectives.

COMBATING INDUSTRIAL SCALE LOGGING AND PROMOTING TRANSPARENCY AND FOREST GOVERNANCE:

In 2008 Global Witness continued to question established thinking by governments, international donors and International Financial Institutions like the World Bank on industrial-scale logging, by exposing its detrimental effects, and persuading policymakers to adopt alternative approaches to forest use.

Joint campaigning with other non governmental-organisations in the Democratic Republic of Congo heightened international interest in the future of the DRC's forests, and ensured that pro-poor alternatives to industrial scale logging were included in international policy discussions. Donor governments, particularly the UK, have been encouraged to make important financial commitments (for example through the Congo Basin Forest Fund). There are many opportunities here which we will continue to exploit over the coming year.

In Liberia, Global Witness' interventions delayed the recommencement of industrial scale logging operations, and prevented a corrupt deal over logs abandoned during the conflict from going ahead. We argued forcefully that logging should not recommence until a full legislative framework was in place, which included provisions for community rights in forest management, decision-making, and ownership.

Global Witness also supported Liberian civil society to lobby for and contribute to a Community Rights for Forest Lands Law, which was passed by the Liberian Senate in September 2008. We provided analysis of past forest management mistakes that contributed to the civil war, as well as facilitating meetings and briefing government and donor officials on the importance of the law being passed in the way civil society and forest dependent communities had envisaged it. This is a great result following years of Global Witness' work to end impunity and provide space for local people to assert control over the management of their patrimony.

On a less positive note, in March Gus Kouwenhoven, the chief logging baron in Charles Taylor's Liberia, was acquitted on appeal by the Dutch Court on charges of breaching UN arms sanctions to Liberia. The prosecution have appealed the judgement to the Supreme Court and the appeal is pending. This acquittal is a blow to those seeking justice in post-war Liberia, such as the country's Truth & Reconciliation Commission, who are investigating the role of the Oriental Timber Company (OTC) which Gus ran during the Taylor years. There is no doubt that OTC paid known arms traffickers, paid tax revenues directly to Charles Taylor's personal bank account and that its timber operations were entirely illegal, so the acquittal related more to the confines of Dutch law rather than to the highly destructive role OTC played in Liberia's bloody conflict.



The destabilising and destructive impact of industrial scale logging and the trade in illegally logged timber poses a threat to many timber-producing countries. Local people, especially forest-dependent communities, are deprived of resources indispensable for economic development and traditional livelihoods.

PICTURE CREDIT: GLOBALWITNESS

GLOBAL WITNESS FUNDING AND FINANCIAL BREAKDOWN

ACROSS THE GLOBE, REVENUES FROM OIL, GAS, MINING AND LOGGING THAT COULD FUND PUBLIC SERVICES, HEALTHCARE AND EDUCATION ARE BEING MISUSED AND MISAPPROPRIATED BY CORRUPT POLITICAL, BUSINESS AND MILITARY ELITES. LONG BEFORE MOST OF US HEAR ABOUT THESE ISSUES, GLOBAL WITNESS CARRIES OUT EXTENSIVE INVESTIGATIVE WORK TO EXPOSE AND CHALLENGE THE INTERNATIONAL LEGAL, FINANCIAL AND CORPORATE SYSTEMS WHICH ALLOW NATURAL RESOURCE MISUSE TO EXACERBATE HUMAN SUFFERING. GLOBAL WITNESS HAS MADE AN IMPACT AND IS HELPING TO MAKE THE WORLD A BETTER PLACE. THEY DESERVE OUR SUPPORT.

LORD JOFFE, THE JOFFE CHARITABLE TRUST

Global Witness' impact on, and continued leadership in, the field of natural resource management depends on the long-term financial security of the organisation, and ultimately our mission cannot be realised without it. It is important therefore that our fundraising efforts deliver the financial resources required to help drive the organisation.

Global Witness has made a positive decision to raise funds without spending large amounts on publicity or mailing out

fundraising appeals. Instead, we have sought to secure our financial future by devoting our resources to developing relationships with a group of donors committed to achieving real change with us.

Global Witness is deeply grateful for the support of our most significant current donors, listed here. We would also like to express our thanks to those donors whom, for reasons of practicality or anonymity, are not listed here.

Trusts & Foundations:

Adessium Foundation
The Ajahma Charitable Trust
The Ashden Charitable Trust
Blue Moon Fund
William Adlington Cadbury Charitable Trust
DOEN Foundation
The David and Elaine Potter Foundation
The Ford Foundation
The Funding Network
Richard and Rhoda Goldman Fund
Conrad N. Hilton Foundation
Jocarno Fund
The Joffe Charitable Trust
Foundation Open Society Institute (Zug)
Alton E Peters Charitable Trust
The Potter Foundation
The Roddick Foundation
The Rufford Maurice Laing Foundation
Scottish Community Foundation
The Sigrid Rausing Trust
R H Southern Trust
The Taylour Foundation
Wallace Global Fund
Zennström Philanthropies

Governments:

Foreign Affairs and International Trade
Canada
Deutsche Gesellschaft für Technische
Zusammenarbeit (GTZ)
Irish Aid – Department of Foreign Affairs
Netherlands Ministry of Foreign Affairs
Swedish International Development
Co-operation Agency (Sida)
Department for International Development
(DFID)
Norwegian Agency for Development
Cooperation (Norad)
Norwegian Ministry of the Environment
European Commission

Development organisations:

Concern Worldwide
Cordaid
Humanist Institute for Co-operation
with Developing Countries (Hivos)
Netherlands Committee for IUCN
Oxfam Novib
Trócaire
The Revenue Watch Institute
The World Bank Group

Corporate:

Croudace Homes Group
Ethical Investors

FINANCIAL BREAKDOWN

The Global Witness Limited figures are extracted from the audited annual accounts. The accounts are available from our website: www.globalwitness.org. The Global Witness Trust figures are consolidated, and extracted from the audited annual accounts of Global Witness Trust and Global Witness Trust Limited. All activities of Global Witness Trust were transferred to Global Witness Trust Limited in the year, and Global Witness Trust ceased operating. The audited annual accounts for both organisations are available from the charity commission website

Global Witness Limited	
INCOME	£
Grants from Global Witness Trust	992,952
Grants from trusts and foundations	1,412,451
Grants from governments	1,002,296
Grants from multilateral organisations and NGOs	230,231
Grants from other organisations	146,358
Other income	36,188
Bank interest	26,485
TOTAL INCOME	3,846,961
EXPENDITURE	
Climate change	7,924
Driving international action on conflict resources	550,079
Democratic Republic of Congo	235,155
Ending Impunity	199,606
Forests	536,449
Corruption, state looting and financial flows	261,719
Oil and transparency	433,160
Special projects	188,433
Fundraising	208,813
Governance costs	14,894
TOTAL EXPENDITURE	2,636,232

Global Witness Trust	
INCOME	£
Grants from trusts and foundations	861,895
Grants from governments	116,539
Grants from NGOs	76,539
Other income	32,261
Bank interest	3,805
TOTAL INCOME	1,091,039
EXPENDITURE	
Grants to Global Witness Limited	992,952
Management fee	20,023
Governance costs	2,308
TOTAL EXPENDITURE	1,015,283

Of course it costs money to raise money, but in this respect we are proud that our fundraising and communications costs are kept to a minimum and represent only a small percentage of our overall expenditure. This means that we are able to devote the vast majority of our income directly to where many of our donors would like to see it spent - on our investigative and advocacy work.

We are committed to transparency in our financial reporting and are happy to disclose all financial information on request.

FRONT COVER. Credit: <http://www.wordle.net/>.

Global Witness Limited is a non-profit company limited by guarantee and incorporated in England (Company No. 2871809).

Global Witness Trust is a UK registered charity (charity number 1071946).

Global Witness Trust Limited is a UK registered charity (charity number 1117844), and non profit company limited by guarantee (company number 05883832).

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.

Global Witness
6th Floor,
30 Holborn
Buchanan House
London
EC1N 2HS
www.globalwitness.org

©GLOBAL WITNESS 2010