



global witness

GLOBAL WITNESS ANNUAL REVIEW 2010



CONTENTS

OUR WORK ⁴

DIRECTORS' MESSAGE ⁶

CORRUPTION ⁸

COMPANIES ¹⁰ **GOVERNMENTS** ¹² **THE FINANCIAL SECTOR** ¹²
CASE STUDY: KAZAKHSTAN, KAZAKHMYS AND THE LONDON STOCK EXCHANGE ¹⁴

CONFLICT ¹⁶

DEMOCRATIC REPUBLIC OF CONGO ¹⁸ **SUDAN** ¹⁸ **LIBERIA** ²⁰ **CONFLICT DIAMONDS** ²¹
CASE STUDY: CONFLICT MINERALS IN EASTERN CONGO ²²

ENDING IMPUNITY ²⁴

DRC LEGAL ACTION ²⁶ **JUDICIAL REVIEW** ²⁶
ACCOUNTABILITY IN LIBERIA ²⁶ **LIBEL REFORM** ²⁷

FORESTS & CLIMATE ²⁸

REDD+ ³⁰ **INDUSTRIAL SCALE LOGGING** ³² **ILLEGAL LOGGING IN MADAGASCAR** ³²
EMPOWERING CIVIL SOCIETY ³³ **CASE STUDY: MADAGASCAR'S ILLEGAL ROSEWOOD TRADE** ³⁴

FUNDRAISING ³⁶

THANK YOU ³⁶ **INCOME AND EXPENDITURE** ³⁷ **OUR DONORS** ³⁸

More information about all our campaigns can be found on our website www.globalwitness.org

2010: OUR WORK

GLOBAL WITNESS

New US transparency laws (*Washington*)
Industrial scale logging (*Washington*)
UN REDD+ agreement (*Cancun, Mexico*)
Empowering civil society (*Peru, Ecuador*)

Extractive Industries Transparency Initiative (EITI) (*Oslo, Norway*)
Donor aid and corruption (*Paris*)
Global anti-money laundering standards (*Paris*)
Judicial Review (*London*)
Accountability for Liberia (*The Hague, Holland*)
Libel reform (*London*)

Former Soviet Union (*Kazakhstan*)
Singapore's demand for Cambodia's sand
Oil transparency in Sudan (*China*)

Gaps in Angola's oil data
British banks and Nigerian corruption
Minerals in the Democratic Republic of Congo
Congolese legal action
Oil transparency in *Sudan*
Post-conflict *Liberia*
Conflict diamonds (*Zimbabwe*)
Illegal logging in *Madagascar*
Empowering civil society to make forest use fairer
(*Ghana, Liberia, Cameroon*)



“The plunder of nature takes two distinct forms: the few expropriating what should belong to the many, and the present expropriating what should belong to the future.”

Paul Collier, *New Statesman*, June 28, 2010

Founding Directors' message

The revolutions, uprisings and rebellions which have swept across North Africa and the Middle East since late 2010 have offered a stark reminder that corrupt dictatorships are as bad for global stability as they are for the citizens that endure them.

For Global Witness, these complex situations have again laid bare the drivers of some of the world's most intractable problems: how the unfair distribution of natural resource wealth fuels conflict and corruption; how dictators are able to cash in on their populations' future; and how banks, governments and companies actively facilitate this looting, driving conflict along the way.

In the 17 years we have spent bringing such issues to international attention, Global Witness has seen their importance and urgency grow exponentially. As populations mushroom and pressure on resources increases, the global political economy is increasingly defined by access to resources. It is now more important than ever that we develop ways of using this natural capital whilst avoiding conflict and without destroying the planet.

To help achieve this goal, Global Witness does two things: we investigate and expose specific cases, and then we look for ways of fixing the system.

2010 has been a good year on the investigations front. A wide range of exposés detailed over the coming pages have showcased the patterns of corruption and weak governance which mean that the poor stay poor while a crooked and often violent elite grows rich. This work provides the platform for lobbying and campaigning to bring about meaningful change and 2010 will be remembered as a year that many campaigns bore fruit, yielding positive policy and practice change in several key areas.

Our team has played a leading role in the passing of groundbreaking transparency legislation in the US, made real progress in tackling the trade in conflict minerals from the Democratic Republic of Congo (DRC) and secured an independent audit of Sudan's oil sector.

Our campaigners have been an influential force at international negotiations on climate change and forest protection. At the annual UN talks in Cancun, our lobbying on initiatives designed to protect forests and the carbon they house helped secure safeguards to defend the rights of indigenous peoples and ensure civil society participation in decision making. We also called for independent accounting of funds given to developing countries for forest

protection. The challenge for 2011 and beyond is to ensure that these principles are put into practice, so that the planet's remaining 20 percent of intact tropical forests do not go the way of their predecessors.

2010 has also been crucial in the battle for greater transparency in the extractive industries which potentially could have a huge impact on poverty alleviation. Given the history of state looting associated with the commodities sector, it is crucial that companies are forced to disclose what they pay to foreign governments. Only then can citizens tell how much money has been generated, a key part of the process of ensuring they see a return on their resource wealth.

Just under a decade ago, Global Witness co-launched the 'Publish What You Pay' campaign to make this happen, and as a political response, the UK government announced the launch of the 'Extractives Industries Transparency Initiative' (EITI) in the same year. EITI seeks to make countries' natural resource revenues fair and open, and gives companies, governments and civil society equal say in how this should happen. We've been working on the board of EITI ever since – pushing for it to be an effective process – and we've seen major gains over that time with 35 countries now taking part and 11 of those fully compliant with the rules including Norway, Nigeria and Mongolia.

But as a voluntary initiative, we knew it would remain insufficient to tackle the world's worst regimes; legislation forcing extractive companies to disclose their payments to governments was required. After intensive lobbying by us and others in the Publish What You Pay coalition, and a decade-long campaign, the *Dodd Frank Wall Street Reform and Consumer Protection Act* was passed in the US in June 2010. The Act forces oil, gas and mining companies to open up their books and publish details of their payments to governments on a country-specific and project-specific basis (thereby providing data that is more easily analysed and open to scrutiny) as a condition of their listing on US Stock Exchanges. Over 1,000 companies, including many of the world's biggest oil and mining firms, are covered by this trailblazing legislation.

This is a hugely important step but it's only the start. Throughout 2011 and beyond we'll be campaigning to make sure the Act is not watered down while also using the momentum created by it to push for the realisation of a global transparency standard – stretching similar legislation across the EU, the BRIC countries and elsewhere. 2011 will also see Global Witness deepen our work on China and the role it will play in shaping the emerging global political economy.

“Over the years, I have carefully read your country reports and come to the conclusion that they are outstanding results of investigations, which the whole world should appreciate.”

Antonio Maria Costa, Executive Director, UN Office on Drugs and Crime, Dec 2009



Global Witness at work. Photo: Global Witness.

This year has seen a step change in how Global Witness communicates. Our new website, which launched in November, has transformed our ability to organise and present our campaigning information and our online traffic has increased hugely as a result. A new two-person communications team has professionalised our output and greatly increased our reach – we are frequently quoted in the world's media and Global Witness spokespeople offer expert commentary on a wide range of corruption and resource-related stories.

We remain committed to continuing our work and are grateful that despite cutbacks in international development assistance from many governments, and the hesitancy of some foundations to expand their grant-making portfolios in tough economic environments, Global Witness has been able to rely on continued support from our funders. We'd like to share our deep appreciation for their continued commitment to our work. This generosity has allowed us to maintain our position as one of the leading voices on natural resource governance and achieve the impressive results that you will read about in this report.

Over the next 32 pages, we outline the successes our campaigns have achieved and the future challenges that lie ahead across our four campaigning areas. We also showcase our campaigning work in three detailed case

studies: highlighting the impact on local communities of the illegal trade in rosewood in Madagascar; our work to tackle the trade in conflict minerals in eastern DRC and the dangers posed to those who rely on mining to make a living; and how our team went about investigating the murky ties between the President of Kazakhstan and the country's copper mining giant, Kazakhmys.

With continued support and our dedicated team, Global Witness remains in a strong position to take advantage of opportunities to achieve change and progress towards ensuring natural resources are used to drive peaceful and sustainable development in a manner that protects our environment. Our mission for 2011 and beyond will be to build on the momentum from gains made this year and continue to push forward for more.

Patrick Alley, Charmian Gooch and Simon Taylor



2010: OUR IMPACT

CORRUPTION

“[We] know that countries are more likely to prosper when governments are accountable to their people. So we are leading a global effort to combat corruption, which in many places is the single greatest barrier to prosperity, and which is a profound violation of human rights.”

Barack Obama, speech to UN General Assembly, 2010

“We need to take openness and transparency as the premise, promote communication and exchange with each other, and reflect the open nature of our cooperation.”

Hu Jintao, April 2010

THE SUCCESS

– New US transparency laws – – a decade of campaigning bears fruit

Global Witness and the ‘Publish What You Pay’ campaign played a leading role in securing groundbreaking legislation that will help bring transparency to the oil, gas and mining trades.

– Exposing banks’ – complicity in corruption

Our investigations showed that HSBC, Barclays, Natwest and RBS had accepted millions of pounds in deposits from two corrupt Nigerian state governors.

OUR IMPACT CORRUPTION

To tackle poverty, we need to tackle corruption. Over the past 17 years, Global Witness has investigated and campaigned on numerous countries which should be rich from their resource wealth, but instead are impoverished, often ruled by oppressive regimes and prone to violent conflict. We have documented first-hand the role corruption plays creating and sustaining this perverse phenomenon.

The corruption stifling economic growth and entrenching poverty does not just occur in the developing world however. Our experience shows the importance of external “facilitators”, many of whom are based in the developed world. Extractive companies who extract, and pay for, vast natural resource wealth; governments in their role as regulators of commercial interests, and in their own right, as donors of aid; and the international financial system that facilitates the flow of corrupt money.

Global Witness focuses its corruption campaign on revealing the links between companies, governments and the international financial system – exposing the global nature of corruption in the 21st century and proposing solutions so that corruption can’t continue to blight the lives of so many.

Companies: Stopping those that facilitate corruption

New US transparency laws – a decade of campaigning bears fruit

Secrecy surrounding the payments made by the extractive industries to resource-rich governments makes life very easy for corrupt regimes. More transparency is needed to ensure extractive companies disclose payments made to governments, which would make it much harder for officials to embezzle state funds.

Global Witness has spearheaded the push for a global transparency standard for natural resource payments since the early 2000s. In 2010, our campaigning with the Publish What You Pay (PWYP) coalition bore fruit with the passage of key transparency provisions in the US *Dodd Frank Wall Street Reform and Consumer Protection Act*. This requires all oil, gas and minerals companies regulated by the US Securities and Exchange Commission to publicly disclose their payments to governments around the world – joining Hong Kong as the only other stock exchange to demand this information.

This represents a significant breakthrough. Greater transparency means more opportunity for civil society to scrutinise money flows from natural resources, helping to ensure it is spent on development and the provision of social services.

“Your efforts will demonstrably improve the lives of millions of people living in countries that are rich with resources yet mired in the deepest poverty, as well as your fellow Americans, for years to come. Thank you for your dedication to this issue and for your commitment to improving the lives of those most in need.”

Richard G. Lugar, US Senator, in correspondence with Global Witness, July, 2010

It also presents a huge opportunity for further change. In the coming year, we will use the US and Hong Kong examples to push for the enactment of similar listing regulations in stock markets worldwide, which would bring us closer towards a global transparency standard of resource revenue transparency. Global Witness will focus in particular on securing these standards in the European Union and China.

Complementary measures: the Extractive Industries Transparency Initiative (EITI)

The EITI is an international association which aims to reduce corruption and increase public accountability in the oil, gas and mining sectors by ensuring that money flows from companies to governments are fully reported to the public. Its members are drawn from governments, extractive companies, investors and civil society groups, all with an equal say on the running of the initiative.

As a board member, Global Witness has sought to deepen the initiative by ensuring compliance with its rules and encouraging more countries (including the UK) to implement it. We work with our civil society partners to strengthen the EITI’s rules, extend its reach and make sure that civil society activists in developing countries are free to take part in EITI processes without fear of harassment or censorship. In 2010, the EITI faced the first major test of its rules, as its board decided on the status of countries which had missed deadlines for assessment of their performance in implementing the scheme. Global Witness pushed for a rigorous interpretation of the rules, in the face of intensive lobbying for special treatment of certain countries which had dragged their feet for several years.

The EITI scraped through this challenge with its credibility just about intact, and Global Witness has since contributed to revised rules, reflecting the lessons of this experience.



New legislation in America will force oil, gas and mining companies to publish what they pay to foreign governments for resource contracts. Photo: Shutterstock.

“Groups like Publish What You Pay Coalition, Revenue Watch, Transparency International, and Global Witness deserve heaps of praise for pushing the issue of transparency and extractive industries to the fore...”

Daniel Firger, Associate Director of the Columbia Center for Climate Change Law, in Huffington Post Politics, September, 2010

Exposing US and European links to corruption in the former Soviet Union

Our 2010 report, *Risky Business: Kazakhstan, Kazakhmys plc and the London Stock Exchange*, exposed how a Kazakh copper mining giant failed to declare potentially key information about its shareholders and directors when it listed on the prestigious London Stock Exchange (LSE), thereby exposing investors and shareholders, including UK pension-holders, to unquantifiable risk.

Our report raised serious concerns that London’s “light-touch” listing process may not be adequate to deal with companies originating from the former Soviet Union, who may benefit from the prestige and capital a listing on the LSE bestows, while not living up to the highest standards of transparency.

As a matter of urgent public interest, we called for the UK Financial Services Authority (FSA) to take steps to force companies like Kazakhmys to provide much more information to investors about political risk. The FSA has still

failed to act and a request by Global Witness for information as to what checks it had made on Kazakhmys was refused. Read more about our work to expose these issues on pages 14 & 15.

Exposing gaps in Angola’s oil data

Despite living in one of the top two oil-producing countries in sub-Saharan Africa, most Angolans live on less than \$1.55 a day and have a life expectancy of just 48.1 years.

In response to heavy criticism for its chronic lack of transparency, the Angolan government has started to publish detailed data on its earnings from the oil sector. However, our 2010 report, *Oil Revenues in Angola: Much more information but not enough transparency* (a joint project with the Open Society Initiative – Angola) revealed gaps in the figures which totalled billions of dollars. These findings are not evidence of corruption on their own, but show that Angolan citizens cannot rely on official figures and reiterate the need for more transparency and independent verification of published data in the sector.

In 2010 Global Witness also published two investigative briefings highlighting the corruption risks posed by Angola’s practice of allowing obscure and secretive private companies to acquire valuable stakes in major oil and gas projects.

OUR IMPACT CORRUPTION

Angola's future depends on how well it uses its significant oil wealth – our findings show that far greater transparency is needed so that citizens can see that the money is spent on development. We will continue to lobby the government and the international community to push for these reforms throughout 2011.

Governments: Exposing the role of Western Donors in facilitating corruption

Global Witness believes that aid can work when given to governments that want to invest in their citizens. Conversely, when aid is paid to corrupt governments it can entrench poverty rather than alleviate it. Unconditional donor aid has propped up dictatorial regimes and facilitated the looting of natural resource revenues by subsidising basic state functions, while those who should be providing these services get on with the more lucrative business of raiding state coffers.

Natural resource revenues outweigh aid inflows many times over. In 2009, the value of exports of oil and minerals for South and Central America, Africa and Asia was over eight times the value of aid to these three regions.

Harnessing the potential of these revenues is the best way for poor countries to wean themselves off donor aid.

Our work on governments' facilitation of corruption focuses on the role that donors must play to make sure that natural resource revenues are managed in a transparent and accountable way. Over the past year, our in-depth country research on the interaction between OECD donors and entrenched poverty and corruption in Cambodia, Liberia, Sudan, Uganda and Afghanistan has informed our approach to tackling grand corruption. So far, our campaigning has led to tangible changes in-country and at a thematic policy level.

Investigating Singapore's demand for Cambodian sand

Singapore has used sand imports to increase its landmass by 22% since the 1960s. This has wreaked havoc on the region's coastlines and caused untold environmental damage – endangering wildlife and wrecking fragile ecosystems; Malaysia, Vietnam and Indonesia have all announced bans on sand dredging for export as a result.

Cambodia on the other hand has continued the practice and in May 2010, Global Witness exposed how Singapore's

colossal land expansion project was driving an ecologically devastating and massively corrupt sand-dredging trade in Cambodia. In particular, two prominent Cambodian Senators with close ties to Prime Minister Hun Sen had monopolised a trade that was thriving despite a supposed government ban on sand exports.

The report, *Shifting Sand: How Singapore's demand for Cambodian sand threatens ecosystems and undermines good governance* contrasted the impact of the dredging on protected wildlife areas and the livelihoods of local people in Cambodia with Singapore's claims to global leadership on environmental issues.

It also pointed to the increasing stranglehold of Cambodia's kleptocratic elite on its natural resources, replicating a pattern of corruption, cronyism, and rights abuses previously found in the forestry sector and extractive industries. While life for most Cambodians remains short and tough with more than 25% of the population living under the poverty line (US\$1.25 / day) and a life expectancy of just 62 years, Cambodia's international donors have singularly failed to use their leverage to hold the small elite surrounding the Prime Minister to account.

This report and the extensive media coverage it secured brought the problem to international attention. Having initially refuted our findings and refused to discuss them with Global Witness or the media, the Singapore government later announced that it was reviewing its sand import policies.

Our next focus will be the contradictions in donor government policies which fuel corruption in Cambodia, as well as looking at broader trends across the Mekong region.

The Financial Sector: Getting dirty money out of the system

If banks were less willing to harbour stolen state funds, it would be much harder for politicians to steal them in the first place.

Recent attempts to freeze and recover the billions reportedly stashed overseas by Middle Eastern and North African dictators have been hailed as a swift and effective way of stopping tyrants in their tracks. In reality however, they point to the fact that existing laws, designed to keep dirty money out of the system, simply aren't working. Poor enforcement and plentiful loopholes mean banks can hide behind a tick-box approach to weak laws, while continuing to accept dirty funds. This keeps tyrants in power by allowing them to pay off political cronies, rig elections and terrorise their subjects.



Aid paid to corrupt governments can entrench corruption. Donor governments must use aid as leverage to push for transparent management of natural resource wealth. Photo: Joao Arujo Pinto, UN Photos.

In 2011, Global Witness will seek to reveal the banks that hold this money and call for greater disclosure of where state funds are held.

Exposing banks' complicity in corruption: British banks and Nigerian corruption

Our October 2010 report, *International Thief Thief: How British banks are complicit in Nigerian corruption*, exposed how British high street banks including HSBC, Barclays, NatWest and RBS had accepted millions of pounds in deposits from two corrupt Nigerian state governors.

The revelations raised serious questions about the banks' commitment to tackling financial crime and served as yet another reminder of the role banks play in facilitating large-scale corruption. The British banking regulator, the Financial Services Authority (FSA), failed to publicly question why the banks under their supervision were accepting corrupt money, despite British high court rulings saying that the governors' assets were illicitly acquired and should be returned to Nigeria.

Incredibly, some of the banks in our report had previously fallen foul of the FSA when almost a billion pounds of corrupt money stolen by the former Nigerian dictator Sani

Abacha went through 23 London banks in the nineties. So the regulators who did so little about the Abacha funds are still failing to fulfil their remit a few years later as new corruption revelations come to light.

The report generated widespread media coverage in both the UK and Nigeria, and it continues to provide a vital case study for our campaigning efforts.

Influencing global anti-money laundering standards

In the coming year, Global Witness will focus on the Financial Action Task Force (FATF), the OECD-based body that sets the anti-money laundering laws. FATF is currently in a two-year process of reviewing the global anti-money laundering standard. We aim to influence the introduction of any new money laundering laws and ensure they are implemented as effectively as possible. We lobbied for and got a seat at the table for its consultations, the first time an NGO has done so, and will use this as much as we can to counter the lobbying power of the financial sector, which believes the current regulatory structure is sufficient.

KAZAKHSTAN, KAZAKHMYNS & THE LONDON STOCK EXCHANGE

Global Witness's investigation into the ownership structure behind copper company Kazakhmys plc raised questions over what checks were carried out by the Financial Services Authority prior to Kazakhmys listing on the London Stock Exchange. Photo: Tym Altman.

Global Witness has long raised concerns over the capture of Kazakhstan's natural resource wealth by a kleptocratic elite surrounding the president, Nursultan Nazarbayev. Foremost amongst these were fears that Nazarbayev wields significant influence over major Kazakh extractive companies that were controversially privatised in the 1990s.

So, when Kazakh copper miner Kazakhmys became the first company from the former Soviet Union to list on the main market of the London Stock Exchange (LSE) in 2005, alarm bells rang. A few months later, it joined the prestigious FTSE 100 share index.

These developments begged some urgent questions: what checks had the regulator of the LSE – the Financial Services Authority (FSA) – performed to ensure that the information released about the company to the general public was accurate and comprehensive?

A listing on the FTSE 100 brings huge prestige and gives confidence to shareholders looking to invest. In return for these benefits, companies must submit a prospectus which provides information on the company's shareholders, its assets, liabilities and risks. The process is designed to protect shareholders and guarantee the integrity and stability of the stock market. This is doubly important for companies that make up the FTSE 100 share index, as these companies form the basis of most UK pension funds.

Our interest developed further after Global Witness was sent a hotel bill indicating that Kazakhmys plc had paid for Nazarbayev's £29,000 stay in London's Lanesborough hotel during an official visit to the UK. If there was no relationship between Kazakhmys and the president, why was it footing his hotel bills? Coupled with the concerns of many observers in Kazakhstan, this prompted us to seek a fuller picture of Kazakhmys' ownership, its management and operations.

Our research started with field trips to gather testimony from well-placed sources in Kazakhstan. These statements formed the starting point of our report, but the country's repressive political climate meant we were unable to name many of our sources.

We then began to look further into the company's shareholding structure. Data-tracking software allowed us to show that the company had undisclosed shareholders before the company listed. At first glance, its ownership structure after listing seemed simple – the majority of the company's shares were owned by senior managers. But painstaking research demonstrated that these managers owned their shares through a series of offshore companies in secretive tax havens which allow the ultimate owners of companies to remain anonymous. In other words, there was no publicly available documentation that could verify who the beneficial owners of these offshore companies were.

Global Witness remains on the cutting edge of investigative techniques. For this investigation, and many others, we used the excellent network analysis software, generously provided to us by i2.

We documented these findings in a report we released in July 2010, entitled *Risky Business*, which suggested that a close relationship existed between the company and President Nazarbayev. Worryingly, however, information about this – which could be of considerable importance to potential investors – was not included in the company's listing prospectus. Some facts that were missing included:

- That Vladimir Ni, who was the Vice-Chairman of the board of Kazakhmys' main operating subsidiary at the time of listing, possessed a thirteen-year working relationship with Kazakh President Nazarbayev, including a stint as his chief-of-staff.
- That Kazakhmys' main operating subsidiary also featured the president's brother, Bolat Nazarbayev, as a board member.
- That Kazakhmys' Chairman Vladimir Kim admitted in a Kazakh Court in 2001 to being forced to give bribes to a former Kazakh Prime Minister.
- The fact that these apparent links between Kazakhmys' management and President Nazarbayev meant that the political risk facing the company should Nazarbayev be deposed may be much higher.
- The general problem of a high level of corruption in Kazakhstan.

Risky Business not only raised serious questions over the information available on the company but also the FSA's role in ensuring that the information was comprehensive. A Freedom of Information Act request on the due diligence performed on the company was refused, meaning that we still do not know if the FSA had investigated these issues before the company listed.

At a time when the global financial crisis has brought home to investors the risks facing their holdings, our findings underlined the risks posed by London's "light-touch" approach to market regulation. As the influence of international commodities companies grows, and more of them seek to raise capital on London's stock markets, it is crucial that regulators ask the questions which will protect the interests of shareholders and the stability of the market. These concerns are all the more relevant given the recent troubles at ENRC, another Kazakh mining company on the FTSE 100.

Global Witness has been unable to get an answer from Kazakhmys plc, its financial sponsor or the FSA as to what due diligence was performed on the company. We – and investors – have to rely on their word that the due diligence was thorough and comprehensive. In times of global financial uncertainty, this is simply not adequate – the London Stock Exchange must heed the recommendations we made in the report.



2010: OUR IMPACT

CONFLICT

“As the global population continues to rise, and the demand for resources continues to grow, there is significant potential for conflicts over natural resources to intensify in the coming decades.”

UNEP Expert Advisory Group on Environment, Conflict and Peacebuilding, 2009

THE SUCCESS

– Groundbreaking measures to break the links between minerals and conflict

Global Witness played a central role in securing landmark US laws designed to stem the flow of conflict minerals from eastern Democratic Republic of Congo.

– Winning the argument on resource transparency: Sudan’s oil sector

North and south Sudan agreed to carry out an independent audit of the oil sector; transparency in this sector is critical to peace between the two sides.

OUR IMPACT CONFLICT

Since the end of the Cold War, a succession of violent armed conflicts in Asia and Africa have been financed through the looting of natural resources such as diamonds, timber, cocoa and minerals. These “conflict resources” are seized and traded into the global marketplace by rebels and government armies alike, contributing to the misery of civilian populations and the instability of entire regions.

Global Witness has long campaigned to bring natural resource-fuelled conflicts to an end. Our campaigning helped to stop the lucrative and illegal international timber trade which was funding wars waged by the Khmer Rouge in Cambodia and by Charles Taylor in Liberia. We brought the issue of blood diamonds in Sierra Leone, Angola and Liberia to the world’s attention, and the landmark Kimberley Process Certification Scheme was established as a result.

Today, our conflict-related work encompasses issues ranging from the link between the minerals trade and armed violence in eastern Democratic Republic of Congo, the role of oil in determining Sudan’s prospects for peace, and the international trade in conflict diamonds.

Groundbreaking measures to break the links between minerals and conflict: The Democratic Republic of Congo

The warring parties in eastern Congo’s long and bloody conflict finance themselves via the control of mining areas that produce tin ore, tantalum ore, tungsten ore and gold.

These conflict minerals are laundered into the global supply chain, making their way into everyday goods ranging from mobile phones to tin cans. The role of international companies operating in the minerals trade is therefore a key factor in the violence.

Global Witness has worked for years to expose these links and our work in 2010 saw real progress in our efforts to break them. We continued to investigate the conflict minerals trade within eastern Congo itself, while playing a leading role in efforts to establish new international regulations for companies that source minerals from DRC.

Our staff worked closely with the OECD secretariat to develop a five point “due diligence” framework, outlining the checks that companies using minerals from DRC and neighbouring countries should put in place to ensure their supply chains are clean. We elaborated these principles into a detailed blueprint for companies called *Do No Harm*, which we published in July.

A concerted campaigning push in late 2010 saw these ideas incorporated into the final due diligence standards produced by the OECD and the UN. Critically, our lobbying persuaded both bodies to direct companies to end trading practices which benefit national army units as well rebel militia in eastern Congo.

Another major milestone was the inclusion of key provisions on conflict minerals in the new *Dodd Frank Wall Street Reform and Consumer Protection Act*, passed in July after sustained campaigning from Global Witness and other NGOs. As well as the oil, gas and mining transparency provisions (see page 10), the law requires companies that report to US regulator ‘the Securities and Exchange Commission’ and source minerals from DRC and adjoining countries to state where their minerals come from, and what they have done to ensure they are not financing the warring parties, including the Congolese army.

This is a huge step forward for international efforts to break the link between minerals and armed conflict – but like any law, it will only be as good as its implementation. A key focus of our campaigning in 2011 will be to ensure that the UN and OECD due diligence standards are now incorporated into these new US regulations. Read more about our DRC campaign on pages 22 and 23.

Winning the argument on resource transparency: Sudan’s oil sector

For years, Global Witness has documented the need for transparency in the management of natural resource wealth – the improper management of which fuels war and entrenches poverty. In Sudan, oil has long been a key axis of instability. The 2005 Comprehensive Peace Agreement (CPA) brought an end to over 20 years of civil war, and was built on an innovative agreement to split the country’s vast oil wealth evenly between north and south. In early 2011, a Referendum on whether south Sudan should secede from the north confirmed the south’s wish to split. As preparations continue apace, the open and fair distribution of the country’s oil revenues will be critical to preserving peace and driving development.

In 2010, Global Witness’s campaigning pushed the need for oil sector transparency to the very centre of negotiations over Sudan’s future. Our 2009 report *Fuelling Mistrust* exposed significant discrepancies in the oil production figures published by the government and the main oil company operating in Sudan – China National Petroleum Corporation (CNPC). The discrepancies ranged from 9 to 26%, further underscoring the need for greater transparency in the management of the deal to prevent exacerbating tension and mistrust between north and south.



Inspecting Congolese coltan: electronics companies and other manufacturers must carry out due diligence on their supply chains to ensure that their purchases are not benefiting armed groups and military units in eastern Congo. Photo: Svenn Torfinn, Panos.



Boys watch their flocks by an oil station in south Sudan. Transparent sharing of Sudan's vast oil wealth is crucial to building trust between north and south at a critical juncture for the country. *Photo: Sverre Torfinn, Panos.*

Widespread media and donor pressure on the back of our findings brought an invitation for Global Witness to participate in a landmark transparency seminar in Khartoum in August, hosted by the Ministry of Petroleum. At the seminar, both governments committed to carrying out an independent audit of Sudan's oil sector, a huge milestone on the path towards overall oil transparency.

However, there is still much for both governments to do to deliver on their commitments to transparency as explanations given for the oil data mismatches did not bear scrutiny and worryingly, promises made by both north and south Sudan to publish more information and provide further documentation have not yet been acted upon.

2011 will be a crucial year; oil is the bedrock of both economies and the revenue-sharing deal runs out in July just as the south is due to secede from the north. Any new oil deal must be built on effective transparency mechanisms and civil society participation from the start. Without these measures, the prospects for peace and prosperity in the newly divided Sudan look very uncertain.

"Global Witness has stayed on the cutting edge of advocacy for the just exploitation of natural resources around the world. In the case of Sudan, Global Witness altered the terms of debate from a zero sum to a win-win scenario in which the north and the south understood the potential for Sudan's oil to serve as the basis for cooperation and mutual benefit rather than conflict."

Dave Peterson, Senior Director, Africa Programme, National Endowment for Democracy, June 2011

Liberia: Exposing corruption in carbon trading

Following over a decade of timber and diamond fuelled conflict, Liberia is trying to use its natural resources to reform and rebuild its economy. Global Witness works with local civil society partners to ensure that the government and other key players deliver on their reformist promises – by building effective transparency mechanisms into their resource dealings from the outset.

Following an investigation by Global Witness into a potential deal relating to a proposed carbon concession in Liberia, officers from the City of London Police's Overseas Anti-Corruption Unit (OACU) arrested the CEO of a UK company in June 2010.

Global Witness had been examining the proposed deal for over a year prior to this. In 2007, the company approached the Government of Liberia to negotiate the allocation of a 400,000 hectare forest carbon concession - a fifth of Liberia's rainforest - in order to sell carbon credits to clients who want to offset their own carbon emissions. Global Witness raised serious concerns about the deal with the company, including their relative inexperience and the lack of consultation, effective safeguards or monitoring mechanisms.

Investigations into this case in Liberia have resulted in several dismissals of government officials and a renewed commitment to tackling corruption from President Ellen Johnson Sirleaf.



The effectiveness of the Kimberley Process Certification Scheme (KPCS) in stopping conflict diamonds from entering the international system has been severely hampered by a lack of political will amongst member governments. Far-reaching reforms are urgently needed. *Photo: Global Witness.*

The CEO of the company was released on police bail and has not yet been charged with any offence.

Liberia continues to struggle to implement reforms of its mining and forestry sectors, with the government often breaking its own transparency laws in pursuit of apparent quick wins in the resource trade. Global Witness will continue to lobby the government and its international partners, notably the US and the World Bank, in order to break a counterproductive cycle which often sees foreign business profit at the expense of Liberia's people.

Conflict Diamonds

Since 1998 when Global Witness first alerted the world to the problem of blood diamonds, we have campaigned to prevent diamonds from funding war and violence. To this end we helped establish the Kimberley Process (KP), a government-led rough diamond certification scheme which aims to combat the trade in conflict diamonds.

In 2010 our campaign focused on Zimbabwe, where state-sponsored violence and abuse in the country's Marange diamond fields have visited extreme suffering on the civilian population, and badly damaged the credibility of the Kimberley Process.

Our June 2010 report, *Return of the Blood Diamond*, examined the violence and corruption at the heart of the state operation to secure control of an unprecedented diamond discovery in Marange. Foreign investors with close ties to

President Mugabe's inner circle were brought in with scant regard for the country's own laws and procedures, while mines throughout the area came under the control of violent military-political syndicates.

As an official observer in the Kimberley Process, Global Witness, with other civil society groups and activists, has pushed participating governments and the diamond industry to take a robust approach to the Zimbabwe crisis. The KP's response has been consistently feeble, highlighting fundamental limitations in the scheme which urgently need to be addressed. Having successfully kick-started a debate on reform of the KP in 2010, our campaigning in 2011 will focus on new and refined approaches to ending the links between diamonds and violence internationally.

Meanwhile, with elections on the horizon in Zimbabwe, there is a real risk that diamond revenues could now be used to fund renewed political violence. We will further our investigations in Zimbabwe, pushing urgently for transparency and accountability to prevent this wealth from propping up the country's corrupt and brutal elite.

CONFLICT MINERALS IN EASTERN CONGO

The Congolese army and rebel groups exert control over much of eastern Congo's minerals trade, while committing appalling human rights abuses against the local population. *Photo: Kate Holt.*

Eastern Congo's mountainous, densely-forested Kivu region is rich in tin, tantalum, tungsten and gold, which are used to make electronic consumer goods like laptops and mobile phones. The lucrative international market for these materials should enable local people to enjoy a good standard of living. Instead, communities in eastern Congo have for years borne the brunt of a violent conflict fuelled by competition over the region's mineral wealth. Rebel groups and the Congolese army control mine sites and levy illegal 'taxes' on diggers and traders, using the profits to finance campaigns of exceptional brutality against the civilian population.

United Nations peacekeepers have had limited success in preventing this violence, while companies sourcing minerals from the region – and therefore providing the demand for these “conflict minerals” – have historically refused to acknowledge their role and responsibilities. Global Witness is pushing for these companies to change their practices, take responsibility for what is in their supply chains and avoid buying minerals that have

benefited armed groups. This process is called supply chain due diligence.

Global Witness carries out regular investigations in eastern Congo to collect detailed information about the situation on the ground and in early 2010 we spent a month doing field research in North and South Kivu. Patterns of military and rebel control over mining areas in eastern Congo can be very fluid – and heavily politicised – and it is crucial for Global Witness to speak regularly to the people directly affected by what is happening, so we visited a number of mine sites across the region and spoke to local NGOs, army officers and civilian miners.

In every site we visited, diggers told us about the routine extortion and brutality they experience at the hands of men with guns – often the national army. At a tin ore mine near Nzibira in South Kivu, miners explained that “the hill belongs to the military; they have rights to everything here.” Several times each day, miners use dynamite to blast holes in the hillside. Whenever the soldiers hear

an explosion they make their way over from the military camps on neighbouring hills and force the diggers to pay a fee. Periodically, the fee increases. Miners who refuse to hand over the extra money are beaten until they pay up.

Working conditions in the mines are appalling. We spoke to young boys who work in incredibly cramped, filthy, airless spaces for hours on end. They have to pay soldiers \$10 for permission to spend one night in the mining pits, so the boys often remain underground for whole days and nights. The makeshift shafts are prone to collapse and accidents happen often.

Provincial government representatives we meet on our visits to the Kivus are well aware of the problems, but not always able to exercise their authority. As one of them put it, “getting the military to leave the mine sites would be a big step forward; they're the masters there”.

Back in London, we compile all our findings and testimonies into reports and briefings. We use our publications to

push for policy changes in Congo and internationally that we believe will help to end the trade in conflict minerals. Our contacts on the ground tell us that Global Witness's reports and international advocacy have opened up space for debate about these issues in Congo and created pressure for those in power to listen.

At the international level, the pace and appetite for change is really building. In 2010, our campaigning played a central role in the passage of a new US law which will make companies sourcing their minerals from Congo disclose what checks, or due diligence, they have done on their supply chains to find out whether they are supporting armed groups. Likewise, the OECD and UN have this year established due diligence standards for companies which mirror Global Witness's own recommendations. In 2011 we will be pushing for full implementation of the US law and the OECD and UN standards and working with companies all along the supply chain to ensure that their mineral purchases are a catalyst for peaceful development in Congo (see page 18 for more details).



2010: OUR IMPACT

ENDING IMPUNITY

“Accountability for past and current abuses should be the rule, rather than the exception.”

Navi Pillay, UN Human Rights High Commissioner, 2010

THE SUCCESS

— Seeking justice for the victims of gross human rights abuses

Helping the victims of a massacre in the Democratic Republic of Congo take their case to court.

— Government commitment to reform the UK’s libel laws

OUR IMPACT ENDING IMPUNITY

Too often, those who profit from the illicit, and often illegal, exploitation of natural resources go unpunished. This climate of impunity is morally wrong and, in many cases, legally unsound. Global Witness has been seeking ways to hold governments, companies, organisations and individuals accountable for abuses involving natural resources for over a decade. We're one of the very few organisations to take precedent-setting legal cases and at the same time carry out sustained lobbying to highlight the lack of accountability that characterizes the abuse of natural resources.

In 2010, our Ending Impunity team continued its work by supporting victims of gross human rights abuses in Congo take their case to court, challenging the UK government over its inaction on UK companies trading in conflict minerals, and providing expert input to a variety of forums.

Seeking justice for the victims of gross human rights abuses: helping the victims of a massacre in the Democratic Republic of Congo take their case to court

In October 2004, the Congolese military brutally suppressed a small uprising in the town of Kilwa in the Democratic Republic of Congo. Women were raped, villagers were illegally detained and tortured and their properties were looted. In the process the military killed over 70 civilians of which at least 24 were summarily executed and their bodies disposed of in mass graves.

It is alleged that the Canadian-Australian mining company, Anvil Mining, which has a mine 50km away from the town of Kilwa, provided logistical support in the form of transport, lodgings and food to the military. Their support enabled the army to reach Kilwa quickly which prevented some villagers from having enough time to flee the town. It is also alleged the company's vehicles were used to transport some of the prisoners to the site of their mass execution. In so doing, Anvil Mining may have played a key role in this brutal massacre and therefore shares some of the responsibility.

Victims and their families have never lost hope of getting justice for the awful crimes that were committed against them; in November 2010 Global Witness, as part of an association with 'Rights & Accountability in Development' (RAID), other international and Congolese NGOs as well as the victims, filed a legal action in Canada. This is an important case internationally and precedent-setting in Canada and should send a clear signal to companies that they cannot expect or enjoy impunity if they take part in or benefit from violent crimes. We will continue to do all

we can to support the victims of Kilwa throughout 2011. Anvil Mining has denied any allegations of wrongdoing and asserts that its logistical support was requisitioned by the authorities. At the time of publication Anvil Mining has been granted leave to appeal the Quebec Superior Court's decision of April 28th 2011 which found there were sufficient links to Quebec to allow the case to proceed.

Government commitment to reform the UK's libel laws

In the Democratic Republic of Congo, the illicit trade in conflict minerals provides rebel groups and units of the national army with tens of millions of dollars a year that they use to buy guns and shore up their rival campaigns. In 2008 and 2009, the UN Group of Experts for the DRC took the step of naming a number of mining companies who they believed were facilitating the destructive trade in conflict minerals, and encouraged states to put forward names of companies that should be considered for sanctions.

Despite the list including two British companies, the UK government failed to adequately investigate them or recommend them for listing to the UN Sanctions Committee. Global Witness submitted an application to the British High Court for a Judicial Review into this failure to act. While the High Court denied permission for the Review, our action was successful in attracting attention to the issue and highlighting the responsibility of governments. The government also laid out the beginnings of a policy for putting forward individuals and businesses operating in eastern DRC for targeted UN sanctions – a policy we will seek to hold them accountable to in future years.

Global Witness still strongly believes that, as a permanent member of the UN Security Council and the biggest bilateral aid donor to the Congo, the UK is in a unique position to use diplomatic tools to help break the links between mining and the conflict and should use them whenever possible.

Holding perpetrators to account: Gus Kouwenhoven

There has been almost no accountability for the individuals involved in aiding and facilitating the civil war in Liberia. Since 2000, Global Witness has been documenting the role of the Dutch timber trader Gus Kouwenhoven during the Liberian civil war. Kouwenhoven was the biggest player in the timber industry that financed the violent and brutal campaigns against the people of Liberia and Sierra Leone during Charles Taylor's tenure as Liberia's President. The



Global Witness helped Congolese citizens file a civil case in Canada against Canadian-Australian company Anvil Mining for its role in a massacre in DRC in 2004. Photo: Global Witness.

UN estimates that 250,000 people were killed as a result of the war in Liberia and many thousands more fled the fighting.

Kouwenhoven has been on trial in the Netherlands since 2006, facing charges of war crimes and breaching the UN arms embargo in Liberia. Global Witness acted as a witness in the original trial and some of the evidence we collected during the civil war was used by the prosecution in helping to achieve the original conviction. The conviction was overturned on appeal in 2008, however in 2010 the Supreme Court sent his case back to the appellate court ruling that appeals judges had been wrong to reject a prosecution request to hear the evidence of two new witnesses. The case will be re-examined by the Court of Appeal in 2011.

This represents one of the very few cases of a national court holding one of its citizens to account for alleged crimes committed overseas. Global Witness will continue to follow the trial very closely in 2011.

Libel Reform

Britain's libel laws are currently not fit for purpose. It is important that matters of public interest can get reported without the fear of legal action. Our legal system is out of kilter in this respect: claimant-friendly laws are open to abuse by rich, powerful and often crooked people who can afford to use the British legal system to silence those who

expose their activities. These are exactly the kind of people Global Witness targets.

As part of the Libel Reform Campaign, Global Witness is fighting for several key changes:

- A single publication rule to prevent libel claimants being eligible to bring a case each time a story is downloaded or reprinted – the current situation simply does not reflect the internet age;
- A fair and clear defence for publications in the public interest;
- Action to end "libel tourism" which encourages foreign claimants to use Britain's courts to do their legal dirty work.

2010 was an excellent year. In July, the coalition government followed the recommendations of its predecessor, with Justice Minister Lord McNally committing to publish a draft defamation bill in 2011. Recognising the "detrimental effect" of the current system on freedom of speech, Lord McNally gave a "firm commitment" to reform.

The campaign will now focus on ensuring that the draft law reflects the needs of organisations investigating and publishing on public interest matters, which increasingly operate in a sphere previously confined to the traditional media.



2010: OUR IMPACT

FORESTS & CLIMATE

“The battle against climate change cannot be won without the world’s forests – this is now clear.”

Ban Ki Moon, 2008

“For years we have seen trucks loaded with logs passing us by. All they have left behind is dust in our ears.”

Local forest officer, Honduras, 2006

THE SUCCESS

– Shaping new international thinking on forest protection

Working with other groups, Global Witness secured vital international recognition of the need to improve laws governing forests, and for civil society involvement in efforts to protect forests.

– Stopping taxpayer money from bankrolling industrial scale logging in pristine tropical forests

US taxpayer money no longer supports the expansion of industrial-scale logging into pristine tropical forests.

– Securing a ban on the illegal export of precious woods from Madagascar

The Malagasy Government renewed its ban on the export of precious woods in March 2010.

OUR IMPACT FORESTS & CLIMATE

Over half of the world's forests are already gone with just 20 percent of what remains in their natural, intact state.

Demand for timber, fuel and food is growing, and decades of initiatives focused on forest law enforcement, timber certification and banning illegal logging have failed to halt the rapid pace of global deforestation and the destruction of ecosystems; each year an area the size of Greece continues to disappear.

The damage done by illegal logging is well-known; it destroys forests, costs billions in lost state revenues, enables corruption and funds armed conflict. Our field investigations in 2010 kept a sustained focus on this key campaign area.

But stopping the trade in illegal logging will not stop deforestation. One of the biggest threats to pristine forests is also the least talked about – the thriving, legal industrial logging trade which destroys the forests' ecosystems and weakens their resilience by opening them up to further destruction and conversion into farmland. Perversely, while the world debates ways to save forests, many of the same countries subsidize the logging industry and agribusiness with billions of dollars a year.

A radical change in thinking is urgently needed. International efforts must focus on truly sustainable uses of forests, taking into consideration the needs of the people who live in and depend on them, and must not be co-opted by the vested interests determined to turn them into timber mines for making a quick profit.

In 2010, Global Witness investigations in Liberia, Cameroon, the Democratic Republic of Congo and Madagascar laid bare the damage done by both legal and illegal logging to forests and the communities that depend on them. We followed the money trails, from the producers to the consumers, that ultimately drive the destruction of forests, and exposed the fault lines in the systems that permit it.

In 2011, Global Witness will focus its efforts on influencing international agreements that should protect forests, and keeping industrial scale logging out of the remaining intact forest on our planet.

"It is now generally accepted that the battle against climate change cannot be won unless global deforestation is halted – but this recognition is meaningless without effective action. Global Witness's work has been crucial in developing and monitoring international systems designed to protect these unique resources without stifling development in forested countries."

Annette Lanjouw, Senior Program Director,
Great Apes Program, Arcus Foundation, June 2011

Shaping new international thinking on forest protection: the REDD+ agreement

Poor governance in forested countries is a key driver of forest degradation and deforestation; efforts to protect forests will not work unless they give sufficient attention to improving governance, reforming forest laws, enhancing law enforcement, ensuring independent oversight and placing civil society and forest communities' views at the heart of the discussion.

Building on our work leading up to the 2009 UN Climate Change conference in Copenhagen, extensive advocacy in 2010 brought vital commitments to such forest governance measures in the agreement reached at the 2010 UN climate change summit in Cancun.

The agreement, called Reducing Emissions from Deforestation and Forest Degradation (REDD+), aims to provide developing countries with financial incentives for protecting forests. This is potentially a massive opportunity, and could represent the last chance the international community has to preserve the world's forests, which support the livelihoods of more than 1 billion people, perform a vital carbon storage and climate function and harbour half of our entire planet's species.

However, REDD+ won't work unless we get the rules right and implement them properly; indeed, poor implementation of the REDD+ agreement could perversely see climate funds subsidising increased logging.

Any forest protection deal must:

- Be accompanied by a massive reduction in industrial emissions to stave off dangerous climate change;
- Prioritise the protection of the world's intact natural forests;
- Protect degraded forests so that their carbon stocks, ecological biodiversity and resilience are restored;
- Ensure genuine consultation and oversight by forest communities, civil society and independent monitors in forest protection initiatives;
- Ensure that any money that flows from the international to the local level is scrutinised by civil society, independently and transparently accounted for and its impacts assessed;
- Contain the threats posed by fossil fuel, agriculture and timber demands on forested land.

This can only be achieved through immediate steps to improve forest governance and with the full and effective participation of local communities and indigenous peoples in the design and implementation of any national forest plans.





International demand for Madagascan rosewood is driving an ecologically and socially devastating trade in illegally logged timber.
Photo: Toby Smith, Global Witness.

Our campaign in 2011 will focus on making sure fine words on paper and voluntary provisions are properly implemented at a national and international level, and we will continue our work to seek alternative and additional ways to protect these precious resources.

Stopping taxpayer money from bankrolling industrial scale logging in pristine tropical forests

Global Witness has been working to stop the expansion of industrial scale logging into the world's remaining intact forests. Industrial scale logging ruins massive areas of forest as it seeks to exploit timber in large quantities. This often requires the construction of roads and other infrastructure that mean the forests become even more vulnerable to incursion even after the loggers have moved on.

Our international advocacy work is leading a push for a fundamental rethink of how best to combine forest conservation and development objectives by major international donors such as the World Bank and the US government.

In 2010, we played a key role in advocating for US legislation prohibiting the use of US taxpayers' money to support industrial scale logging in pristine tropical forests. This is an important signal from US policy makers that it is time for a change in the status quo. Shifting support away from an unsustainable model of forest exploitation towards

more localised, inclusive, and ecologically sustainable practice is a critical step in protecting our climate and looking after the needs of the millions of people that depend on forests.

Securing a ban on the illegal export of precious woods from Madagascar

This year our ongoing investigation with the Environmental Investigation Agency (EIA) into the devastating scale of Madagascar's illegal trade in precious woods focused on the international markets driving the trade.

In October 2010 we launched a joint report with the EIA which showed how Madagascar's forests are being stripped in large part to feed the huge demand for luxury furniture in China and musical instruments in the US. It also highlighted the complicity of Malagasy government officials in the trade, and the government's damaging habit of breaking its own laws by authorising shipments of illegal timber.

Our advocacy to halt the ransacking of Madagascar's forests and national parks continues alongside these reports. March 2010 brought a new government ban on timber exports and a renewed commitment to effective monitoring from the government. Past experience has taught us that such measures are only as good as their implementation, so we are monitoring this situation closely.

Internationally, there has been some progress on this issue. For the first time, a new law prohibiting the import and trade



Global Witness's pioneering Making the Forest Sector Transparent project aims to put indigenous people at the centre of forest management.
Photo: Global Witness.

of illegally procured timber in the US was used to investigate the iconic Gibson Guitars for allegedly importing illegally sourced timber, a direct result of our joint advocacy with EIA. At the time of writing, this investigation is still ongoing. It is hoped that similar recent legislation in Europe will be accompanied by stringent sanctions and signal a further crackdown on imports of illegal timber.

Our advocacy also persuaded the Malagasy government to take steps to limit the international trade in its precious woods, like rosewood and ebony, by requesting their listing on the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Empowering civil society to make forest use fairer

Global Witness supports local campaigners in key forest countries to promote good governance and expose illegal and corrupt practices in the forest sector. We work closely with civil society groups in five countries in Africa and Latin America, providing them with the tools and data to hold their governments and business accountable for how their forests are used.

Our Making the Forest Sector Transparent programme uses its innovative report card – a set of indicators that compare access to information and decision-making on forests. This information is gathered by partner NGOs in Cameroon, Ecuador, Ghana, Liberia and Peru and the data published in a dedicated website:

www.foresttransparency.info

Analysis of the data in 2010 shed light on many important issues. The threats posed to forests from mining and large scale agriculture or infrastructure projects came through as a serious issue of enduring concern. On a more positive note, there was some evidence of incremental improvements in ordinary people's involvement in decisions about their forests; in Peru, a new law obliging the government to consult civil society on any new legislation was drafted, and in Cameroon the first National Forest Forum was held giving local people an opportunity to raise issues directly with officials. Some good practice, such as the passing of a Freedom of Information law (in Liberia) and the publication of land use maps (in Peru) are also examples that we hope will be to be rolled out in other countries.

In 2010 we have also been applying the lessons from this work to ensure civil society monitoring constitutes a core component of forest stewardship in Ecuador, Peru and Liberia. And our advocacy at the international level has led to official recognition in the REDD+ agreement of the role of civil society in providing non-government oversight of the forest sector.

NGOs at local level can and must play a vital role in monitoring and informing governments and the concerned public around the world about the state of tropical forests and the communities that live in or near them. In 2011 Global Witness will extend its work with local civil society groups to monitor and inform international and national level management of these precious assets.

MADAGASCAR'S ILLEGAL ROSEWOOD TRADE



The illegal trade in Madagascan rosewood and ebony has proved disastrous for forest communities and Madagascar's unique habitats.
Photo: Toby Smith, Global Witness.

An illicit international trade in expensive rare woods such as rosewood and ebony has decimated Madagascar's forests and national parks in recent years, posing a massive threat to its unique ecosystems and local communities. Parts of the country's forest authorities are complicit in this environmentally and socially devastating trade, which feeds exclusive consumer markets in Europe, China and the US.

In response to the crisis, Global Witness and the Environmental Investigation Agency were called in by Madagascar National Parks, to investigate the extent of the plunder and the main players in the trade. We sent a forest expert and photographer on a three-week expedition to the root of the problem, the Masoala National Park in north-east Madagascar.

Travelling firstly by boat, we collected evidence of villagers transporting illegally harvested wood out of the parks by river. Upriver, we documented the felling and dragging of the logs from the forest, and interviewed loggers about

how they became involved. They were working informally with no protection gear, and earning barely enough to survive.

In the parks we gathered testimonies from local communities. These discussions were fiery and frank, revealing the devastating effect of the trade on the population. Men needed for work in the fields are lost to the illegal trade; rare animal species like lemur are hunted for sale in the cities and eaten into virtual extinction by the loggers; unique tree species are nearly wiped out. The sudden influx of loggers has also brought a raft of social problems like gambling and sexually transmitted diseases to the remote villages. The trade is irreparably damaging Madagascar's biodiversity, and with it a tourism industry that benefits from this unique ecosystem's status as a UNESCO World Heritage Site.

So who is behind this destruction and what drives the trade? Malagasy precious woods are being exported to China, the US and Europe by timber barons who are well connected within Madagascar's government and forest

authorities. Posing as researchers looking at the local economy and vanilla industry we secretly recorded interviews with three of the 13 local timber barons. It's amazing what one can extract with a basic grasp of specific businesses and a bit of ego-massaging. The story that began to emerge fits a pattern we know well: corrupt local tycoons, unscrupulous international companies and crooked government officials were collectively cashing in on the ransacking of Madagascar's remaining precious forests.

Back in London, we got on with documenting what we'd seen and heard, and started the analysis of trade databases and financial documents, crucial to uncovering the international mechanics of the demand that feeds the trade. Ultimately we produced two reports in collaboration with EIA which served as the platform for sustained lobbying throughout 2010 at national and international level.

As a result of our campaigning, the Malagasy government agreed to request the listing of all Madagascar's precious wood species on the Convention on International Trade

in Endangered Species, and impose a new export ban on rosewood and ebony. Sadly, the transitional government has a track-record of breaking its own rules in order to fill its coffers and satisfy the insatiable demand from China for luxury rosewood furniture, but recent indications suggest a stronger commitment to properly regulating the trade. In addition, 2010 saw the amended US Lacey Act used for the first time to tackle the illegal timber trade in investigating the iconic Gibson Guitars for allegedly importing illegal ebony to make its instruments. At the time of writing this investigation is still ongoing. These are promising developments – we hope that similar EU legislation can also be used in 2011 to crack down on international demand for illegally-sourced timber.

Our campaign hasn't finished here. In 2011, we and EIA will target the markets in China which create the demand for rosewood and continue to make the destruction of Madagascar's forest such a lucrative business.

Thank you

In 2010, Global Witness raised £4.57 million towards our campaigns to ensure that natural resources drive peaceful and sustainable development, rather than providing funds for conflict and corruption.

We would like to take this opportunity to thank our donors and partners and to acknowledge that none of the work that Global Witness does would be possible without you. As detailed in this review, the support of our donors and partners has enabled achievements such as the passing of the *Dodd Frank Wall Street Reform and Consumer Protection Act* into law; development of OECD due diligence guidelines for companies sourcing minerals from the DRC and neighbouring countries; agreement to hold an independent audit of the oil sector of north and south Sudan; the inclusion of better forest governance in the Cancun climate change agreement; exposing those who loot state resources for their personal benefit and those who facilitate such corruption; and pursuing justice for those who have had to suffer murder and rape in resource-fuelled wars.

These achievements represent major shifts in international policy and are a cause for optimism. However, they are only stepping stones towards our major objectives and much work remains to be done. On one hand, the seemingly infinite demand for finite resources means that poor but resource-rich countries have a real chance to create wealth, but on the other hand, this incredible demand is one of the catalysts of corruption, state failure and conflict. The trick is to ensure that natural-resource exploitation ensures that the citizens of developing countries see the benefits of their country's natural resources, including access to basic education, health and social services, are free from oppression and human rights abuses, and that development is sustainable in the long term. Our achievements have also raised immediate challenges to our goals. Not only do we need to protect the gains we have made against often powerful individuals, companies and vested interests but also to use this momentum to push for more policies that create fairer, more equitable and transparent forms of trade and governance.

During a tough economic climate we have been very grateful for your continued support. We were also pleased to have entered into two new partnerships, with Humanity United and the National Endowment of Democracy. The majority of our funding, 57 percent, continues to come from foundations and trusts in the UK, EU and the US. In 2010, we also received support from seven governments.

We're also very grateful for the long-term support from i2 who provide us with state of the art software that helps us analyse the evidence we obtain on investigations, identifying patterns, trends and connections, which we use both to pursue our targets, and also to visually illustrate the complexity of the relationships we're investigating.

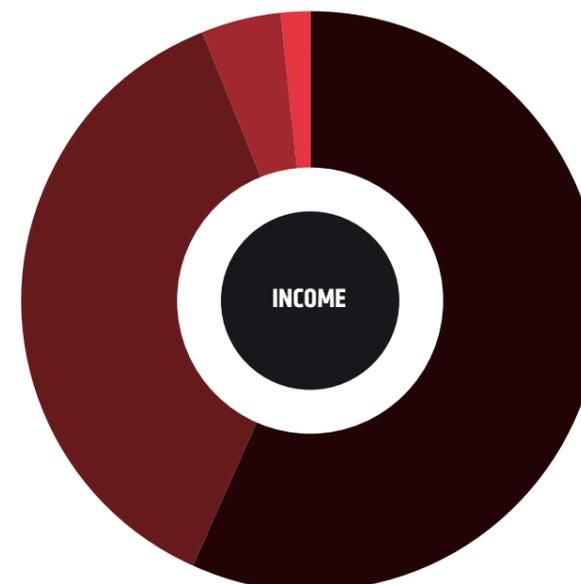
As we look ahead to the coming years, we aim to maintain our relationships with existing donors and expand our donor base to continue our hard-hitting investigative and campaigning work to tackle the root causes of natural resource-linked conflict, corruption and human rights abuses. We also are taking some key steps to engage support from major donors who share Global Witness's commitment to these issues.

Financial Information

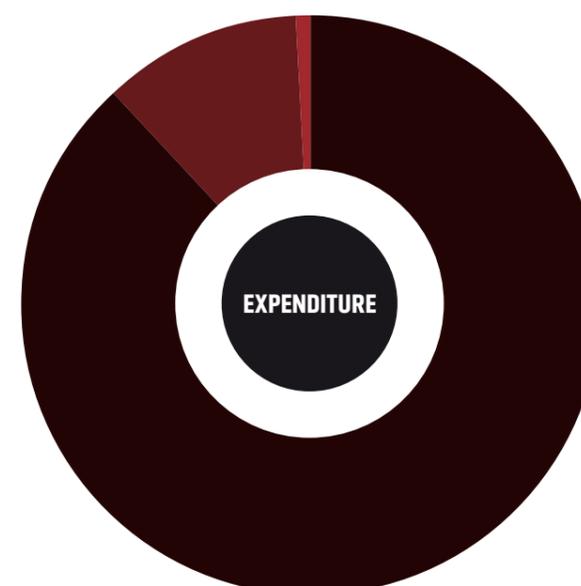
Global Witness has achieved a consistent growth in funding since it was formed 17 years ago and our annual income now stands at £4.57 million. To meet our campaigning needs we are aiming for steady and sustained growth in the years ahead and to develop the important mix of restricted and unrestricted funding. We work hard to maintain the valuable partnerships we currently enjoy with our donors, while also planning to broaden our international reach and attract new partners to support our expanding campaigning efforts.

These figures are extracted from the audited annual accounts of Global Witness Limited for the year ended 30 November 2010. A full set of accounts are available from our website, www.globalwitness.org. We are committed to transparency in our financial reporting and are happy to disclose all financial information on request.

In the UK, Global Witness Trust Limited (registered with the Charities Commission: 1117844) is a separate entity that receives funds from certain donors and under strict Trust guidelines provides these funds to Global Witness Limited. In the US, Global Witness Foundation, a 501(c)(3) organisation, operates in the same way. Their results are not included in the figures above, beyond the funds granted to Global Witness Limited, also approved as a 501(c)(3) organisation, during the year. Financial information for both entities is available on our website, at www.globalwitness.org/about-us/global-witness-trust

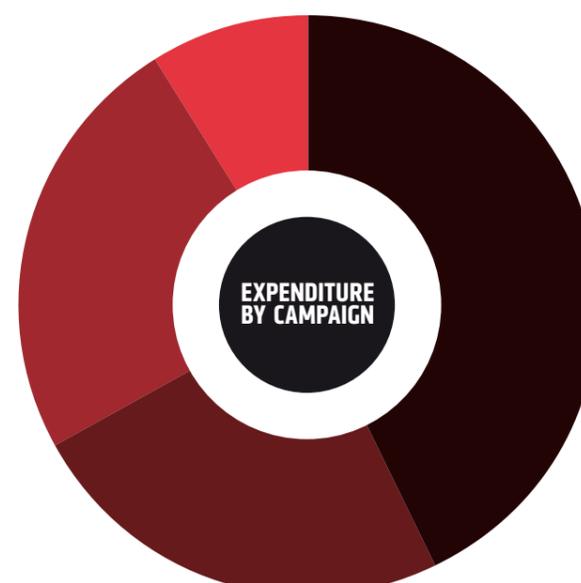


GRANTS FROM TRUSTS AND FOUNDATIONS	2,597,000
GRANTS FROM GOVERNMENTS	1,701,000
GRANTS FROM MULTILATERAL ORGANISATIONS & NGOS	203,000
OTHER INCOME	67,000
TOTAL INCOME	4,568,000



CAMPAIGN COSTS (SEE CHART BELOW)	4,172,000
FUNDRAISING COSTS	531,000
GOVERNANCE COSTS	33,000
TOTAL EXPENDITURE	4,736,000

NET DEFICIT FOR THE YEAR 168,000



FORESTS & CLIMATE *	1,788,000
ENDING CORRUPTION	1,014,000
ENDING CONFLICT	1,009,000
MAXIMISING ACCOUNTABILITY & TRANSPARENCY	361,000

* Of the total expenditure of £1,788,000 for the Forest protection and climate theme, 66%/£1,172,000 is devoted to our core campaigning activities, such as tackling industrial logging in intact forests and investigations into illegal logging. The remaining 34%/£616,000 comprises the 100% DFID-supported 'Making the forest sector transparent' project, which involves working with, and granting the bulk of the funds to, local NGOs in forested countries to help them achieve the project's objectives. We have highlighted these separate areas to better represent how our forest-related funding is spent.

Our Donors

If you would like to join the following generous organisations and individuals in support of Global Witness's work or learn more about our mission, please contact our office on +44 (0)207 492 5820 or visit our website at www.globalwitness.org

Trusts and Foundations and Non-Governmental Organisations

The individuals and organisations listed provided their support to Global Witness Limited, Global Witness Foundation or the Global Witness Trust Limited.

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Netherlands Committee for IUCN
Oxfam Novib
The Revenue Watch Institute
The Rufford Foundation
Scottish Community Foundation
The Sigrid Rausing Trust
R H Southern Trust
The Taylour Foundation
Zennström Philanthropies

Governments and International Institutions

Department for International Development (DFID)
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)
European Union
Madagascar National Parks Authority
Netherlands Ministry of Foreign Affairs
Norwegian Agency for Development Cooperation (Norad)
Swedish International Development Cooperation Agency (Sida)
The World Bank Group

Individuals (£200 and over)

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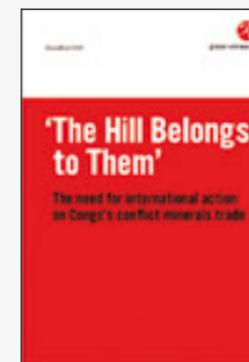
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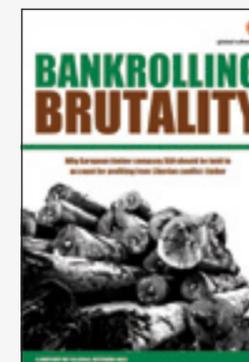
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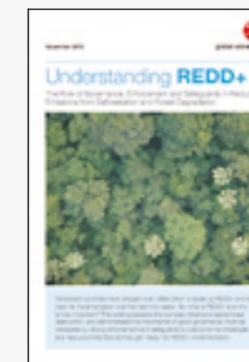
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Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses.



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Global Witness, 6th Floor, Buchanan House, 30 Holborn
London EC1N 2HS, United Kingdom

Phone +44 (0)207 492 5820 Fax: +44 (0)207 492 5821
mail@globalwitness.org www.globalwitness.org

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What Global Witness is saying is not true.

John Kanyangira, Director General of the National Geology and Mining Authority, Rwanda

Ce n'est que pur mensonge / It's nothing but lies.

Andry Rajoelina, Leader, Malagasy transitional government

Global Witness is now a loose cannon spouting ever more irresponsible statements which shouldn't be tolerated by the international community.

Ambassador Hor Nambora, Cambodia