



global witness

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IMF risks condoning corruption with new loan to Angola

The International Monetary Fund (IMF) should not go ahead with plans for a multi-million dollar loan to Angola, whose oil-rich government is highly corrupt, without stringent conditions that require the opening up of the country's oil industry to public scrutiny, the anti-corruption watchdog Global Witness said ahead of the IMF's Annual Meeting in Turkey.

The IMF said last month that it is negotiating the terms of a 27-month Stand-By Arrangement (a type of loan facility) to help Angola cope with the fiscal impacts of low oil prices. A press report says the loan facility could be as large as \$890 million.

Angola is one of the two top oil-producing countries in sub-Saharan Africa but most of its people still live in dire poverty. Investigations by Global Witness have raised serious concerns about corruption in Angola over the last decade. The United States, a major consumer of Angolan oil, said in an official report last year that governmental corruption is "widespread" in the country.

"Angola has earned tens of billions of dollars from the oil price boom but that money has brought little benefit to Angola's impoverished people. The IMF has a public duty not to bail out a corrupt government without requiring much greater transparency in return," said Gavin Hayman, Campaigns Director of Global Witness.

The IMF first raised the alarm about the management of Angola's oil revenues in the late 1990s. Angola was discussing a loan with the IMF in 2007 but abruptly ended the talks - partly, in the view of many observers, because the IMF was insisting on more transparency in Angola's opaque oil sector.

"The IMF should use the influence it has over Angola to push for greater transparency in the oil sector. Without transparency, there is no way of ensuring that Angola's oil wealth is benefitting the people, rather than being siphoned off or wasted by venal and self-serving elites" said Hayman.

Global Witness is writing to the executive directors of the IMF to ask them not to approve a loan unless Angola agrees to open up its oil sector to public oversight.

Global Witness' key concerns are:

- The Angolan government, notably the Finance Ministry, publishes a lot of data about oil revenues earned by the country. But the data is full of gaps and inconsistencies and does not appear to be audited. This makes it almost useless for understanding what has actually happened to the oil money.
- Sonangol, the state oil company and the true centre of power in the Angolan economy, remains highly opaque. It does not publish its audited accounts or any significant data about its operations.
- The system for granting access to oil companies to Angola's oil reserves is highly opaque. In August, Global Witness revealed that Sonangol had cleared the way to oil rights for a private company whose shareholders include a person with the same name as Sonangol's own chairman.

Global Witness is calling on the IMF to insist, in return for any loan, that the Angolan government publishes fully audited and credible oil revenue data, publishes Sonangol's accounts and stops giving access to oil rights to private companies of questionable ownership.

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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 welcomes French "Angolagate" verdict as victory for justice

Press Release – 28/10/2009

A Paris court's decision to convict 36 people in connection to illegal arms sales to Angola during its civil war in the 1990s, including arms dealers, middlemen and French politicians, is a victory for the rule of law and Angolan victims of the conflict, Global Witness said today.

"Justice has prevailed despite Angolan government attempts to stop the case," said Simon Taylor of Global Witness, which has been investigating corruption in Angola since 1999. The country is rich in oil but its people mostly live in dire poverty.

"The people in power in Angola during the civil war are still in power now and corruption is still rife. There is a long way to go before Angola's people, who still suffer from the destructive legacy of the war, receive the full benefits of their own oil wealth," said Taylor.

Arms dealers Pierre Falcone and Arkadi Gaydamak have been sentenced to six years in prison for arms trafficking and other offences. Former French interior minister Charles Pasqua was sentenced to a year in jail for taking bribes from the two men. Amongst others convicted, a son of former President Mitterrand and a banker from BNP Paribas, a top French bank, were given suspended sentences. Appeals are expected to follow.

The indictment prepared by prosecutors made detailed references to top Angolan officials receiving large payments from Falcone. However, no Angolan officials were indicted.

A separate trial in 2003 revealed that the French state oil company Elf had systematically bribed African leaders and meddled in civil wars. On Thursday, a French court rules on the latest stage in a legal complaint which alleges that the heads of state of Congo Brazzaville and Equatorial Guinea and the late president of Gabon used public funds to buy lavish properties in France.

"The French courts have a vital role to play in fighting the curse of corruption in oil-rich African countries and we hope they will continue to provide justice," said Taylor.

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

'Blood oil' dripping from Nigeria

By Andrew Walker
BBC News, Abuja

Under cover of night dozens of barges queue up to dock at a jetty in a creek somewhere in Nigeria's oil-rich Niger Delta.

Their holds are filled with stolen oil running from valves illegally installed into a pipeline.

Full, they chug downstream to meet around 10 larger ships near the oil export terminal in Bonny, Rivers State, where they disgorge their cargo.

By 0500, in the darkness before dawn, the ships uncouple from the barges and move out in a convoy to sea to rendezvous with a tanker which will spirit away the stolen oil, making it disappear into another cargo, bound for sale on the world market.

It is likely the tanker arrived partly loaded with guns, cocaine to be trafficked into Europe and cash, which they will use to pay for the oil.

Bogus shipping documents make their load - possibly tens of thousands of tons of crude oil - disappear into legitimate markets in Eastern Europe or America.

" This is an industry that makes £30m (\$60m) a day, they'd kill you, me, anyone, in order to protect it "

Analyst close to former government of Olusegun Obasanjo

This, according to activists and former Nigerian government advisers, is the process by which Nigeria is losing billions of dollars every year to oil smuggling.

The illegal "bunkering", as it is known, makes a huge profit for Nigerian syndicates and rogue international traders.

It leaves in its wake chaos and misery for the people of the Niger Delta.

'Godfathers'

According to Nigeria's President Umaru Yar'Adua this is "blood oil", akin to the trade in "blood diamonds" that fuelled bloody civil wars in West African neighbours Liberia and Sierra Leone.

He is calling on the international community to help Nigeria end the trade.

Britain has promised military training to improve the Nigerian military Joint Task Force's ability to police the Delta region.

But a source close to the former government of President Olusegun Obasanjo says the problem is not about quashing militants in boats.

Some of the people who run the cartels are among Nigeria's top political "godfathers", who wield massive political influence.

"If the president goes after them, they could destabilise the country, cause a coup, a civil war. They are that powerful, they could bring the state down," said the source, who did not want to be identified.

He says that attempts in the past to bring the trade under control were stopped for that reason.

"This is an industry that makes £30m (\$60m) a day, they'd kill you, me, anyone, in order to protect it," he said.

The militant connection

In order to get away with the theft, the bunkering syndicates operate under the cloak of the conflict between militants and oil companies in the Niger Delta.

They need "security" - gangs of armed heavies to protect their cargos - and threaten anyone who tries to interfere.

They don't have to look far to find large groups of unemployed youths willing to do what they are told for a little money.

State governments in the Delta armed militias to carry out widespread rigging during the 2003 elections.

But the militiamen say they were abandoned, so they turned to oil theft to fund their activities.

Although they are referred to in the media as "militants" there are few coherent groups.

Most are gangs, led by commanders who are perpetually at war with each other.

These youths protect bunkering ships, force local community leaders to let bunkerers pass and bribe the Nigerian military.

The thieves may also need "the boys" to blow up pipelines, forcing the oil company to shut down the flow, allowing them to install a tap in the pipe.

"Hot-tapping", as it is known, requires considerable expertise, usually supplied by a former oil company employee.

These militants don't see the process of oil theft as stealing, observers say.

They believe they are taking what is legitimately theirs from the companies and the government.

They organise themselves in "bunkering turfs", but outbreaks of violence between them have been frequent and bloody.

'Legal theft'

But militant-assisted theft is not the only way oil is stolen.

According to a source close to the government of former President Olusegun Obasanjo, the heavy military presence in the Delta has led oil bunkerers to find other ways to extract more oil.

ILLEGAL BUNKERING

- Oil theft costs Nigeria an estimated \$5bn (£2.5bn) every year
- Estimates of how many barrels of oil are stolen range from 70,000 to 500,000
- Official estimates are made by subtracting the amount of oil delivered from the amount expected from a well head
- Nigeria has proven reserves of over 31bn barrels
- Its production capacity is 3.2m barrels per day
- Its current production rate is 1.9m bpd *Source: Legaloil.com*

Simply put, they just load more onto a ship than they are allowed to.

With the connivance of officials from international oil companies, national oil parastatal officials and ships' captains, oil can be stolen through the legitimate process of lifting oil from the dock to the ship.

One oil company employee told the BBC that his company had discovered a vessel they were using had a secret compartment behind the bridge, where tens of thousands of barrels could be redirected at the flick of a switch while the hold was being filled.

Other ways include almost filling the ship with legitimate oil, then topping it up with oil that hasn't been paid for legitimately, according to government sources.

Or a whole ship can be filled with stolen crude using fake documents.

Estimates on how much oil is stolen in this manner vary, but according to the International Maritime Organisation last year it amounted to 80,000 barrels every day.

Part of the problem is that no one can be sure how much oil is being taken out of the ground.

Shipping documents can be forged.

Also ownership of a shipment can be transferred while the vessel is on the high seas, making cargo tracking incredibly difficult.

Possible solution?

The only way to shut down the oil cartels, observers say, is a tighter regulatory framework.

This would involve electronic bills of how much oil a ship has loaded, which would record if they had been tampered with.

Oil can also be "fingerprinted".

The technology to distinguish between different types of oil exists already, says Patrick Dele Cole, a former adviser to Mr Obasanjo.

Oil companies do this routinely already, sources say. All that would be needed is a database of all the different types of Nigerian crude.

The UK has offered to train the military, and President Yar'Adua wants to form a "maritime academy" naval installation in the Delta.

But activists in the Delta say that increasing the military presence would be counterproductive.

It would increase resentment and militants' numbers - the level of violence would rise, they say.

And the Nigerian military is part of that violence, observers say.

Soldiers have indiscriminately burned whole towns and killed civilians, according to activists.

The high price of oil today is partly a result of Nigeria's complex and shadowy world of corruption and violence.

It is into this chaotic shadow world that the UK is about to commit itself.

Story from BBC NEWS:

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/africa/7519302.stm>

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