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Angola: private oil firm has shareholders with same names as top government officials

A private oil company in Angola, given permission by the state oil company **Sonangol** to bid for potentially lucrative oil rights, has shareholders with the same names as Sonangol's chairman and other top officials, Global Witness has learned.

Angola is one of the two top oil-producing countries in sub-Saharan Africa but most of its people still live in dire poverty. Global Witness, an anti-corruption watchdog that focuses on natural resources, has been reporting concerns about gross corruption in the Angolan oil sector since 1999.

Concerns about management of the oil sector have long been a factor in the difficult relationship between Angola and the International Monetary Fund. As an IMF team visits Angola, this briefing suggests that little may have changed.

Sonangol is a regulator of Angola's oil sector and grants licences to companies seeking to exploit its huge reserves of oil and gas. In December 2007, Sonangol included a little-known private company, **Sociedade de Hidrocarbonetos de Angola (SHA)**, on a published list of companies pre-qualified to bid for oil licences.¹

A record for SHA in Angola's official gazette, seen by Global Witness, names one of its shareholders as of August 2007 as being Manuel Domingos Vicente, which is also the name of Sonangol's chairman. Other shareholders have the same names as senior presidential advisers and a former finance minister.²

"If these officials are in fact the same people as the shareholders of SHA, then the assumption has to be that Sonangol is abusing its regulatory power to help a private company whose owners include its own chairman," said Diarmid O'Sullivan, a campaigner at Global Witness.

Global Witness wrote to Vicente, the chairman of Sonangol, to ask if he has been a shareholder in SHA. The letter was delivered to Sonangol's headquarters in Luanda and signed for by an official there, but Global Witness has not received any reply.

"We expect to see fierce competition between companies for access to oil and minerals in developing countries like Angola once the world economy recovers. This case, unless otherwise explained, underlines the risk that members or cronies of corrupt governments may try to enrich themselves by entering the bidding via supposedly private companies, with the connivance of regulators," said O'Sullivan.

The other shareholders of SHA, as of August 2007, also included³:

- Manuel Vieira Helder Dias Junior. This is also the name of a top military adviser to President Dos Santos of Angola, known as "Kopelipa".
- Jose Pedro de Morais Junior. This is also the name of the man who, as of August 2007, was Angola's Finance Minister.
- Leopoldino Fragoso do Nascimento. This is also the name of a former government minister who has been head of communications for President Dos Santos, though Global Witness has not confirmed what his position was as of August 2007.

Global Witness wrote to Kopelipa and Fragoso do Nascimento and asked if they were shareholders in SHA. Neither has replied to date. We were unable to locate an address for the former finance minister and so could not contact him to ask whether he has also been a shareholder in the company. This being so, Global Witness would welcome comments from Mr de Morais on this question on publication of this briefing.

Corruption and poverty

These findings by Global Witness will not surprise anyone who follows Angolan affairs. Even though Angola's government is theoretically opposed to corruption, having signed and ratified the United Nations Convention against Corruption, a 2008 report on Angola by the U.S. State Department described official corruption as a "severe problem" and noted that: "government ministers and other high-level officials commonly and openly owned interests in companies regulated by or doing business with their respective ministries."⁴

Angola has earned billions of dollars from oil since the end of a long-running civil war in 2002 but the International Monetary Fund said in September 2007 that: "Poverty remains deeply entrenched with infant and maternal mortality, literacy, sanitation, and access to clean water for the most of the population comparing poorly with other African countries of similar per capita income."⁵

A 2008 report by Save the Children found that Angola had the world's worst record for curbing child deaths, relative to its national income. Angola's child mortality rate is only slightly less bad than that of Sierra Leone, which is nearly three times poorer.⁶

Angola's plan to offer oil licences for bidding in 2007/2008 has been extended to an unspecified date.⁷ "Sonangol decides which companies win shares in which licence, so a foreign oil company could be asked to take on SHA as its local partner. If the latter's shareholders are in fact government officials, this would create reputational and conceivably legal risks for the foreign company concerned," said O'Sullivan.

To curb abuses of power in the award of natural resource rights, Global Witness is calling for a global standard for open bidding which will enable citizens to see who is bidding, make clear what they are paying for these rights and ensure that the contracts between resource companies and governments are published in full.

"This is the only way to be sure that the rules are being followed in the public interest," said O'Sullivan. "Consumer countries have to play their part too. They need to take a much tougher line against corruption by their own companies, for example by passing laws that promote transparency in the oil and mining industries."

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¹ Sonangol. Angolan Licensing Round 2007/2008. Companies pre-qualified for Non-Operator. List created 20 December 2007. Accessed at www.sonangol.co.ao on 21 May 2009.

² Record for Sociedade de Hidrocarbonetos de Angola, Lda. Published in Diario da Republica. 14 April 2008. Document seen by Global Witness.

³ Ibid.

⁴ U.S. State Department. Bureau of Democracy, Human Rights and Labor. 2008 Human Rights Report Angola. Accessed at www.state.gov

⁵ International Monetary Fund. Public Information Notice. IMF Executive Board concludes 2007 Article IV Consultation with Angola. 13 September 2007. Accessed at www.imf.org.

⁶ Save the Children. The Life-or-Death Lottery: inequality and injustice in the fight to save children's lives. Press release. 18 February 2008. Accessed at www.savethechildren.org.uk

⁷ Sonangol. Angolan Licensing Rounds. Extension of the Term for the Submission of the Proposals. Press release. 28 February 2009. Accessed at www.sonangol.co.ao on 22 July 2009.