Angola

# “Transparency and Accountability in Angola”

## An Update

HUMAN RIGHTS WATCH

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Human Rights Watch
350 Fifth Avenue, 34th floor
New York, NY 10118-3299 USA
Tel: +1 212 290 4700, Fax: +1 212 736 1300
hrwnyc@hrw.org

Poststraße 4-5
10178 Berlin, Germany
Tel: +49 30 2593 06-10, Fax: +49 30 2593 0629
berlin@hrw.org

Avenue des Gaulois, 7
1040 Brussels, Belgium
Tel: + 32 (2) 732 2009, Fax: + 32 (2) 732 0471
hrwbe@hrw.org

64-66 Rue de Lausanne
1202 Geneva, Switzerland
Tel: +41 22 738 0481, Fax: +41 22 738 1791
hrwgva@hrw.org

2-12 Pentonville Road, 2nd Floor
London N1 9HF, UK
Tel: +44 20 7713 1995, Fax: +44 20 7713 1800
hrwuk@hrw.org

27 Rue de Lisbonne
75008 Paris, France
Tel: +33 (1)43 59 55 35, Fax: +33 (1) 43 59 55 22
paris@hrw.org

1630 Connecticut Avenue, N.W., Suite 500
Washington, DC 20009 USA
Tel: +1 202 612 4321, Fax: +1 202 612 4333
hrwdc@hrw.org

Web Site Address: http://www.hrw.org

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# I. Summary

The government of Jose Eduardo dos Santos, in power in Angola since 1979, has historically mismanaged the country's substantial oil revenues and used its control over oil wealth to insulate itself from public scrutiny. While the government has introduced some important reforms in oil sector transparency in recent years, far more needs to be done to curb corruption and give Angolan citizens the tools necessary to hold the government accountable for its actions.

This report examines reforms to date, details recent corruption scandals, and offers recommendations on steps that Angolan authorities, the International Monetary Fund (IMF), and key partners such as China and the United States can take to ensure that reforms are meaningful and lasting.

The scale of corruption and mismanagement in Angola has been immense. Human Rights Watch and others have previously documented how, while Angola's development indicators remained among the worst in the world, billions of dollars in oil revenues illegally bypassed Angola's central bank and disappeared without explanation. For example, from 1997 to 2002, approximately US$4.2 billion disappeared from government coffers, roughly equal to all foreign and domestic social and humanitarian spending in Angola over that same period. While millions of impoverished and war-ravaged Angolans went without access to hospitals or schools, billions of dollars were squandered that could have gone to providing necessary social services.

Such missing revenues reflect a failure of government accountability more generally and are directly linked to the Angolan government's failure to foster institutions that uphold the rule of law and human rights. Disclosure of the massive corruption and mismanagement of the country's wealth has made the government a symbol of the depredations of a resource-rich, but unaccountable government. It was denied access to funds from institutions like the IMF, and western donors refused to hold an international aid conference because of concerns that any new assistance might only subsidize mismanagement and corruption.

Angola's brutal nationwide civil war ended in 2002—with the exception of the enclave of Cabinda, where a separatist insurgency has continued—thus allowing the government to focus on rebuilding and providing for its suffering population. The end of the war also coincided with a massive increase in oil revenues due to increased production and a dramatic increase in the global price of oil. As a result, the country's gross domestic product

(GDP) grew more than tenfold between 1997-2008, from $7.8 billion in 1997[1] to some $83.4 billion only 11 years later.[2]

The end of the war and the country's newfound wealth also coincided with the rise of China and other rapidly growing countries with a thirst for oil comparable to their western counterparts. Angola found major new sources of financing, new allies, and fewer calls for reform. But corruption scandals abroad and glaring shortcomings at home in areas such as education and health have kept a spotlight on poor governance in Angola.

The government has taken some steps to reform since the civil war ended in 2002. It now publishes timely accounts of oil revenues; it has instituted a financial management system to track government expenditures; it has audited the powerful state-owned oil company; and the president has recently launched a forceful public condemnation of government corruption.

But basic indicators of development, especially when contrasted with those on corruption, do not suggest improvements commensurate to a 1,000 percent increase in the country's GDP in a little over a decade. There have been improvements in the country, such as rebuilt infrastructure, but its human development indicators have been dismal.

When the country was wracked by civil war and its economy was less than one-tenth its current size, Angola ranked 157th out of 175 countries in the United Nations Development Programme's Human Development Index (HDI). In 2006, the country ranked 161st out of 177 countries.[3] In 2007 and 2008, the country ranked 159th out of 179 countries.[4] While in 2009 it improved to 143rd out of 182 countries,[5] it still ranked 162nd out of 180 countries in Transparency International's 2009 *Corruption Perceptions Index*.[6] That was a worse

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[1] Human Rights Watch, *Angola-Some Transparency, No Accountability: The Use of Oil Revenue in Angola and Its Impact on Human Rights* (New York: Human Rights Watch, 2004) http://www.hrw.org/en/node/12195/section/1; Economist Intelligence Unit, "EIU Country Profile 1998-99: Angola," 1998, p. 11.

[2] The World Bank, "Data Profile: Angola," 2000-2008, http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=9147&REQUEST_TYPE=VIEWADVANCED (accessed February 14, 2010).

[3] United Nations Development Programme (UNDP), "Human Development Index," 2006, http://hdr.undp.org/en/media/HDR06-complete.pdf (accessed February 14, 2010).

[4] UNDP, "Human Development Index," 2007, 2008, http://hdr.undp.org/en/media/HDI_2008_EN_Tables.pdf (accessed February 14, 2010).

[5] UNDP, *Human Development Index 2009*, http://hdr.undp.org/en/media/HDR_2009_EN_Indicators.pdf (accessed February 14, 2010).

[6] Transparency International, "Corruption Perceptions Index," 2009, http://transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table (accessed February 14, 2010).

corruption ranking than in 2008 when the country ranked 158th out of 180 countries.[7] It has been among the most corrupt countries in the index since the index first appeared in 2000. Moreover, President dos Santos and his ruling Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola, MPLA) are more entrenched in government than ever before. The party won an overwhelming parliamentary majority in the September 2008 elections, gaining control of 191 out of 220 seats. In January 2010, the parliament ratified a new constitution that eliminates presidential elections and allows President dos Santos, assuming he remains party leader, to remain in power until 2022, 43 years after he first came to power.

Angola remains an example of the problems that plague a resource-rich state. It relies on a centrally controlled major revenue stream and is therefore not reliant on domestic taxation or a diversified economy to function. Its rulers have unique opportunities for self-enrichment and corruption, especially because there is not enough transparency or political space for the public to hold them accountable. There are enormous disincentives to relinquish political power because it is also a path to economic enrichment.

This dynamic has a corrosive effect on governance and ultimately, respect for human rights. Instead of bringing prosperity, rule of law, and respect for rights, the existence of a centrally controlled revenue stream like oil can serve to reinforce or exacerbate an undemocratic or otherwise unaccountable ruler's or governing elite's worst tendencies, providing the financial wherewithal to entrench and enrich itself without significant pressures for accountability. It is no accident that the president of Angola, one of the world's major oil producers, is entering his fourth decade in power.

Despite limited reforms and a political economy that creates enormous obstacles for improvements in governance and human rights, 2010 offers some prospects for change. Like many oil-dependent countries, Angola rides an economic boom-and-bust cycle tied to the volatile price of oil. Historically, the country has gone to the IMF in times of hardship, only to reject their calls for reform when the price of oil rebounds. After almost a decade of boom, the global economic crisis and fall in the price of oil have led Angola back to the IMF, and this time they have accepted $1.4 billion in emergency funds. In exchange they have agreed to complete audits of Sonangol and to better track government expenditures, steps that could significantly increase government accountability if they were done and made public.

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[7] Transparency International, "Corruption Perceptions Index" 2008, http://transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table (accessed February 14, 2010).

This may also be an opportunity for key trading partners to press for change in Angola through the IMF framework. The Chinese government, as well as US companies, are the largest investors, trading partners, and consumers of Angola's oil. China has invested billions in oil-for-infrastructure deals while remaining relatively silent on governance in Angola and elsewhere. But the Chinese government has at times distanced itself somewhat from the opaque dealings of a well-connected Chinese company that has extensive ties to Sonangol. The United States has been outspoken about corruption, but some of its policy proscriptions are unlikely to have a significant impact. Both have an opportunity to hold the Angolan government accountable to commitments it has made under the IMF agreement.

The US Senate also has provided an opportunity for reform because it has exposed how corrupt officials and businesspeople in Angola have moved funds to the United States. In a February 2010 report the Senate provided a comprehensive set of recommended reforms that would make it harder for kleptocrats to steal their citizens' money and move it to the United States. Human Rights Watch believes that these measures are critically important to help ensure that corruption does not undermine human rights in Angola.

This could be a turning point for reform in Angola. But without political will on the part of the government and meaningful pressure from the international community, it could be another squandered opportunity to use the country's immense natural wealth for the benefit of its people.

# II. Reforms Since 2004

The Angolan government has taken a number of steps to improve transparency in its accounting of incoming oil revenues. The most notable and widely praised is the detailed publication of oil revenues on the Ministry of Finance's website. More recent is the implementation of the Integrated Financial Management System (Sistema Integrado de Gestão Financeira do Estado, SIGFE) to allow the government to better track its use of funds. The government has also undertaken audits of Sonangol and other institutions. And in 2009, President dos Santos began to publicly denounce government corruption.

However, these steps toward transparency have not been as successful as stated. Nor have they led to greater accountability or major gains in the realization of rights for Angolans. This is due to the fact that some efforts are not working, such as SIGFE, and important data has not been made public, including audits of Sonangol. As detailed in the next chapter, it is also because the government has done little to improve transparency on the expenditure (as opposed to the revenue) side: government expenditures too often continue to be too opaque for Angolans to discern how money is spent.

The president's statements and subsequent actions by government officials may signal a new commitment to cracking down on corruption. However, they should be treated with a high degree of skepticism considering that the president and ruling party have been in power for more than three decades, including throughout the entire period in which oil-fueled corruption has been rampant. Moreover, the pronouncements come in a context in which, following 2008 parliamentary elections, the president and ruling MPLA party have secured a near stranglehold on political power in the country: they have almost complete control over the pace of reforms and the extent to which they will allow themselves to be held accountable.

## Publication of Oil Revenues: The Ministry of Finance Website and Signature Bonus Payments

The government has significantly increased the transparency of oil revenues. Since at least 2004 the Angolan Ministry of Finance has published the details of oil production by oil block on its website and the government has disclosed massive signature bonus payments. It also provides more limited information on diamond revenues through the ministry's website. The ministry publishes detailed monthly data on oil production and oil exports, as well as the revenues that accrue to the government from those sales. It is relatively current, with the data on the website going back to 2007, and with an approximate two to three month time-lag at this writing.[8]

The government undertook this measure in response to widespread criticism of its lack of transparency about oil revenues and critical findings and recommendations contained in the 2002 Oil Diagnostic study. That study was a requirement of an IMF agreement with the government in 2000.[9]

The website has significantly increased transparency in government oil revenues and, to a lesser degree, diamond revenues. The government has also received widespread praise from the international community. The World Bank noted that "this level of published detail is virtually unique among oil producing countries."[10] United States Secretary of State Hillary Clinton praised the publication of the data during her trip to Angola in August 2009.[11] Signature bonus payments—large cash payments from oil companies to the government in exchange for lucrative offshore oil blocks—had long been a controversial issue in Angola. The government rarely disclosed the amount and use of those funds. In the late 1990s, approximately US$970 million in bonus payments were used for opaque arms purchases.[12] That changed in May 2004, when Sonangol announced that Chevron had paid a $210 million signing bonus and an $80 million social bonus payment to extend its concession on Block O in Cabinda until 2030.[13] It was the first time that the government or Sonangol had disclosed such a payment and it coincided with President dos Santos's trip to Washington, DC, to meet then President George W. Bush. In 2006 Sonangol announced the winners of a new oil license bidding round and disclosed a world-record set of bonuses worth more than $3 billion.[14]

Although the publication of revenue data beginning in 2004 was unprecedented in Angola and an important step forward, the government has not provided comparable transparency

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8 Ministry of Finance of Angola, "Petróleo e Diamantes," http://www.minfin.gv.ao/docs/dspPetrolDiamond.htm (accessed February 18, 2010).

9 Human Rights Watch, *Angola-Some Transparency, No Accountability: The Use of Oil Revenue in Angola and Its Impact on Human Rights* (New York: Human Rights Watch, 2004), http://www.hrw.org/en/node/12195/section/1.

10 The World Bank, "Angola, Country Economic Memorandum: Oil, Broad-Based Growth, and Equity," Report No. 35362-AO, October 2, 2006, p. 44.

11 US Department of State, Secretary of State Hillary Rodham Clinton, "Remarks with the Angolan Foreign Minister Assuncao Afonso dos Anjos," Luanda, Angola, August 9, 2009.

12 Human Rights Watch, *Some Transparency, No Accountability.*

13 "ChevronTexaco Awarded Extension to Block O Concession in Angola," ChevronTexaco press release, May 13, 2004.

14 Economist Intelligence Unit, "Angola Country Report," June 2006, p. 21.

on government spending nor taken steps necessary to effectively combat corruption. Moreover, the government and others have cited the website as a reason not to join the Extractive Industries Transparency Initiative (EITI), as detailed below.

## The Integrated Financial Management System (SIGFE)

SIGFE is a system that the Angolan government has implemented, with international assistance, to track all government revenues and expenditures at the national and provincial level. It has been highlighted as a major step for government accountability and to combat corruption. The World Bank reported that the system would be fully operational by 2008.[15] In March 2009, Human Rights Watch asked World Bank staff in Angola about government corruption and whether there were sufficient controls in place to prevent mismanagement and corruption. In response they highlighted SIGFE. A World Bank staffer told us that "we do not audit government expenditures, so we cannot say how much was lost to corruption or other factors. It would be useful for your group to look at the SIGFE, which provides detailed accounts of expenditures to see if they were used properly."[16]

Despite this implicit plug for SIGFE, others who have worked closely with SIGFE data paint a troubling picture of SIGFE's status and efficacy. In a report published a month before Human Rights Watch spoke to the World Bank, Development Alternatives, Inc. (DAI), a US-based consultancy firm hired by the US Agency for International Development (USAID) in Angola to evaluate elements of a fiscal reform project funded by USAID, raised several red flags. In its report, DAI noted that the Fiscal Programming Unit (UPF), the Angolan government entity set up to monitor revenues and expenses, could not do so adequately because of severe problems with SIGFE, including the fact that "[g]overnment spending information by some agencies is not yet in SIGFE and so subject to error, non-reporting or tardiness in reporting" and that it would be "some years" before SIGFE will be fully operational.[17] The IMF reported some improvements in November 2009 when it said that all agencies use SIGFE, but did not comment on the accuracy of the information that the DAI report noted. Nor is the information in the SIGFE system public, so there is no way for Angolans to assess how the government uses public funds. Given its limitations, SIGFE cannot yet be seen to provide adequate tracking of expenditures, let alone to serve as an effective tool for combating corruption.

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[15] The World Bank, "Angola, Country Economic Memorandum: Oil, Broad-Based Growth, and Equity," Report No. 35362-AO, October 2, 2006, p. 44.

[16] Human Rights Watch interview with World Bank staff member, Luanda, March 30, 2009.

[17] Development Alternatives, Inc., "USAID: Report on the Impact of the Angola Fiscal Reform Project on the Capacity of the Fiscal Programming Unit of the Ministry of Finance," February 2009, pp. 2, 5.

## Audits of Sonangol

One of the most crucial steps the government could take is to audit Sonangol and publicly disclose the results. Historically the company has been very opaque. For example, the first Oil Diagnostic study showed that Sonangol had underpaid the central bank of Angola by more than $2.1 billion, even though it was legally required to remit those funds to the bank.[18] Moreover, Sonangol had never been audited until 2003, when the international accounting firm, Ernst and Young, was first hired to annually audit the company.[19] However, those have not been made public. Under the Stand-By Arrangement with the IMF, Angola committed to finish a full audit of the 2008 accounts of Sonangol and to "publish Sonangol's audited financial statements."[20] Human Rights Watch believes that the Angolan government should publish the Sonangol audits and that the IMF and its board members should require such publications as a prerequisite to the disbursement of the tranches of the IMF Stand-By Arrangement loan.

## President dos Santos Criticizes Corruption

Since November 2009 President dos Santos has made several strong statements against government corruption and has announced investigations into corruption within state institutions. The bulk of these announcements occurred just before the IMF announced the Stand-By Arrangement in November 2009 and just after the US Senate released its report on corruption in February 2010.

On November 21, 2009, President dos Santos called for a "zero tolerance" policy against corruption within the government during an address to the ruling party's central committee meeting. Dos Santos noted that "[t]he transparency of management actions and good governance are an aspect where there is still much work to do." He also scolded the ruling party and said it had been "timid" in combating corruption.[21] His speech was given a few days after Transparency International released its 2009 *Corruption Perceptions Index,* ranking Angola 162nd out of 180 countries and just two days before the IMF announced the $1.4 billion Stand-By Arrangement for the country.[22]

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[18] Human Rights Watch, *Some Transparency, No Accountability.*

[19] The World Bank, "Angola, Country Economic Memorandum: Oil, Broad-Based Growth, and Equity," p. 44.

[20] International Monetary Fund, "Angola: Request for Stand-By Arrangement," IMF Country Report No. 09/320, November 2009, p. 9.

[21] "Angolan President Calls for 'Zero Tolerance' of Corruption," *Platts Commodity News*, November 22, 2009.

[22] "Corruption Threatens Global Economic Recovery, Greatly Challenges Countries in Conflict," Transparency International press release, November 17, 2009; "IMF Executive Board Approves US$1.4 billion Stand-By Arrangement with Angola," International Monetary Fund press release, November 23, 2009.

Local NGOs urged dos Santos to put his words into action. For example, Antonio Ventura, the director of the Association for Justice, Peace, and Democracy (AJPD), called for "concrete action by the president and his inner circle to end corruption...."[1] The Angolan anti-corruption campaigner Rafael Marques published what he called, "a brief investigation into the practices" of the president's own philanthropic foundation, the Fundação Eduardo dos Santos (FESA). In it he claims FESA has ignored several pieces of legislation which outlaw "the use of public powers to personal ends, conflict of interests, influence-peddling and other corrupt practices."[23]

A few days later on November 25, the Angolan government appeared to respond to these criticisms when the attorney general's office said that it had launched an investigation into illegal transfers from the central bank and Ministry of Finance to banks abroad and said it would bring "the alleged authors of these illicit acts to court" and "return the money taken from the national treasury."[24] On February 18, the attorney general announced the arrest of 21 individuals for allegedly having embezzled $137 million from the central bank and Ministry of Finance in 2009, though without revealing their names.[25] This step demonstrated that the government could address allegations of corruption when it had the political will to do so.

Dos Santos renewed his call to combat corruption on February 8, 2010, four days after the US Senate released a report and held public hearings on corruption in Angola, Equatorial Guinea, Gabon, and Nigeria. During a speech to mark the passage of a new constitution, he announced that a new Law on Administrative Probity would be passed in order to "discourage those that want to use public goods as a source of illicit enrichment." That law includes provisions for the mandatory declaration of revenues inside or outside of Angola (including all kinds of assets, such as real estate) for public officials; and penalties ranging up to 2-8 years of imprisonment for state officials who use their powers and position to prevent the application of a law or orders from the judiciary or any other public authority. He also noted that the international accounting firm Ernst and Young would help the government reform the management of public funds.[26]

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[1] Henrique Almeida, "Angolan President Calls On Party to End Corruption," Reuters, November 21, 2009.

23 Rafael Marques de Morais, "Presidential promiscuity has corrupted society," post to "Maka Anti-Corruption Watchdog" (blog), November 10, 2009, http://makaangola.com/?p=138&lang=en-us (accessed March 30, 2010).

24 "Angola to Probe 'Illegal' Transfers from Central Bank," Agence France-Presse, November 25, 2009.

25 "Fraudes no BNA em finais de 2009 lesam o Estado em cerca de 137 miliões de USD," *Angop*, February 18, 2010.

26 "Angolan President Warns New Government Against Corruption," Reuters, February 8, 2010.

The February announcements could signal an important development if followed through on, but it is important to note that they were made during a swearing-in ceremony for a new cabinet that symbolized President dos Santos's lock hold on power. The swearing-in came just three weeks after a new constitution was ratified on January 21, 2010. The new constitution eliminates a presidential vote and instead gives the party with the most seats in parliament the right to name the president.[27] The constitution was approved in record time—less than two months after the three final proposals had been presented to the public—and with a minimum of public discussion. The approval came after the ruling MPLA party won an overwhelming 81.7 percent of the vote and 191 of 220 parliamentary seats in elections held in September 2008, the first election in the country since 1992,[28] and after dos Santos was re-elected to a five-year term as the MPLA party leader in January 2010.[29] Under the new constitution, presidents are limited to two five-year terms beginning in 2012, but the provision is not retroactive and does not apply to dos Santos's previous 30 years as president. If dos Santos remains party leader, as is highly likely, he could remain president until 2022, 43 years after he came to power.[30]

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27 Economist Intelligence Unit, "Angola Country Report," February 2010, p.10.

28 Human Rights Watch, *Democracy or Monopoly: Angola's Reluctant Return to Elections*, February 2009.

29 Economic Intelligence Unit, "Angola Country Report," February 2010, p.11.

30 Ibid.

# III. New Evidence of Corruption and Mismanagement

Recent disclosures of corruption and mismanagement stand in stark contrast to the government's limited reforms. In February 2010, a US government report highlighted how corruption had reached the highest levels of the Angolan government. Allegations of corruption have also emerged in relation to Chinese investments in Angola linked to the China Investment Fund, a private entity believed to have close links to the Chinese and Angolan governments.

## The US Senate Investigation

On February 4, 2010, the US Senate's Permanent Subcommittee on Investigations released a 330-page report detailing corruption, money laundering, and other activities by government officials and their associates in Angola, Equatorial Guinea, Gabon, and Nigeria.[31]

The Senate Subcommittee has subpoena power and can compel testimony and documents. Its prior work has uncovered massive corruption and has led to substantial penalties against institutions and individuals.[32] The 2010 report underscored how oil revenue has fueled corruption and mismanagement in Angola and the need for much greater government transparency and accountability.

Senate investigators examined three suspicious cases involving current and former Angolan government officials. Two of those cases are of particular relevance here and are detailed in this chapter.

The first is a series of suspect transactions from 1989 to 2007 involving Pierre Falcone, a Franco-Brazilian businessman who was at the center of an arms-for-oil corruption scandal during the Angolan civil war. Falcone was imprisoned in France for six years in 2007 after being convicted on charges of illegal arms dealing, tax fraud, and money laundering related to the Angolan scandal.[33]

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[31] United States Senate, Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations, "Keeping Foreign Corruption Out of the United States: Four Case Histories," Majority and Minority Staff Report, February 4, 2010.

[32] For an account of a prior investigation by the Senate Subcommittee, see Human Rights Watch, *Well Oiled: Oil and Human Rights in Equatorial Guinea,* July 2009, pp. 19-38.

[33] Senate Permanent Subcommittee on Investigations, "Keeping Foreign Corruption Out of the United States," p. 4.

The second involves the suspicious and ultimately unsuccessful attempts by Dr. Aguinaldo Jaime, formerly the central bank governor of Angola and later the country's deputy prime minister, to transfer US$50 million from Angolan central bank accounts to private accounts in the United States during June and August 2002 while he was the central bank governor.[34]

## Pierre Falcone

The US Senate report noted that Falcone "is a notorious arms dealer, known for selling weapons to Angola during its civil war and for his close association with Angolan President Jose Eduardo dos Santos."[35] Investigators examined a long series of transactions by Falcone and his relatives between 1989 and 2007 from 29 Bank of America (BoA) accounts based in Scottsdale, Arizona, where Falcone lived. The investigators traced more than $60 million in suspicious transactions from 1999 to 2007.[36]

Falcone has been subject to multiple criminal investigations due to his activities in Angola. In December 2000, French authorities arrested Falcone on tax fraud and other charges in connection with his alleged involvement in brokering an arms-for-oil deal with the Angolan government in the early 1990s. He reportedly brokered some $600 million in arms deals between 1993 and 1994. These weapons purchases were reportedly paid for with Angolan proceeds from oil sales, with Sonangol, for example, paying some of the money for a 1994 transaction to French bank accounts controlled by a Czech firm, ZTS OSOS, which provided some of the weapons.[37] Falcone spent one year in prison after his 2000 arrest.

Angolan President José Eduardo dos Santos acknowledged that the arms deals between ZTS OSOS, Falcone, and the government took place, but said that the deals were legitimate. Even more, dos Santos praised Falcone for his efforts because they helped to preserve "democracy and the rule of law" in Angola. He described Falcone's actions as a "gesture of confidence and friendship on the part of the French state" toward the Angolan government that had helped facilitate the "spectacular growth in cooperation with France in the petroleum sector" and in other economic activities. Dos Santos also questioned why the French authorities were investigating and had arrested Falcone since the arms were not bought from French companies or in France, but from companies in Eastern Europe.[38] In

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[34] Ibid.

[35] Ibid., p. 248.

[36] Ibid., p. 248.

[37] Human Rights Watch, *The Oil Diagnostic in Angola: An Update*, (New York: Human Rights Watch, 2001), http://www.hrw.org/en/reports/2001/03/01/oil-diagnostic-angola-update.

[38] Ibid.

September 2003, the Angolan government went further and appointed Falcone as Angola's Ambassador to the Paris-based United Nations Educational, Scientific, and Cultural Organization (UNESCO) in what most observers saw as an attempt to give him diplomatic immunity.[39] The government's decision was a worldwide scandal. For example, in November 2003, Catherine Deneuve, the famed French actress, resigned as a UNESCO Goodwill Ambassador in protest of the decision.[40]

Despite the Angolan government appointment, Falcone was charged in 2004 in France and was convicted in 2007 and 2009 on charges related to the Angolan scandal and is now serving a six-year prison sentence in France.[41]

Controversy over Falcone's activities spread to the United States because he maintained a residence with his wife, Sonia de Falcone, in Arizona. Ms. Falcone gave substantial campaign contributions to various politicians and political parties, some of which were ultimately returned. According to US Federal Election Commission filings, Ms. Falcone, through her Essante Corporation, gave $20,000 and $80,000 to the Republican National Committee (RNC) on May 19, 2000, and November 16, 2000, respectively.[42] She also donated $2,000 to the Arizona Republican Party on June 8, 2000 and $1,000 to the Governor George W. Bush Presidential Exploratory Committee on April 14, 1999.[43] The *Arizona Republic* reported that former President George H.W. Bush attended an exclusive $10,000 per person fundraiser on October 6, 2000, that Ms. Falcone also attended. The proceeds of the fundraiser were intended for George W. Bush's presidential campaign. Falcone's Arizona spokesperson, Jason Rose, told the *Arizona Republic* that any suggestion that these donations were an attempt by the Falcones to gain influence with Bush was "unfortunate, false, and wrong."[44] Human Rights Watch contacted the RNC to determine the status of these donations and was told by an RNC spokesperson that all of Falcone's campaign contributions were returned in early January 2001 to avoid the appearance of impropriety.[45]

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39 "Angola Claims Arms Dealer Appointment to UNESCO was Legitimate," Agence France-Presse, September 26, 2003.

40 "Denueve Quits UNESCO Post to Protest Angolan Ambassadorial Nomination," Associated Press, November 13, 2003.

41 Senate Permanent Subcommittee on Investigations, "Keeping Foreign Corruption Out of the United States," p. 248.

42 Republican National Committee (RNC), "Report of Receipts and Disbursements to the U.S. Federal Election Commission," June 15, 2000, pp.12, 53, and addendum.

43 Arizona Republican Committee, "Report of Receipts and Disbursements: July 15 Quarterly Report to the U.S. Federal Election Commission," July 13, 2000, p. 12; and Governor George W. Bush Presidential Exploratory Committee, "Report of Receipts and Disbursements: July 15 Quarterly Report to the U.S. Federal Election Commission," July 15, 1999, p. 1211.

44 Dennis Wagner, "Falcone Firm Gave $100,000 to GOP," *The Arizona Republic*, January 24, 2001.

45 Human Rights Watch telephone interview with Mark Pfeifle, RNC spokesperson, Washington, D.C., February 16, 2001.

Other candidates and parties received money as well. The 2000 presidential campaign of current Arizona senator John McCain received a total of $2,800 from Ms. Falcone from April 1999 to April 2000. Filings with the Federal Election Commission show that all of these funds were subsequently returned. The Democratic National Committee (DNC) received a $2,000 contribution from Ms. Falcone on May 24, 1999. A DNC spokesperson told Human Rights Watch that there was no indication that the money had been returned since there was no reason to suspect that it might have been an improper donation when it was received in 1999.[46]

Sonia Falcone was indicted by federal authorities in Arizona for immigration fraud.[47] In March 2007, Falcone pled guilty to the charges and agreed to leave the United States as part of the agreement.[48] She reportedly left the country for China in August 2007.[49]
Senate investigators detailed numerous suspicious transactions in and out of the United States, primarily through accounts held by the Falcones at Bank of America. Among them was a payment of $20 million from Sonangol to Companhia Angolana de Distribuicao Alimenta Inc. (CADA), a company that Falcone co-owned and that had been implicated in the arms and corruption scandal.[50] In July 2007, after approximately 18 years of having the Falcones as customers, Bank of America closed their accounts. According to the Senate report, "Bank of America expressed regret to the Subcommittee at having maintained accounts for a known arms dealer who, by July 2007, was under multiple criminal indictments in France."[51]

## Dr. Aguinaldo Jaime

Dr. Aguinaldo Jaime is a prominent Angolan who served as the governor of the Angolan Central Bank (Banco Nacional de Angola, BNA) from May 1999 until December 2002, when he was appointed as assistant to the prime minister. In 2003, he was appointed deputy

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[46] McCain 2000 Inc., "Report of Receipts and Disbursements: October 15 Quarterly Report to the U.S. Federal Election Commission," October 15, 1999; McCain 2000 Inc., "Report of Receipts and Disbursements: Monthly Report to the U.S. Federal Election Commission," March 20, 2000; Democratic National Committee (DNC), "Report of Receipts and Disbursements: July 31 Mid Year Report," July 30, 1999; Human Rights Watch telephone interview with Rick Hess, Democratic National Committee spokesperson, Washington, March 8, 2001.

[47] *United States of America v. Sonia Iris Falcone*, "Indictment," United States District Court, District of Arizona, January 10, 2006.

[48] Jill Redhage, "Paradise Valley Socialite Admits to Hiring Illegal Immigrants," *East Valley Tribune*, March 22, 2007.

[49] Julie Janovsky, East Valley Philanthropist Deported in Plea Deal," *East Valley Tribune*, August 29, 2007.

[50] Senate Permanent Subcommittee on Investigations, "Keeping Foreign Corruption Out of the United States," p. 260.

[51] Ibid., p. 257.

prime minister. He served in that post until 2009 when he was appointed to be chair of a commission that promotes private investment in Angola.[52]

The US Senate investigation detailed a series of suspicious $50 million transactions initiated by Jaime while he was the central bank governor between June and December 2002. In each case, the funds were returned to the central bank because foreign banks were suspicious of the transactions that Jaime authorized.[53] Human Rights Watch interviewed Jaime extensively for our 2004 report about the loss of billions of dollars in public funds due to corruption and mismanagement and its impact on human rights in Angola. When asked by Human Rights Watch, Jaime repeatedly refused to commit to release data on the government's use of oil revenue. Jaime also made public statements claiming that "global warming" was an impediment to government reforms, including increased transparency.[54] The US Senate report revealed that on June 11, 2002, Jaime transferred $50 million from BNA's Citibank account in London to a private account in the name of Mehenou Satou Amouzou, Inc. (MSA). MSA was named after a Togolese national who lived in the United States and told Senate investigators that he worked with African countries to "diversify their resources." But the Senate report was skeptical, noting that Jaime and Amouzou were the only signatories to MSA's account,[55] that the transfer of funds was from a BNA "oil taxes and royalties" account, and that while ostensibly intended for investments that would yield "humanitarian aid for the people of Angola" there was evidence it was a fraudulent scheme, and Senate investigators found little evidence that this transfer was intended for humanitarian purposes.

When Bank of America (BoA) in California first received the funds into MSA's account, it allowed the transfer. But then BoA began to question whether this was a fraudulent or corrupt transaction. Within a few days, they froze the funds. The Senate report noted that Amouzou and his lawyer "both shouted at" and "threatened" a BoA employee who would not release the funds. BoA also noted that the release of the funds from the BNA was authorized by Jaime and sent to an account where Jaime was a signatory, further raising suspicions about the transaction. On June 26, 2002, Jaime sent a letter to BoA asking for the funds to be returned. The funds were returned on July 1, 2002.[56]

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[52] Ibid., p. 271. Human Rights Watch notified investigators of these allegations in at least 2007.

[53] Ibid., p. 4, 271.

[54] Human Rights Watch, *Some Transparency, No Accountability: The Use of Oil Revenue in Angola and Its Impact on Human Rights* (New York: Human Rights Watch, January 2004).

[55] Senate Permanent Subcommittee on Investigations, "Keeping Foreign Corruption Out of the United States," pp. 270-273.

[56] Ibid., pp. 270-282.

The incident could have just been a mistaken transfer by Jaime or an effort to defraud the BNA. However, the Senate report noted that on August 2, 2002, Jaime notified HSBC bank that the central bank would provide a $50 million treasury bill to be used by MSA as collateral ostensibly to fund development projects in Angola. The funds were transferred in two tranches of $30 million and $20 million on August 13 and 14, respectively. Jaime ordered the transfer of the T-bills to a third account at Wells Fargo, held by a lawyer working with MSA. Although Jaime authorized the transaction, Wells Fargo increasingly believed it was a part of a fraudulent scheme and returned the funds to a BNA account at HSBC whose sole signatory was Jaime. Jaime then tried to transfer the funds to a Comerica Bank account held by the same person as the closed Wells Fargo account but it was never finalized. Jaime also tried to get HSBC to issue a negotiable receipt which would be the equivalent of the $50 million, but HSBC was uncomfortable with the request.[57] One of HSBC's compliance officers noted,

> This request coupled with the unusual request we received last month to transfer these same securities to an account maintained at another bank that was not in the name of the Central Bank concerns us.... We are concerned that these unusual requests continue to come to us and that we are placed under tremendous pressure to agree to them. Based on what I see here it appears that this is part of some elaborate scam to defraud the Central Bank of its securities.[58]

The funds were ordered to be returned to the BNA by Jaime on December 12, 2002. By that time, he had been appointed assistant to the prime minister. The funds were finally returned to the BNA on January 3, 2003.[59]

US Senate investigators noted that Jaime's transactions "likely would have resulted in the funds being lost or stolen."[60] As such, the transactions are indicative of broader problems within the government in 2002, a year in which the government could not account for at least $347 million.[61] During Jaime's approximately three-year tenure as head of the central

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[57] Ibid., pp.289-301.

[58] Ibid., p. 299.

[59] Ibid., pp. 299-300.

[60] Ibid., p. 270.

[61] Human Rights Watch, *Some Transparency, No Accountability,* p. 36.

bank, the government could not account for approximately $2.4 billion.[62] Neither Jaime nor the Angolan government responded to US Senate investigators' request for interviews.[63]

## Lack of Transparency Related to Chinese Investments in Angola

The most detailed examination of Angolan government opacity and possible corruption was undertaken by the Royal Institute for International Affairs (Chatham House), a respected UK-based think tank. In particular, Chatham House examined the private China International Fund (CIF). In 2005, CIF provided at least $2.9 billion to finance postwar reconstruction in Angola. Unlike other Chinese financing, this assistance was overseen by the Reconstruction Office of Angola (Gabinete de Reconstrção Nacional, GRN). This entity reports only to the Angolan presidency. CIF is a private entity based in Hong Kong headed by Ms. Lo Fong Hung and her husband Wang Xiangfei.

Chatham House reported that "CIF seems to have successfully positioned itself between the Chinese and the Angolan governments (and between Sonangol and Sinopec) and controls access to Angolan resources." Their report noted that "CIF was able to get into this position by initially organizing a team of four well-connected business people who were close to some Chinese government agencies. Through their connections, the contracts kept coming, and CIF's position became virtually unassailable." However, there is no direct evidence of Chinese government control or ownership of the company and the Chinese government has publicly emphasized that it is a private company. For example, Ma Zhaoxu, a Chinese Foreign Ministry spokesperson, said in response to a question about a separate controversial CIF investment in Guinea that CIF "is an international company registered in Hong Kong. Its investment in Guinea is completely its own behavior. The Chinese government has nothing to do with its business operations, nor does it have knowledge of the specifics."[64]

Similarly, *China Daily* reported that the Chinese embassy in Zimbabwe "certifies that China International Fund Ltd. is an international company, registered in Hong Kong ... The Chinese government has nothing to do with its business operations."[65]

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[62] Human Rights Watch, *Some Transparency, No Accountability.*

[63] Senate Permanent Subcommittee on Investigations, "Keeping Foreign Corruption Out of the United States," p. 271.

[64] Government of China, "Foreign Ministry Spokesperson Ma Zhaoxu's Remarks on the Business Cooperation between the Government of Guinea and China International Fund Ltd," October 19, 2009.

[65] "Embassy Says China Int'l Fund Ltd a HK Firm," *China Daily*, December 30, 2009.

In its report, Chatham House noted that CIF had also formed several ventures with Sonangol, including China Sonangol International Holding Limited (CSIH) and said that these ventures were also linked to some controversial deals, such as transactions involving Pierre Falcone and Arcady Gaydamak.[66]

CIF has also been controversial in other parts of the world. As alluded to above, military rulers in Guinea announced a $7 billion investment deal with CIF on October 13, 2009.[67] That day was also a national day of mourning in Guinea to protest the premeditated massacre of political opposition demonstrators in Guinea by members of the military government's presidential guard.[68] The mining deal drew widespread international condemnation because it was announced soon after the September 28 massacre. Ironically, the original CIF delegation to negotiate the Guinea deal included the president of Sonangol, Manuel Vincente, who is also a board member of CSIH.[69]

There is some evidence that the Chinese government is uncomfortable with CIF and its joint ventures with Sonangol. The Chinese government has publicly distanced itself from the activities of CIF and its linked companies. Chatham House reported that then Foreign Minister Li Zhaoxing discouraged an investment between a CIF-linked company and former Argentinean president Nestor Kirchner in June 2005 in part because the projects did "not represent the Chinese government" and he could not attest to the viability of the projects.[70] Chatham House also noted that Chinese officials at the embassy in Angola distanced the government from CIF's activities.[71]

Human Rights Watch believes that the Chinese government should press CIF to be more transparent in its activities in China and elsewhere. In the case of Angola, an important starting point would be to support the publication of an audit of Sonangol, a key partner of CIF, as required under the IMF Stand-By Arrangement.

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[66] Alex Vines et al., *Thirst for African Oil: Asian National Oil Companies in Nigeria and Angola* (London: Royal Institute of International Affairs, 2009), pp. 50-51.

[67] "Analysts Question $7b China-Guinea Mining Deal," Associated Press, October 14, 2009.

[68] "Guinea: Stadium Massacre, Rape, Likely Crimes against Humanity," Human Rights Watch press release, December 17, 2009, http://www.hrw.org/en/news/2009/12/17/guinea-stadium-massacre-rape-likely-crimes-against-humanity.

[69] Vines et al., *Thirst for African Oil*, pp. 50-52.

[70] Ibid., pp. 51-52.

[71] Ibid., p. 52. See also, US-China Economic and Security Review Commission, "The 88 Queensway Group: A Case Study in Chinese Investors' Operations in Angola and Beyond," July 10, 2009, pp. 33-34.

## Corruption Allegations by General Fernando Miala

On February 24, 2006, President dos Santos announced that he had dismissed General Fernando Garcia Miala, the powerful head of the External Intelligence Service. Dos Santos also ordered a commission of inquiry into the conduct of the intelligence service.[72] Miala became the head of the intelligence service in 1979 when dos Santos took power and remained a key intelligence figure until his dismissal. Some observers speculated that he was removed because he was an increasingly popular official and potentially a political threat to the president.[73] He was subsequently found guilty of insubordination on September 20, 2007, and sentenced to four years imprisonment.[74] He was released on October 9, 2009, following a presidential pardon issued in April 2009.

During his trial, Miala reportedly threatened to identify senior government officials who had benefitted from the Chinese lines of credit from CIF. That led Chinese officials to clarify that CIF was not linked to the government. Donors and NGOs also expressed concern over the opaque use of the CIF financing. On October 17, 2007, the Ministry of Finance released a statement denying any misuse of Chinese funds.[75]

Miala is also believed to have been directly involved in the arms-for-oil scandals of the 1990s that also involved Pierre Falcone.[76]

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[72] "Angolan president sacks spy chief, orders probe of intelligence services," Agence France-Presse, March 1, 2006.

[73] Christopher Thompson, "Angola president accuses ex-spy chief of plot," Reuters, April 3, 2006.

[74] "Ex-Chief of Foreign Intelligence Service Sentenced for Insubordination," *All Africa*, September 20, 2007.

[75] "Esclarecimento Sobre a Linha de Crédito da China," República de Angola, Ministério das Financas Communicado de Imprensa, October 17, 2007.

[76] Vines et al., *Thirst for African Oil*, pp. 54-55.

# IV. Achieving Greater Transparency and Accountability

While recent reforms have not gone far enough to remove barriers to transparency and accountability in Angola, there are renewed prospects for reform. The most promising may come from international pressure, particularly through the IMF and its key member governments, provided they exercise pressure on Angola to be more accountable. Another possible avenue for change, the Extractive Industries Transparency Initiative (EITI), is less likely to play a significant role primarily because the Angolan government has consistently rejected it. While the Publish What You Pay Campaign (PWYP), a global coalition of civil society organizations pressing for greater transparency and accountability in the use of natural resource revenue, has regularly pressed the government to join, there is little external government pressure on Angola to do so.

## The International Monetary Fund

A new Stand-By Arrangement between the Angolan government and the IMF offers a significant opportunity for greater transparency and accountability. That arrangement, prompted by a severe economic downturn due to the collapse in the price of oil and signed in November 2009, has several provisions that could foster greater accountability over the use of oil revenues.

The government and the IMF have had a strained relationship since at least the 1990s. There have been at least four Staff Monitored Programs—agreements between governments and the IMF to undertake economic reforms as a precursor to lending—since 1995. They were all motivated by severe economic distress and often came at a time when the price of oil had fallen. All of them failed to achieve their objectives and Angola ultimately abandoned efforts to enter into a formal program with the IMF. The last effort lapsed in 2001. That effort led to the Oil Diagnostic study by the international accounting firm KPMG that highlighted gross mismanagement of oil revenue. Later, in 2002, the IMF detailed massive corruption and mismanagement by the government in a still-confidential staff report on the Angolan economy.[77]

Between 2002 and 2009 the IMF and Angola continued to discuss cooperation, but very little materialized. The principal reason for the lack of lending was that the government was bolstered by revenue from skyrocketing oil prices and did not want to submit itself to IMF

[77] For a full account of the IMF and Angola, see Human Rights Watch, *Some Transparency, No Accountability*.

requirements for greater transparency. As recently as July 2009, for example, the Economist Intelligence Unit noted that, "Although Angola is continuing with the IMF's Article IV consultations, it has never had a full programme with the Fund, reflecting fundamental differences over economic policy, opposition from vested interests and the Fund's limited influence in the face of high oil production."[78]

However, by August 2009 the government acknowledged that its economic circumstances had precipitously deteriorated. The fall in world oil prices brought on by the global economic crisis had significantly weakened the government's fiscal position and it sought an emergency loan from the IMF.[79] On November 23, 2009, the IMF announced that it had reached an agreement for an approximately US$1.4 billion Stand-By Arrangement with the government.[80]

Full disclosure of the government's oil revenues, a public audit of Sonangol, and, critically, audited accounts of its expenditures are vital measures that should be part of an agreement.

As noted earlier, the government continues to publish oil revenue data on the Ministry of Finance's website. There is a two to three-month lag on the publication of data, but it does do a reasonably good job of making that data available.

The Stand-By Arrangement specifically includes a commitment that the government will publish a 2008 audit of Sonangol that was due to be completed by mid-November 2009.[81] This measure, if implemented, would shine a much needed light on the activities of the notoriously opaque state-owned oil company.

The IMF did not require an audit of government expenditures as part of the arrangement, but it urged the government to conduct a mid-year review of its budget to ensure that it is adhering to its commitments.[82] While this step is useful, especially when combined with other efforts to make basic budgetary data public, it is insufficient given the massive levels of corruption and mismanagement in Angola.

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78 Economist Intelligence Unit, "Angola Country Report," July 2009, p. 5.

79 "Statement at the Conclusion of an IMF Mission to Angola," International Monetary Fund press release 09/278, August 7, 2009.

80 "IMF Executive Board Approves US$1.4 billion Stand-By Arrangement with Angola," International Monetary Fund press release 09/425, November 23, 2009.

81 International Monetary Fund, "Angola: Request for Stand-By-Arrangement," IMF Country Report No. 09/320, November 2009, p. 9.

82 Ibid., p. 7.

Still, if the commitments under the Stand-By Arrangement are fulfilled it will be a significant step forward for accountability in Angola. But there is reason to be vigilant; the government has committed to reforms before and has not implemented them. In its 2009 report, the IMF noted that many reforms suggested to the government as early as 2004, including the auditing of budgets and timely disclosure of accounts, have not been implemented or have barely begun to be implemented.[83]

The $1.4 billion is supposed to be disbursed in seven tranches from November 2009 to December 2011. The IMF will conduct a performance review under the program and the Fund's board will have to approve each disbursement.[84] Human Rights Watch urges the IMF and its board members to make subsequent disbursements contingent upon full public disclosure of the Sonangol audits and accurate accounting of expenditures through regular disclosure and updating of the government's actual budget expenditures.

## The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) was launched by British Prime Minister Tony Blair at the World Summit on Sustainable Development in Johannesburg, South Africa, on September 2, 2002. It is a voluntary initiative that aims to increase the transparency of natural resource revenues by developing standardized reporting requirements for companies and governments. The initiative has broad support from multinational and national companies, industry, organizations, governments, NGOs, and multilateral institutions. At this writing, 35 countries participate in the initiative. Only two, Azerbaijan and Liberia, have been certified as "EITI-compliant."[85]

Since its inception, EITI was intended for governments like Angola's that are opaque and resource rich. However, Angola has never joined. At this writing, any meaningful pressure to force the government to join has subsided. For example, World Bank officials in 2009 told Human Rights Watch that Angola has done far more than other countries that have signed on to EITI. It has published more information on revenues than other EITI countries. When Human Rights Watch asked why the government should not join if it had already exceeded EITI's requirements, bank staff told us that the government does not see any "value-added" from EITI because it is "a Tony Blair and George Soros thing."[86]

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83 Ibid., pp. 33-34.

84 Ibid., p. 32.

85 Extractive Industries Transparency Initiative (EITI), "EITI Countries," www.eitransparency.org/countries (accessed February 16, 2010).

86 Human Rights Watch interview with World Bank staff, Luanda, March 30, 2009.

Human Rights Watch believes that Angola would benefit from joining EITI, but given the lack of interest on the part of the government and perhaps the lack of pressure from elsewhere, the IMF program appears to be a more meaningful avenue for reform.

## The Role of Foreign Governments

Seeking to diversify its foreign relations, Angola has strengthened its relations with South Africa, Russia, and its traditional allies, Portugal and Brazil. The latter two countries have provided new lines of credit to Angola, including a combined $400 million loan to help the country through its economic crisis.[87] Although they have interests and are pressing for investment in the country, India, Japan, and South Korea are not dominant investors, particularly in the oil sector.[88] Angola's biggest trading partners are China and the United States.

The changing economic dynamics have led to a decrease in international pressure on the Angolan government to be more transparent and accountable. This is partly due to the growing influence of China and Chinese investments in Angola, which have served as a counterweight to Western pressure for reform. Western governments have also abandoned pressure due to their own commercial and strategic interests. Perhaps the most important development is that Angola is one of the top two oil producers in sub-Saharan Africa and has been able to strategically diversify investment and diplomatic relations with a number of major oil consuming countries in Europe and Asia and with the United States: if it feels it is being pressured by one investor to adopt transparency measures or other reforms it finds onerous, it can turn to the others.

## China

While the rise of China has been cited as a threat to good governance in Angola, it is not the sole reason for the government's resistance to reform. The bulk of Angola's mismanagement and corruption occurred when western companies and governments were the largest investors and trading partners of the country. Western companies are still the largest investors in Angola's oil sector and the United States is the second largest consumer of Angolan oil.[89] Nonetheless, the rise of China as Angola's main trading partner has helped the Angolan government resist reforms, not least because China and Chinese companies do not call for good governance.

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[87] Economist Intelligence Unit, "Angola Country Report," February 2010, p.5, 13-14.

[88] Vines et al., *Thirst for African Oil: Asian National Oil Companies in Nigeria and Angola*, p. 31.

[89] Ibid., p. 56.

China has had diplomatic relations with Angola since 1983, but made its major economic push into Angola in 2004 when China's Export-Import Bank extended a $2 billion loan in exchange for oil to rebuild the country's infrastructure. According to Chatham House, China had supported between $13.4 billion and $19.7 billion in loans by 2009. In addition, China's overall bilateral trade with Angola increased from $1.8 billion in 2000 to $25.3 billion in 2008. At this writing, China is the world's largest importer of Angolan oil and Angola is China's largest trading partner in Africa.[90] China has built roads, railways, and other key infrastructure crucial to the reconstruction of the country.

The Chinese government's economic influence as a key trading partner is substantial, but it has avoided discussing governance or transparency, helping to slow Angola's path towards accountability. President dos Santos has described relations between the countries as a "pragmatic" partnership with no "political preconditions."[91]

One Angolan executive who has close ties to the government and is now in a major multinational corporation told Human Rights Watch, "the West demanded conditions and didn't give any money while China built roads and didn't ask for anything. The government feels strong with oil and the Chinese and doesn't feel the need to change."[92] That perception was repeatedly reinforced by civil society, foreign diplomats, and other individuals in Angola. The Royal Institute of International Affairs confirmed this view when it noted, "From Angola's perspective, the Chinese provide funding for strategic post-conflict infrastructure that donors do not fund" and that "China provides a new model of cooperation based on credit lines, economy and commerce, which contrasts with Western efforts of cooperation based on aid attached to conditionality."[93]

While it has not been an advocate for greater transparency and accountability, the Chinese government, as noted above, has taken steps to distance itself from the China International Fund (CIF). But while Chinese authorities have emphasized that CIF is not an arm of the government, they have not asked CIF to fully disclose its activities nor provided a full accounting of the use of Chinese Export-Import Bank credits to Angola. The Chinese government's principal opportunity to promote greater accountability in Angola may be as a board member of the IMF. In that capacity, it can insist that the government comply with the

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[90] Ibid., pp. 5, 40-41.

[91] Ibid., p. 33.

[92] Human Rights Watch interview with company executive, Luanda, March 30, 2009.

[93] Vines et al., *Thirst for African Oil: Asian National Oil Companies in Nigeria and Angola*, pp. 55-56.

terms of the Stand-By Arrangement, most notably, by publishing an audit of Sonangol (CIF's partner in many ventures) and by publishing accurate accounts of budget execution.

## The United States

The United States is the second largest consumer of Angolan oil and US companies are some of the biggest investors in the country.[94] Despite its significant oil interests, the US government has been a forceful proponent of transparency since the beginning of the decade. It was one of the first governments to regularly point out the widespread corruption, mismanagement, and lack of transparency in the oil and diamond sectors. For example, the US Ambassador to Angola from 2001 to 2004, Christopher Dell, was an outspoken critic of corruption. He supported the IMF's call for greater transparency in public finances.[95] While the United States raised issues of transparency, it also provided high level access to Angolan officials. For example, Presidents dos Santos and George W. Bush met in Washington in May 2004; while corruption and transparency were discussed, the photo-op with Bush strengthened dos Santos's standing in Angola and abroad.[96]

The Obama administration has not shied away from discussing corruption and transparency, but has been somewhat gentle on the government. During her August 2009 trip to Angola, Secretary of State Hillary Clinton was asked by Mary Beth Sheridan of the *Washington Post*, "Good governance has been a major theme of your trip through Africa. In Angola, there's a very high level of corruption, according to Transparency International, and the President seems to be delaying the elections. Could you tell us how much did you press these two issues?"[97]

Clinton noted that

> Corruption is a problem everywhere. And where it exists, it undermines people's faith in democracy and distorts governance and prevents the full involvement of people in their societies and the delivery of services to citizens ... But I think it's only fair to add that Angola has begun taking steps to increase transparency. The Angolan government is now publishing online

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[94] Ibid., pp. 40-41.

[95] See, for example, "Peace Prospects in Angola," Voice of America, March 11, 2002.

[96] Ken Silverstein, "The Politics of Petroleum: Gusher to a Few, Trickle to the Rest; Courted by Oil Firms and the U.S., the Elite of Impoverished Angola Have Extracted Wealth from the Boom, Documents Say," *Los Angeles Times*, May 13, 2004.

[97] US Department of State, Secretary of State Hillary Rodham Clinton, "Remarks with the Angolan Foreign Minister Assuncao Afonso dos Anjos," Luanda, Angola, August 9, 2009.

> the revenues they receive from the oil industry. They are working with United States Treasury officials on how to bring more transparency and efficiency into the government budget and fiscal affairs. The government has already begun and is committed to using its revenues to build up the infrastructure of Angola, as evidenced by the many roads that are being built throughout the country. And of course, the government is acting. After 27 years of conflict that undermined the fabric of society, Angola has accomplished not only a peaceful resolution but the reconciliation of its citizens, one with the other. And so the issues of good governance, rule of law, anti-corruption efforts will be part of the strategic partnership that the minister and I will lead.[98]

During her trip, the Secretary announced a bilateral Strategic Partnership Dialogue with Angola. In the first dialogue meeting in November 2009, the parties announced two working groups: Energy Cooperation and Security Cooperation. The meeting does not appear to have dealt with transparency; a US statement described it as focused on "a dialogue with representatives from the private sector, a discussion on Angola's renewable energy sector priorities, and a roundtable on the best practices used to incorporate wind mapping, solar power, biomass, and hydro-electric power into a renewable energy strategy."[99]

Prior to that meeting, Clinton had announced that improved transparency was part of the administration's strategy to combat corruption in oil-rich states like Angola. In an October 1, 2009, speech to the Corporate Council on Africa's Business Summit, she noted:

> [W]e encourage Nigeria, Angola, and other energy-producing countries to manage their resources and escape the natural resource curse that has plagued much of the continent. We have a new position in the State Department. It's the Coordinator for International Energy Affairs ... to work with our partner countries. We will help new producers devise transparent revenue management systems to help them avoid the challenges other countries have faced with large new flows of money from oil, gas, or mining.
>
> And to that end, we are pleased to have contributed $6 million last week to the World Bank's multi-donor trust fund for the Extractive Industries Transparency Initiative. We believe that within the right legal framework

[98] Ibid.

[99] "US and Angola Hold Strategic Dialogue," US Department of State press statement, November 16, 2009.

> Africa can be an enormous market for investment and for economic growth, as well as a secure producer and supplier of energy.[100]

While the goals are laudable, Angola has steadfastly refused to join EITI and it already publishes reasonably up-to-date information on oil revenue, which is what EITI strives to achieve. The problem is that there is not an adequate accounting of expenditures, Sonangol is still very opaque, and individuals such as Jaime have not been investigated or held accountable for their actions.

The United States would be better served by taking other steps, such as using its position as a board member on the IMF to press for full adherence to the terms of the Stand-By Arrangement, including, most notably, a published audit of Sonangol and an accurate accounting of expenditures; further investigating the activities of Jaime and other officials with respect to US institutions; and denying visas to individuals alleged or found to have been engaged in corruption so that they cannot siphon wealth out of Angola and into the US. More broadly, the Obama administration should adopt the recommendations contained in the report on corruption by the Senate Permanent Subcommittee on Investigations regarding strengthening enforcement of existing anticorruption laws and policies and suggesting new legislation to curb the activities of kleptocrats in the US.

## France

The Angolan government's actions towards the French government and France's response provide a good illustration of how Angola has used its status as sub-Saharan Africa's largest oil producer to retaliate against countries that try to address corruption in the country. Beginning in 2004, the Angolan government repeatedly criticized French authorities for the "Angolagate" scandal, the French inquiry into the series of suspicious transactions involving Pierre Falcone and Angolan authorities described above. The government then retaliated against French commercial interests to express its displeasure. For example, on November 5, 2004, the French oil supermajor, Total, announced that Sonangol would not renew an oil license for a small oil block. The move was in retaliation for the arrest of Pierre Falcone and the ongoing arms-for-oil investigation.[101] China's Sinopec was awarded the block at the end of February 2005.[102]

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[100] US Department of State, Secretary of State Hillary Rodham Clinton, "Remarks at the Corporate Council on Africa's Seventh Biennial US-Africa Business Summit," Washington, DC October 1, 2009.

[101] Olivia Amaewhule, "Angola Carries Out Earlier Threats to Total Over French Arms Allegations," World Markets Research Centre Daily Analysis, November 8, 2004.

[102] "China's Sinopec Replaces Total," *Africa Energy Intelligence*, March 2, 2005.

The tension between Angola and France continued throughout the Angolagate investigation. The situation was severe enough that French president Nicholas Sarkozy travelled to Angola in May 2008 to "turn the page on the misunderstandings of the past" related to the Angolagate affair.[103] The visit took place just before the beginning of the Angolagate trials in France. The trial ended on October 27, 2009, with the court sentencing Falcone to six years in prison.

French-Angola tensions have risen again since January 2010, following an armed attack against a Togolese football team in the Angolan oil-rich enclave province Cabinda on January 8. A faction of the separatist guerilla Front for the Liberation of the Enclave of Cabinda (Frente para a Libertação do Enclave de Cabinda, FLEC), based in French exile, claimed responsibility for the attack that killed two Togolese and injured at least nine others. The incident, on the eve of Africa Cup of Nations football tournament in Angola, drew worldwide attention to the unresolved separatist conflict in Cabinda that has persisted since 1975. The Angolan government immediately demanded extradition of FLEC leaders from France to Angola, and accused the French government of inaction against the presumed authors of the "terrorist attack."[104] The French authorities, however, insisted on judicial prosecution in France and called for a proper fact-finding investigation into the incident.[105] In February, the Angolan state-owned daily *Jornal de Angola*, in opinion pieces written under pseudonyms, launched fierce attacks against France and *Agence France Press*, alleging a French conspiracy against Angola and dubbing it "Francegate."[106]

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[103] "France, Angola, to Turn Page of 'Misunderstandings'-Sarkozy," *BBC*, May 23, 2008.

[104] "Governo Angolano instaura processo contra autores de ataque terrorista," *Angop*, January 13, 2010.

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# V. Recommendations

## To the Government of Angola

- Provide full details of the national budget and issue regular updates that accurately detail expenditures. Information on government revenues and expenditures should be made easily accessible and presented in a form that can be understood by the public.
- Conduct a full audit of the state-owned oil company Sonangol and make the results public.
- Require Sonangol to disclose all of its business relationships with the China International Fund.
- Investigate the suspicious US$50 million transactions initiated by Aguinaldo Jaime in 2002.

## To the Government of China

- Fully and publicly disclose whether there is any relationship between the Chinese government and the China International Fund, including whether any government officials hold concurrent positions within CIF and whether CIF officials ever make representations on behalf of the Chinese government; government assistance or financing, if any, provided to CIF; and the nature of contacts between CIF and government officials, including the scope of efforts by government officials on behalf of CIF's commercial interests.
- Require the China International Fund to fully disclose its business interests in Angola and with Sonangol.
- Insist that CIF disclose its global holdings and make that a requirement of any new Chinese government financing for CIF.
- Insist that the government of Angola provide full accounts of its revenues and audit expenditures, particularly if Chinese government or private financing is implicated.

## To the Government of the United States

- As a board member of the IMF, support the provisions of the IMF Stand-By Arrangement and ensure that the Angolan government complies with them. In particular, insist upon greater transparency—including publication of Sonangol's audits and regular updates detailing government expenditures—before subsequent tranches of the IMF loan are released.

- Investigate the case of Aguinaldo Jaime and his efforts to transfer $50 million to the United States through US banks.
- Adopt all of the recommendations in the February 2010 report by the Senate Permanent Subcommittee on Investigations.
- Organize an interagency task force on kleptocracy to coordinate diplomatic, economic, and development assistance and the law enforcement measures necessary to effectively combat kleptocracy.

## To Other Board Members of the IMF

- Support the provisions of the IMF Stand-By Arrangement and ensure that the Angolan government complies with them before voting to approve subsequent tranches of the loan. In particular, insist upon publication of Sonangol's audits and regular updates detailing government expenditures.

## To the International Monetary Fund (IMF)

- Insist that the government publish regular and timely audits of Sonangol as part of its agreement under the Stand-By Arrangement.
- Prior to convening votes on whether to release new tranches of financing under the Stand-By Arrangement, report on the Angolan government's progress in improving transparency, including its publication of Sonangol's audits and regular updates detailing government expenditures.

# VI. Acknowledgements

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HUMAN RIGHTS WATCH
350 Fifth Avenue, 34th Floor
New York, NY 10118-3299

www.hrw.org

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# "Transparency and Accountability in Angola"

## An Update

The government of Jose Eduardo dos Santos, in power in Angola since 1979, has historically mismanaged the country's substantial oil revenues and used its control over oil wealth to insulate itself from public scrutiny. While the government has introduced some important reforms in oil sector transparency in recent years, far more needs to be done to curb corruption and give Angolan citizens the tools necessary to hold the government accountable for its actions.

In 2004, Human Rights Watch documented how some US$4.2 billion disappeared from government coffers between 1997 and 2002, an amount roughly equal to all foreign and domestic social and humanitarian spending in Angola over that same period. While millions of impoverished and war-ravaged Angolans went without access to hospitals or schools, billions of dollars were squandered that could have gone to providing necessary social services.

Since that time, the government has taken some important steps, including in improving oil revenue transparency, but has still has not published audits of Sonangol, the state-owned oil company, or done enough to allow citizens to track government expenditures. And Angola's development indicators remain among the worst in the world.

The country remains an example of the problems that plague a resource-rich state. Its rulers have unique opportunities for self-enrichment and corruption, especially because there is not enough transparency or political space for the public to hold them accountable.

*Transparency and Accountability in Angola* examines reforms to date, details recent corruption scandals, and offers recommendations on steps that Angolan authorities, the IMF, and key partners such as China and the United States can take to ensure that reforms are meaningful and lasting.

*Children pick through rubbish dumped beside a Sonangol (Angolan state oil company) complex. Angola is the largest oil producer in sub-Saharan Africa.*

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