Link between Angolan president's son-in-law and state oil company raises questions about transparency

Sonangol, the state-owned oil company of Angola, nominated the son-in-law of Angola’s President dos Santos to the board of a holding company that owns a third of the listed Portuguese oil firm Galp Energia, Global Witness has learned.

Angola is an impoverished country that depends on its oil industry to pay for reconstruction after a long civil war. Angola has a reputation for severe corruption which Global Witness has been reporting on for the last decade. Angola’s people have one of the lowest life expectancies in the world: 46.5 years, according to the United Nations.

Galp has major oil investments in Angola, a former colony of Portugal, and works closely with Sonangol, whose chairman Manuel Vicente sits on its board.

A third of the shares in Galp are owned by a holding company called Amorim Energia BV. Forty-five per cent of the shares in Amorim Energia are owned by a company called Esperaza Holding BV, which is a subsidiary of Sonangol. The rest of Amorim Energia is ultimately controlled by Portugal’s Amorim family.

The board members of Amorim Energia include Sindika Dokolo, a businessman married to Isabel dos Santos, a daughter of the Angolan president. As this briefing will show, Global Witness has learned that Dokolo was nominated to this post in April 2006 by Esperaza Holding. The latter was wholly owned by Sonangol at the time, according to Dutch corporate records.

“The son-in-law of the Angolan president, a private businessman, should not be working so closely with the state company which is responsible for managing Angola’s oil on behalf of its citizens,” said Diarmid O’Sullivan of Global Witness. “This arrangement raises concerns about conflicts of interest to which Sonangol has not responded.”

Sonangol’s minority partner in Esperaza Holding is Exem Holding AG, a secretive company based in the Swiss canton of Zug which does not publicly disclose the identities of its owners. A director of Exem Holding, a Paris-based financier called Konema Mwenenge, told Global Witness that he has a "professional" relationship with Dokolo. But Mwenenge declined to say whether Dokolo has a financial interest in Exem Holding. Dokolo himself, via his lawyer, declined to respond to questions from Global Witness. Sonangol’s chairman, Manuel Vicente, did not respond to written questions.

The fact that the Angolan president’s son-in-law appears to have been representing Sonangol in its indirect investment in Galp does not amount to evidence of wrongdoing. But these findings raise further questions about the transparency of Sonangol, the state oil company which dominates the economy of Angola.

Sonangol collects billions of dollars a year in revenues on behalf of the Angolan government and controls other companies’ access to Angola’s oil and gas reserves, but does not publish its accounts and discloses little detailed information about its activities.
When President dos Santos called for "zero tolerance" of corruption in November 2009, a prominent member of the ruling MPLA party said Angolans should feel free to criticise the president over his family's business dealings, Reuters news agency reported.11

Portuguese billionaire Americo Ferreira de Amorim is the chairman of Amorim Energia. He told Global Witness, in a three-page response to questions about the issues raised in this briefing, that Dokolo had been appointed to the board of Amorim Energia "at the designation of Esperaza Holding".12

"The fact that Mr Dokolo is the husband of the daughter of President Jose Eduardo dos Santos does not seem in itself as relevant neither [sic] to qualify nor to disqualify him as a board member of Amorim Energia, and therefore was not a factor to have him appointed as a managing director of Amorim Energia," Amorim wrote in his letter to Global Witness. He added: "I can give you my personal views on the fact that the appointment of Mr Dokolo did not raise discussions concerning ethical issues."

Amorim said in his letter that the relationship between Amorim Energia and Galp was governed by a shareholder agreement that was in place before Dokolo came onto the former's board. Global Witness does not assert, or seek to imply, that companies controlled by the Amorim family have engaged in any illegal or illegitimate activity.

At the end of 2006, Sonangol's 100 per cent shareholding in Esperaza Holding had fallen to 60 per cent. The other 40 per cent was owned by a subsidiary of Exem Holding.13 Exem Holding, via its subsidiaries, has been granted access by Sonangol to potentially lucrative investments in Angolan oil and gas but appears to be otherwise unknown in the oil industry.

Sonangol has authorised subsidiaries of Exem Holding to:

- Acquire a 40 per cent stake in Esperaza Holding by the end of 2006, making it a partner in Sonangol's indirect investment in Galp.
- Acquire a 10 per cent stake in an Angolan gas exploration venture announced in December 2007. This venture is controlled by Sonangol. Its other shareholders include Galp, Italy's ENI and Spain's Gas Natural.14 The venture has reportedly been awarded a ten-year gas exploration licence and exempted from taxes.15
- Pre-qualify, as of late 2007, to bid for oil licences in Angola.16

Global Witness asked the Exem Holding director, Konema Mwenenge, to describe the process by which Exem Holding had acquired these investments and investment opportunities. Mwenenge replied in an email that: "I can confirm as a Director of Exem Holding that its subsidiaries did respond to tenders in Angola. Information concerning the tenders is available on the web site of the national oil company of Angola."17

Sonangol's website does report that a subsidiary of Exem Holding has been pre-qualified by Sonangol to bid for oil licences in Angola as a "non-operator" - that is, as a minority shareholder in a joint venture with other oil companies.18 However, there appears to be no information on this website about tenders in relation to Exem Holding's other interests. Global Witness wrote back and asked Mwenenge where this information could be found, but he did not respond.

Although Sonangol has a reputation for being professionally run, its opacity and its close links to the ruling elite of Angola have long been a cause of public concern. The state oil company has long been used by the government to borrow huge sums in a highly opaque manner and with little public accountability for the use of the money.19

For more than a year, Global Witness has been investigating the relationships between Sonangol and certain private companies that invest in Angola's oil sector, which are often complicated and hard to unravel because of a dearth of public information.
In August 2009, Global Witness reported on another little-known private company which was pre-qualified to bid for oil rights in Angola by Sonangol in late 2007. The shareholders of this company, Sociedade de Hidrocarbonetos de Angola, included a person called Manuel Domingos Vicente. The chairman of Sonangol, who has the same name, did not respond to a request for comment from Global Witness, nor did two other senior officials who also have the same names as shareholders in SHA.

The International Monetary Fund agreed in late 2009 to lend $1.4 billion to Angola in return for policy pledges which include more transparency for Sonangol, but it remains to be seen whether these pledges will actually be implemented.

"At a time when Angola's government is promising more transparency to the IMF in return for a bailout, our findings show that Sonangol is still anything but transparent," said O'Sullivan.

Global Witness believes that Angola's government cannot begin to reverse the country's international reputation for severe corruption until:

- Sonangol explains its relationship with Dokolo and identifies the ultimate beneficial owners of Exem Holding, who are currently unknown to the public.
- Sonangol publishes its audited accounts and full details of oil revenue flows between foreign oil companies, Sonangol itself and the Angolan government.
- Sonangol relinquishes its control over the allocation of oil and mining rights in Angola to an independent agency that operates under full public oversight and awards these rights in a transparent manner.
- International oil companies in Angola commit themselves not to go into partnership with any smaller companies whose ultimate beneficial ownership is unknown to the public.
- The government ensures that civil society groups within Angola are able to freely discuss matters of public interest, including the oil sector, without fear of harassment or censorship in any form.

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Notes
6. Amsterdam Chamber of Commerce. Handelsregisterhistorie. Esperaza Holding BV.
7. Handelsregister des Kantons Zug. Exem Holding AG.
9. Correspondence between Global Witness and a lawyer acting for Dokolo.
11. Reuters. Angolan President calls on party to end corruption. 21 November 2009. Angolan President’s family taint corruption fight. 3 December 2009.
14. Eni. Eni acquires a participation stake in the Angola LNG Project. 10 December 2007. This press release refers to Exem Exploration & Production B.V. This company has since been renamed Exem Oil & Gas B.V., according to annual accounts filed by the latter for 2007, and is wholly owned by Exem Energy B.V, which is wholly owned by Exem Holding AG.
17. Email to Global Witness from Mwenenge. 19 October 2009.