PWYP Newsletter - January 2006 – Special Edition on Africa

An overview of the latest developments related to the Publish What You Pay NGO coalition’s campaign for revenue transparency in the oil, gas and mining industries in Africa

In this edition:

1. Introducing the new PWYP Coordinator for Africa
2. PWYP Kribi Workshops
3. Focus on revenue transparency at the World Social Forum
4. Cameroon: launch of PWYP coalition
5. Chad: Oil Revenue Management Law overhauled
6. Congo-Brazzaville: oil scandal confirms lack of revenue transparency
8. Ghana: civil society builds coalition and takes a lead in pushing EITI forward
9. Guinea: civil society to step up its participation in the EITI
10. Mauritania: approval of the EITI bill
11. Nigeria: momentum on NEITI: bill approved in lower house and NEITI interim financial report out
13. Sierra Leone: NACE reiterates calls to the government to implement EITI

1. PWYP in Africa: introducing the new PWYP Coordinator for Africa

Matteo Pellegrini has joined the PWYP team in the new post of Africa Coordinator. Matteo will serve as the focal point for information on PWYP in Africa and as a facilitator of communication and collaboration between members and civil society coalitions.

Sub-Saharan Africa is in the midst of an oil boom, with oil production set to double by 2010. By the end of this decade, foreign energy companies will pour more than $50 billion into the Gulf of Guinea region—from Nigeria down to Angola—for the exploration and production of petroleum. Oil-producing African governments, in turn, will receive at least $200 billion in oil revenues in the next decade.
Whether the citizens in the region will also benefit from this boom depends, in part, upon the level of transparency surrounding oil revenues, and the degree to which governments in the region are accountable for the allocation and spending of those revenues.

For this reason, civil society organizations (CSO) across the continent are joining the PWYP campaign and establishing national coalitions. In order to enhance their effectiveness, national coalitions are increasingly coordinating their activities and supporting each other’s efforts. Matteo’s role is to facilitate this process. He is based at the offices of Catholic Relief Services in Yaoundé, Cameroon and can be contacted by sending by e-mail to africa@publishwhatyoupay.org or by telephone on the following numbers: +237 221 5561 (office) or +237 634 5635 (mobile). Matteo speaks English, French and Italian and can follow Spanish and Portuguese.

2. **PWYP Kribi Workshops: a major capacity building event for civil society organizations from central and western Africa**

From 26 November to 5 December 2005, Publish What You Pay, in collaboration with the World Bank and other partners, organized two workshops in Kribi, Cameroon. The first was a capacity building workshop for civil society organizations from central and western Africa on the oil industry and transparency processes. The workshop was designed as a training of trainers with the main goal of strengthening participants’ ability to actively participate in transparency initiatives, with particular emphasis on the Extractive Industries Transparency Initiative (EITI). The training model utilized will serve as a basis for the organization and implementation of national and local capacity-building programmes across the region in countries where EITI implementation is underway or being considered. While this workshop was held for French-speaking representatives, subsequent training sessions will be held in other main language groups for civil society organizations at country levels.

The training workshop was followed by a meeting to review the regional PWYP campaign strategy, which was first developed at the regional PWYP roundtable in Pointe Noire, Congo-Brazzaville in February 2005. Over 70 civil society representatives from English-speaking West African countries joined their French-speaking counterparts and partners from international NGOs for the meeting. Participants defined a regional action plan for PWYP in Africa and seized the opportunity to exchange national best practices and experiences.

The Kribi workshops represented a milestone for the PWYP campaign in terms of enhancing regional solidarity and cooperation between civil society partners. For more, see the [Final Communiqué](#) from the Kribi workshop.

3. **World Social Forum: Secours Catholique organises a PWYP workshop.**

On 20 January 2006, Secours Catholique-Caritas France, one of the leading organizations of the PWYP coalition, organized a PWYP workshop at the World Social Forum (WSF) of Bamako, under the title “management of natural resources and transparency in the petrol, gas and mining industries: the role of governments, companies and civil society. The French organization funded the participation of several partners from countries across Africa.
The seminar aimed at increasing awareness on the importance of a transparent management of natural resource revenues. Through practical activities, WSF participants were also encouraged to make concrete suggestions on how to enhance the effectiveness of the transparency campaign. For more see the [communique](#) of the event

**Country Updates:**

4. **Cameroon : launch of PWYP coalition and participation in EITI process**

Cameroonian civil society organisations launched a national PWYP coalition on 6 December 2005. The national coalition comprises faith-based as well as civic groups that are actively engaged in the implementation of EITI in Cameroon and in the promotion of PWYP goals through advocacy, information dissemination, capacity building and research. The Cameroonian coalition includes Service National Justice et Paix (SNJP)/Conférence Episcopale Nationale du Cameroun (CENC), Service œcuménique pour la Paix (SeP), Fondation Camerounaise d’Actions Rationalisées et de Formation sur l’Environnement (FOCARFE), Transparency International Cameroun (TIC), Centre pour l’Environnement et le Développement (CED), Réseau de Lutte contre la Faim (RELUFAM), and Environnement Recherche Action-Cameroun (ERA).

The immediate goal of PWYP Cameroon is to ensure a meaningful participation of civil society in the EITI process and public disclosure of all oil revenues flowing to the government on a disaggregate basis.

Following a disputed civil society consultation process, PWYP Cameroon members called on the government to enlarge civil society representation in the EITI committee. The government accepted PWYP Cameroon proposals and additional CSOs were selected to participate in the EITI committee and the technical secretariat. PWYP Cameroon has also prompted the creation of a broad NGO coordination to ensure that civil society forces not represented in the committee may air their concerns with their fellow representatives in the EITI committee.

In a meeting held on 16 January 2006, the EITI committee convened to adopt the action plan of the EITI committee as well as the terms of reference for the aggregator. PWYP Cameroon representatives reiterated their concerns over the aggregation of payments from each oil company to the government and demanded that their suggestions be retained by the government in the final action plan.

5. **Chad : Oil Revenue Management Law overhauled**

The government of Chad has unilaterally amended Law 001, which was put in place by Chad as a pre-requisite to the high-risk project involving ExxonMobil, Chevron, Petronas, the World Bank and the governments of Chad and Cameroon that permitted exploitation of Chadian oil reserves. The World Bank lent moral, political and financial credibility to the Chad oil export
project when it agreed in June 2000 to finance about 4 percent of the $3.7 billion pipeline that runs from the Doba fields in Chad to the Cameroonian town of Kribi.

In its original form, Law 001 commanded the expenditure of oil revenues in five priority areas (education, health and social services, rural development, infrastructure, and environmental and water resources) under the control of a government-civil society revenue-oversight committee that would ensure correct and transparent management. It also set out the establishment of a “Fund for Future Generations” and a fixed percentage contribution to the development of the Doba oil-producing region.

The amended version of Law 001 redefines “priority sector” expenditures to include spending on security. It also increases from 15% to 30% the amount of revenues deposited into general government coffers, thus bypassing the revenue-oversight committee. Finally, it eliminates the Future Generations Fund and redirects the already accumulated funds to immediate expenditures.

Since the amended law represents a violation of the loan agreement between Chad and the World Bank, the latter decided to suspend all concessional aid (valued at $124 million) and blocked the London-based Citibank escrow account that collected oil revenue payments. Other multilateral and bilateral donors have also temporarily frozen aid to Chad.

The PWYP Chad coalition has called all parties to the respect of commitments and resolved on supporting transparency through continuing involvement in the revenue-oversight committee. PWYP issued a statement in support of Chadian civil society organisations, which have been the target of intimidation for their continuing commitment to the fight for transparency and against poverty.

For more information

- PWYP Statement at www.publishwhatyoupay.org
- Chad’s Oil: Miracle or Mirage? (Bank Information Center and Catholic Relief Services, February 2005),
- World Bank Statement on the Suspension of Disbursement
- EIB Statement of the suspension of cooperation projects with the public sector in Chad
- Statement by IMF First Deputy Managing Director Anne O. Krueger on Chad, Press Release No. 06/05, January 9, 2006.

6. Congo-Brazzaville: oil scandal confirms serious concerns around lack of progress in revenue transparency

Global Witness published a report on 13 December 2005 (‘The Riddle of the Sphynx: where has Congo’s oil money gone?’) that describes how since 2002 companies owned by Denis Gokana, head of the state oil company (Société Nationale des Pétroles du Congo, SNPC), have bought at least US$472 million worth of oil from SNPC at significantly below-market prices, and then sold it on at a profit to independent traders.

According to a recent UK court judgement, Sphynx UK, Sphynx Bermuda and Africa Oil and Gas Corporation (AOGC) were set up by Gokana in 2002 and 2003 while he was serving as a top adviser to the Congolese President, Denis Sassou Nguesso. They continued to purchase oil from
SNPC into 2005, after Gokana’s promotion to head of the company and in contradiction of SNPC’s own regulations. Denis Christel Sassou Nguesso, the son of Congo’s President, also oversaw the deals as head of SNPC’s trading arm.

Global Witness calculated the loss in potential revenue to the Congolese Treasury from under-priced sales to Sphynx of around US$20 million during 2003. Sales profits were transferred to the accounts of AOGC, a Congolese registered company, whose bank statements have never been disclosed. The UK courts ruled that this ‘corporate veil’ was used primarily to hide assets from Congo’s creditors, but there is no evidence that any of the profits made it back to the Congolese treasury.

This latest scandal shows that the Congolese government has failed to implement the recommendations of independent auditors to make the state oil company, Société Nationale des Pétroles du Congo (SNPC), more accountable.

In response to the court judgement, Congo’s Prime Minister, Isidore Mvouba, admitted on 22 January 2006 in a press conference that Congo has been ‘hiding’ oil revenues to escape ‘vulture creditors’ who had purchased the country’s debt and were now looking to seize the Congo’s assets, forcing the government to resort to ‘slightly unorthodox accounting methods’.

Pressure on the government to tidy up accounting and management of its oil revenues has now increased significantly in view the next World Bank/IMF executive board meeting in March 2006 when Congo's eligibility for HIPC will be assessed.

PWYP Congo voiced their outrage at the report findings and called for a public enquiry into this blatant conflict of interest and an independent audit of all offshore trading operations. They also called on international financial institutions to require revenue management transparency as a pre-condition of their cooperation programmes with Congo.

In the meantime the EITI process proceeds slowly. Consultations held on September 2005 did not result in the publication of an EITI bill, the implementation of an action plan or the creation of a functioning EITI committee.

Nevertheless PWYP Congo has continued its awareness raising campaigns and established contacts with the press and key institutions to build momentum so that the country moves from formal sign up of the initiative to meaningful implementation. The activism and commitment of the Congolese coalition have regrettably met with numerous difficulties and more recently with outright intimidation by government representatives. PWYP is calling international partners to pressure the Congolese government to respect its citizens’ right to free expression without fear of retaliation.

For more:

- Global Witness, 13 December 2005 ‘The Riddle of the Sphynx: Where has Congo’s oil money gone?’
- PWYP Congo, Communiqué: “Scandale dans la vente du pétrole : les congolais attendent des explications et des sanctions!” 13 December 2005, N/réf. :121 /05/CCPCQVP/SE
• Approved Judgement of the Honourable Mr Justice Cooke between Kensington International and the Republic of Congo in the High Court of Justice, Queens Bench Division, Commercial Court, Royal Court of Justice, Strand, London on 28 November 2005. Case number FOLIO 2002 NOS 1088, 1281, 1282 & 1357). Read the full high court judgment here (pdf)
• AFP: ‘Brazzaville admet "cacher" ses revenus pétroliers des "créanciers vautours", 22 January 2006

7. Democratic Republic of Congo (DRC): long expected publication of EITI bill sets EITI process in motion

In a speech delivered on 19 January, Mr Jean-Pierre Bemba, vice-president in charge of the Economics and Finance Commission reiterated the DRC’s official endorsement of EITI.

This declaration followed the long-due publication of bill No 05/160 of 18 November 2005 on the creation, organization and operation of the national EITI committee in the DRC. The EITI committee will be composed of an implementation committee, a technical committee and a permanent secretariat. The bill also sets out rules for the representation of civil society organizations.

DRC civil society organisations affiliated to the PWYP campaign welcomed the publication of the bill and have made contact with the government to press for an open and transparent choice of CSOs that will participate in the EITI committee. DRC members have also been actively planning national and local capacity-building events on the EITI that aim to increase public awareness of the initiative and ensure an active participation by all civil society forces.

For More:

8. Ghana: civil society builds coalition and takes a lead in pushing EITI forward

CSO affiliated to the PWYP campaign have been actively working with other national partners like the ministries of Finance and Mines, the Ghana Chamber of Mines, and the Minerals Commission to ensure continuing progress of the EITI. The focus so far has been notably on stakeholder consultations on the EITI, with a view to sensitizing all actors that will be involved in mineral revenues’ receipts and disbursements, when the implementation phase of the EITI begins.

The last of the planned workshops was organized for traditional authorities of mining communities in December 2005. This particular workshop was conducted following recommendations of District Chief Executives who expressed the need to bring the traditional
authorities into the frame, since District Chief Executives disburse part of their mineral revenue receipts to the chiefs as custodians of the land on which the mining activities take place. Following this workshop, the Ministry of Finance has proceeded to advertise the position of the aggregator.

Meanwhile the Integrated Social Development Centre (ISODEC), PWYP key partner in Ghana, has been involving additional CSO in the fight for transparency on mineral revenues and is now planning to launch a structured national coalition in the near future.

9. Guinea Conakry: civil society to step up its participation in the EITI

The last months of 2005 have seen the quick implementation of the EITI in Guinea, with the establishment of an EITI committee and consultative meetings on the EITI budget and action plan, which are now being considered for approval. The terms of reference for the first audit have been discussed by the committee. The first publication of audited revenues and payments is expected on 31 March 2006.

PWYP NGO partners in Guinea have been planning a capacity-building workshop on the EITI with the support of the World Bank. This workshop should allow Guinean civil society to play an active role in the EITI and would provide the basis for the definition of a long-term strategy to enhance transparency in the management of extractive industry revenues in the country.

10. Mauritania: EITI bill approved and process underway

On 20 September 2005 Prime Minister Sidi Mohamed Ould Boubacar held a press conference in Nouakchott where he declared that the government would join the EITI process. Following this official announcement the government published in January 2006 the EITI bill establishing the National EITI Committee.

PWYP, while welcoming the Mauritanian Government’s decision to implement EITI, is concerned about the composition of the EITI committee and the limited consultation of civil society thus far. Civil society is underrepresented in the committee and local NGOs were not consulted prior to the approval of the EITI bill. This stands in contrast to the EITI criteria that command active civil society involvement from the conception of the process.

Mauritanian CSOs have responded to this lack of consultation by holding a meeting with representatives from the World Bank at the Cyber Forum office in Nouakchott on 18 January 2006. The agenda focussed on civil society involvement in the World Bank Country Assistance Strategy and the EITI process. Following this meeting, Mauritanian CSOs affiliated to the PWYP campaign have also established contacts with donors and other CSOs to form a united front on the EITI and push the government to reconsider civil society participation in the EITI committee.

For More:
11. Nigeria: momentum on NEITI: bill approved in lower house and NEITI audit report published

Following the approval of the Nigerian EITI Bill (NEITI Bill) in the lower house on 19 January 2006, the bill is being considered by the Nigerian Senate for final conversion into law. PWYP Nigeria welcomed this latest development that represents a milestone towards the institutionalisation of the EITI process in Nigeria.

The NEITI Interim Financial Audit Report for 2003 and 2004 was released by the Hart Group on 8 January 2006. While stating that there is overall agreement between the amounts paid and received by covered entities, the interim report highlights systemic, operational and procedural weaknesses in government regulatory oversight and in the accounting system. It also calls into question current accounting practices and information systems of the Central Bank of Nigeria (CBN), the Federal Inland Revenue Services (FIRS) and the Department of Petroleum Resources (DPR). The report also stresses that there is no clarity over the attribution of competences relating to the management of federal government cash flow in the industry.

An International High Level Consultative Roundtable was organised on 12 January 2006 to discuss the NEITI Interim Financial Report and strategies to communicate the comprehensive independent NEITI Audit Report. Representatives of the government, companies and civil society attended the event.

PWYP Nigeria welcomed the publication of the interim report and fully supported the Hart Group recommendations. In addition it issued a communiqué to recommend, among other things: to discontinue the dual role of Nigeria National Petroleum Corporation as regulator and major player in the industry; to clarify and reinforce the role and functions of the office of the Accountant-General in the extractive industry in tracking revenue accruing to the government; to establish an upgraded accounting and information management system with the CBN; to reinforce the capacity of key institutions like CBN and FIRS; and that all players in the oil industry, both in the upstream and downstream sectors, uphold best practices, in conformity with global recommendations, and cooperate with NEITI.

For more:

- The NEITI Interim Financial Audit Report from the NEITI website: www.neiti.org


A report by the Attorney General’s Office of São Tomé published on 2 December 2005 has concluded that the 2005 licensing round for the award of exploitation blocks was “subject to serious procedural deficiencies and political manipulation, including the award of interests to many unqualified firms or firms with inferior qualifications, technically and financially”.

- Cyber Forum of Mauritanian Civil Society Organizations
- EITI Website: Mauritania country update
The report’s findings specifically raise the question of whether the Nigerian government is implementing full transparency in the licensing procedures for the JDZ, as per its commitment in the Abuja Declaration signed with São Tomé in June 2004. Among other things, the report focuses on Environmental Remediation Holding Corporation (ERHC), whose majority shareholder is a Nigerian oil company. ERHC holds a highly favourable and controversial contract with São Tomé giving it free options on the country’s oil blocks. This may have deterred international oil companies from entering the bidding round. According to the report, if enforced, the ERHC contract could potentially result in $60 million in lost revenue in a country whose total annual budget is $50 million.

The enquiry questions the validity of ERHC’s contract and its options, and alleges that this could be the result of political pressure and payments to public officials. It recommends that ERHC’s licenses and contract be frozen until all allegations of corruption have been properly investigated. It further calls on the JDZ agencies and the governments of São Tomé and Principe and Nigeria to revise the bidding guidelines to observe international best practice, including pre-qualification for competing companies and public disclosure of any conflicts of interest.

Publish What You Pay and its partner organisations in São Tomé and Nigeria fully supported the Attorney General’s recommendations and called on the São Tomé and Nigerian governments to take all appropriate measures to implement them.

For more:

- **PWYP Statement**: ‘São Tomé and Nigeria: Inquiry finds lack of transparency and serious flaws in oil licensing round’, 16 January 2006
- [website](#) of the JDZ for the Abuja Declaration

### 13. Sierra Leone: NACE reiterates calls to the government to implement EITI

The National Advocacy coalition on Extractives (NACE) reiterated its calls for the government of mineral-rich Sierra Leone to go beyond the signatory point of EITI and launch the process by putting modalities in place for its effective implementation. The government officially endorsed the EITI in June 2004 but little progress has been achieved since.

NACE is committed to working with the government and other partners like the World Bank on the EITI and the extractive sector in general. It is therefore prepared to assist government in developing the appropriate template for annual audits and monitoring activities and companies in the extractive Sector.

For all enquiries related to this special edition of the PWYP Newsletter, please contact Matteo Pellegrini, PWYP Africa Coordinator: [Africa@publishwhatyoupay.org](mailto:Africa@publishwhatyoupay.org)