

The Oil Diagnostic in Angola: An Update *A Backgrounder by Human Rights Watch* March 2001

On April 3, 2000, the International Monetary Fund (IMF) and the Angolan government announced the beginning of a Staff Monitored Program (SMP). This program is an ambitious agreement to implement a wide range of economic and institutional reforms in Angola that could lead to further lending and cooperation with the IMF and World Bank, but it is unclear whether the government will be able to comply with its requirements. The SMP includes a provision to monitor oil revenues known as the "Oil Diagnostic."¹ Human Rights Watch believes that should the Oil Diagnostic be implemented, it could mark a limited, but positive first step toward promoting transparency, accountability, and good governance in Angola and, ultimately, greater respect for human rights. But there are pitfalls in the process that could impede the success of this program. This backgrounder details recent developments regarding the Oil Diagnostic and other issues related to oil and human rights in Angola.

The World Bank and government of Angola are supervising the Oil Diagnostic and, KPMG, an international accounting and consulting firm, is implementing it. The diagnostic is not a comprehensive audit despite persistent allegations of government corruption and financial mismanagement. It is principally a forward-looking agreement to monitor oil revenues; to help the Angolan government develop an effective mechanism for determining how much revenue the central bank should receive from oil production; and to encourage good governance.² The first Oil Diagnostic report is due in April 2001.³

The Oil Diagnostic is particularly significant because oil revenue has been and remains the Angolan government's principal source of income, and has generated most of the resources enabling the government to pursue its conflict with Jonas Savimbi's rebel National Union for the Total Independence of Angola (UNITA) movement. Between 1995-1999, oil revenues comprised approximately 70 to 89 percent of government revenues and approximately 85 to 92 percent of exports, according to the IMF.⁴ In 2000, oil accounted for U.S. \$3.26 billion of government revenue.⁵ On February 23, 2001, the Angolan government announced that oil revenues would account for 90.5 percent of the current year's budget, or approximately U.S. \$3.18 billion.⁶

The opaqueness of the Angolan government's budget and expenditures has generated concern among multilateral financial institutions, nongovernmental organizations (NGOs), corporations, and governments, as well as within Angola itself. At issue are the use of public funds, derived from oil revenues, to secretly finance arms purchases and the mortgaging of future oil revenues in return for immediate oil-backed loans to the government. In some cases in the

recent past, oil revenues bypassed the Ministry of Finance and the central bank (the Banco Nacional de Angola, or BNA) and went through the state-owned oil company, Sociedade Nacional de Combustiveis de Angola (Sonangol), or through the Presidency, and were used secretly to procure weapons.⁷ This sparked allegations of official corruption.⁸ The government's lack of transparency engendered further controversy in June 2000 when André Tarallo, former Africa director of France's Elf Aquitaine (now TotalFina-Elf) oil company, testified to French authorities that Elf kept a multimillion dollar slush fund, derived from oil proceeds (up to U.S. \$0.40/barrel went into the fund), in Liechtenstein. These funds were allegedly used to pay African leaders, including Angolan President José Eduardo dos Santos, from the 1970s to 1990s.⁹ Dos Santos and TotalFina-Elf have denied the allegations.¹⁰

The Angolan government's practices have not met basic standards for fiscal transparency and accountability, such as those detailed in the IMF's *Code of Good Practices for Fiscal Transparency*. The code calls for open disclosure and reporting in order to encourage public debate about fiscal policy and ensure governmental accountability.¹¹ The secret dealings of the government made it impossible for the Angolan public and media to hold the government accountable for its use of public funds. In addition, the government has responded to public and press criticism of its use of the country's oil revenues by clamping down on journalists and restricting freedom of expression. In this regard, fiscal transparency, political accountability, and human rights are inextricably intertwined in Angola.

Further Details on the Oil Diagnostic

The initial agreement to carry out the Oil Diagnostic was reached in April 2000, but procedural delays held up the announcement of the monitoring contract for several months. On November 20, 2000, the Angolan government announced that the international accounting and consulting firm KPMG had been awarded the U.S. \$1.6 million contract to conduct the Oil Diagnostic. The government will pay 68 percent of the costs of the program while the World Bank will pay the remainder.¹²

The Oil Diagnostic will not examine how the government uses its oil revenues after they are deposited in the central bank. To do this, the government should be required to publish a detailed budget and an account of actual expenditures. The purpose of the Oil Diagnostic will be to assess only whether the amount of oil revenues generated are equal to the amount of funds deposited in the central bank, and to develop mechanisms that enable the government to monitor revenues accurately. To achieve these goals, KPMG will be responsible for carrying out the following seven components:

- The creation of a database that contains an assessment of proven and probable oil reserves, production, and exports.
- The development of projections of export oil prices, production, exports, and subsequent revenues payable to the government on a quarterly basis from mid-2000 to the end of 2001, and annually until 2005.
- Monitoring of the actual revenues received by the government and comparing these figures to the projections of revenues on a quarterly basis from June 2000 to December 2001. This includes signature bonus payments.*

* A key figure will be the bonus payment for the outstanding equity stakes in deepwater Block Thirty-Four. The government of Angola notified the IMF that the bonus payment will be approximately U.S. \$250

- Assessing the government's existing monitoring of exports, the government's data management, and financial and procurement procedures.
- Providing recommendations to improve institutional and regulatory controls within the government to "support the sound management of oil revenues."
- Designing and implementing a monitoring system for the government so that it can accurately assess oil revenues.
- Training of Angolan staff and providing proposals for institutional strengthening so that the government can continue monitoring of oil revenues.¹³

Ideally, this agreement will lead to a substantial improvement in the government's management of oil revenues and greater transparency and accountability in its use of such income. However, the agreement has limitations that could hinder such developments. These include:

- The government of Angola has not made a commitment to make the KPMG reports public, although one of the key objectives of the Oil Diagnostic is "to assist the Government in increasing transparency with respect to revenues from petroleum production."¹⁴ The Oil Diagnostic reports are technically the property of the Angolan government, and it has given no commitment to make the reports public. This is particularly troubling. According to the IMF *Code of Good Practices for Fiscal Transparency*, "a public commitment should be made [by the government] to the timely publication of fiscal information;" and "the integrity of fiscal information should be subject to public and independent scrutiny."¹⁵ Moreover, recent World Bank research suggests that media independence, judicial independence, and public scrutiny are crucial for ensuring government accountability in countries where there is weak governance.¹⁶ Human Rights Watch urges the Angolan government to make a firm commitment to release all Oil Diagnostic reports to the public as soon as they become available, and to ensure that they are disseminated in Portuguese.
- The IMF and World Bank cannot release the Oil Diagnostic reports without the government's permission, even though they receive copies of the reports and the World Bank is funding approximately 32 percent of the diagnostic. KPMG is not allowed to release these reports independently because it is a government contractor, and the reports are considered government property. The IMF and the World Bank could insist that the government publish the reports as a measure of the successful implementation of the Oil Diagnostic, and a condition for further cooperation between these institutions and the government. So far, the IMF has said that it will insist on the public release of the reports, but not what it will do if the government refuses to publish the reports.¹⁷ Human Rights Watch believes that the World Bank and the IMF should insist that the government

million. The operator will be Sonangol in partnership with Norsk Hydro. The outstanding equity shares in the block will reportedly be awarded to Royal Dutch/Shell, Petrobras, Phillips Petroleum, and possibly Galp.

release the Oil Diagnostic reports as an explicit requirement of any further cooperation with the international financial institutions.

- It is not clear that the Angolan government will have the capacity to independently report on oil revenues by the time that the Oil Diagnostic expires in 2002. KPMG is responsible for comparing projected with actual revenues during the last two quarters of 2000, and throughout 2001. KPMG's first report is due in April 2001, and is expected to include their initial assessment of oil revenues. Subsequently, KPMG is to submit reports to the Angolan government, the World Bank, and the IMF every three months until the agreement ends. During this time, KPMG will also provide monthly updates on its findings to the Angolan government.¹⁸ After the final KPMG report, the government is expected to assume direct monitoring itself. However, it is by no means clear that the government will have the capacity to report on these issues independently by the end of 2002. Human Rights Watch urges the World Bank, IMF, and the Angolan government to continue the diagnostic under the auspices of the IMF and World Bank until the government adequately demonstrates its ability to publicly report on these matters.
- The Oil Diagnostic is not retroactive despite previous controversies over oil-for-arms deals and oil mortgaging. KPMG is expected to examine data going back to approximately 1998 as a basis for comparison with current production and revenues.¹⁹ It is not clear whether this data will be included in the quarterly monitoring reports. Human Rights Watch believes that the pre-2000 data should be included in the first Oil Diagnostic report.
- The government should provide a detailed and public accounting in response to any discrepancies identified by KPMG. If discrepancies emerge between the projected and actual revenues deposited in the central bank, the Oil Diagnostic requires only that the government provide a "sufficient explanation" of such discrepancies.²⁰ In some cases, discrepancies may be due to fluctuations in oil prices, changes in the price of oil due to variation in oil quality, or lesser (or greater) production than initially recorded.²¹ However, other types of discrepancies are also possible—such as off-the-books arms purchases or loan repayments funneled through Sonangol or the Presidency. KPMG's ability to account for these discrepancies is completely dependent on the quality of information it receives from the government. It is critically important, therefore, that the government should provide—and the multilateral institutions insist on—the most thorough, verifiable, and public explanation from the government of all discrepancies to establish transparency and accountability.
- The Oil Diagnostic is not an investigation into the use or misuse of oil revenues by individuals within the government. In fact, the agreement between KPMG and the government explicitly states that "the consultants [KPMG] shall not be expected or required to consider or investigate or conduct any form of enquiry into the conduct, practices, honesty, integrity or standards of, or nature or quality of work performed by, any person who has or may have had, any involvement in or connection with, directly or indirectly, the facts, matters, circumstances or events which shall be diagnosed, monitored, studied, assessed or considered by the consultants during the performance of these services." [original emphasis]²² Rather than avoiding a full audit, Human Rights Watch strongly believes that the IMF, World Bank, and government of Angola should negotiate a comprehensive audit of discrepancies if such discrepancies emerge.

- As yet, it remains unclear whether the Angolan government will make public KPMG's final report and recommendations, as it should do, and subsequently report on its progress in implementing those recommendations. KPMG will have eighteen months from the end of 2001 to prepare a final report to the government, IMF, and World Bank. This report will contain recommendations, including safeguards against "concluding of contracts for the procurement of goods and services without adequate competitive bidding or on a basis other than arm's length; and any other fraudulent or unprofessional practices which it [KPMG] deems worthy of attention."²³ Given the serious nature of the recommendations likely to be made, Human Rights Watch believes it is essential that the Angolan government should publish this final report in full, and should subsequently issue further information periodically to report on its implementation of those recommendations to the Angolan public.

The Cooperation of Corporations

Cooperation between oil companies operating in Angola and KPMG is critical to the success of the Oil Diagnostic.* The companies possess independent data on oil production and revenues paid to the government that is needed to compare with the figures provided by the government. The agreement between KPMG and the government recognized this, and states that "the Government of Angola will use its authority to require all companies concerned to cooperate fully under industry-standard confidentiality undertakings" with the consultants.²⁴

Most of the major firms operating in Angola have already been contacted by KPMG with requests for data.²⁵ To date, BP, Chevron, Exxon-Mobil, Royal Dutch/Shell, and TotalFina-Elf have all provided information to KPMG; indeed, the Economist Intelligence Unit reported that "most of the oil companies" have provided information to KPMG.²⁶ BP and Exxon-Mobil also met with the IMF to discuss the SMP.²⁷

In 1997, BP recognized that the company's involvement in Angola could become problematic "if the government fails to live up to commitments made to increase democracy, accountability, and transparency and if oil revenues continue to be the main source of income to the government."²⁸ Consequently, BP chairman Peter Sutherland stated that the company would "insist as far as we can that such payments are transparent."²⁹

Following this, and following pressure from NGOs, and after negotiations with Sonangol and the government, BP told Global Witness on February 6, 2001, that it will itself annually publish financial data on Angola, though without specifying when or in what format this would be done. In particular, BP committed to publish the total net production by exploration/production block; aggregate payments made by BP to Sonangol; and the total amount in taxes and levies paid to the Angolan government. Additionally, BP noted that the amount of the signature bonus payment it made for the offshore concession, Block Thirty-One, was recorded in the 1999 annual report for BP Exploration (Angola) Limited available, at Companies House in London.³⁰ BP paid a signature bonus of U.S. \$111,089,000 for Block Thirty-One, according to the annual report.³¹ Human Rights Watch estimates that all of the joint venture partners in Block Thirty-One, including BP, paid a total bonus payment of approximately U.S. \$333 million.³²

* Currently, the major oil companies operating in Angola are: Agip, BHP, BP, Chevron, Exxon-Mobil, Marathon Oil, Mitsubishi, Norsk Hydro, Ocean Energy, Petrobras, Petrogal, Phillips Petroleum, Ranger Oil, Repsol-YPF, Royal Dutch/Shell, Statoil, and TotalFina-Elf. Smaller firms include: Ajoco, Energy Africa, Gulf Energy Resources, Falcon Oil, INA-Naftaplin, Lacula Oil, Naftagas, Naphta, Neste, Prodev, and Teikoku.

With disclosure of this data, BP set a new standard of fiscal transparency for oil companies in Angola. It is important now that other companies follow this example, as the aggregate financial figures from all oil companies operating in Angola would provide a good estimate of the total amount of revenue that the government receives. It would not, of course, show how the government spent such revenue, but if the revenues paid to the government should differ from the amount of funds deposited in the central bank, then the Oil Diagnostic should uncover the discrepancy. But if there are no such discrepancies, yet questionable expenditures occur after funds are deposited in the central bank, neither corporate disclosure nor the Oil Diagnostic would uncover this.

Recently, the international accounting and consulting firm Ernst & Young has been conducting an audit of the central bank that the government plans to submit to the IMF and World Bank by the end of March 2001.³³ It is not clear, however, whether further such audits will take place during the duration of the Oil Diagnostic. In order to achieve complete transparency, the government of Angola should therefore disclose its use of oil revenues by publishing a detailed budget and account of expenditure, in accordance with the IMF *Guidelines on Fiscal Transparency*.

Arms, Oil, and a Lack of Government Transparency and Accountability

The Angolan government has been involved in a protracted war with UNITA, and its weapons procurement to pursue the war, using revenues derived from oil extraction, has been characterized by a marked lack of transparency and accountability. Defense spending is the government's largest expenditure. According to IMF estimates, defense spending averaged 34.6 percent of government expenditure from 1995-1999, reaching its highest level in 1999 (41 percent of expenditures) after the collapse of the Lusaka peace process at the end of 1998.³⁴

In some cases, payments for weapons bypassed the Ministry of Finance and central bank and were made directly through Sonangol, or through the Presidency. The lack of transparency surrounding these purchases has meant that there have been substantial discrepancies between government estimates of defense spending and independent estimates. For example, official government figures stated that defense spending amounted to 11.1 percent of government expenditures in 1997-1998.³⁵ However, the IMF estimated that 40.0 percent of expenditures were for defense spending and noted that less than half of these expenditures (18.1 percent) were actually recorded by the government.³⁶ In 1998-1999, defense expenditures amounted to only 27.2 percent of government spending, but 13.8 percent was unrecorded. There were no unrecorded defense expenditures in 1999.³⁷ Defense spending estimates for 2000 and 2001 were unavailable at this writing.

Public accounting is particularly necessary in the case of arms purchases by governments that have committed human rights violations and where there is a high probability of future misuse of weaponry. All parties to the conflict in Angola—fuelled largely by the control and sale of diamonds by UNITA and oil by the government—have committed gross and widespread human rights abuses. Government violations included torture, “disappearance,” summary executions, indiscriminate killing of civilians, pillaging, arbitrary recruitment into the military, forced displacement, use of indiscriminate weapons such as antipersonnel landmines, harassment of the political opposition, and restrictions on the press. For its part, UNITA has been responsible for summary executions, torture, mutilations, abductions of women and children, hostage-taking, and restricting the movements of civilians.³⁸

Of particular concern is the Angolan government's use of indiscriminate weapons such as antipersonnel landmines. The Angolan government signed the United Nations (U.N.) Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (the Mine Ban Treaty) in December 1997. However, government forces have systematically laid new mines and minefields since Angola signed the treaty, as Human Rights Watch witnessed at first sight in both 1998 and 1999. In 2000, Human Rights Watch received numerous reports of new landmine warfare in central and northern Angola and across Angola's borders with neighboring Namibia and Zambia.³⁹

Human Rights Watch has called repeatedly for the international community to implement a complete arms embargo against the government of Angola and UNITA, and for full disclosure of all weapons purchases and military transfers since the signing of the Lusaka Peace Accords in 1994. Such disclosure should include providing information on arms sales to the U.N. Register on Conventional Weapons. To date, however, the international community has failed to impose a comprehensive embargo and only the 1993 U.N. arms embargo against UNITA is in place.* During the final years of the Lusaka peace process (1995-1998), no country submitted details of their weapons transfers to Angola to the U.N. Register on Conventional Weapons.⁴⁰

Several events drew international attention to the linkage between arms, oil, and the need for government transparency and accountability in Angola: arms-for-oil deals with the Angolan government in the early 1990s that led to investigations and some arrests of individuals by French authorities; weapons procurement paid for by oil signature bonus payments after the collapse of the Lusaka peace accord at the end of 1998; an arms-for-oil deal between the governments of Angola and Slovakia in 2000; and the seizure of a Ukrainian freighter in the Canary Islands carrying arms destined for Angola in February 2001.

- **Signature Bonus Payments and Arms Procurement after the Collapse of the Lusaka Peace Accords in 1998**

Fighting resumed between the government of Angola and UNITA in December 1998 after the collapse of the Lusaka Peace Accords. New flows of arms into the country fuelled human rights abuses and violations of the laws of war, and the international community showed little political will to enforce the 1993 arms embargo against UNITA. At the end of 1998, UNITA purchased large amounts of weaponry from foreign sources, "sanctions-busting" through neighboring countries, especially South Africa, Congo, Zambia, Zaire (now the Democratic Republic of Congo), and also Togo and Burkina Faso.⁴¹

There were also arms shipments to the government throughout the Lusaka process. These transactions were not illegal, but they undermined the spirit of the Lusaka Protocol and contributed to undermining confidence in the peace process. The weapons were purchased from a range of countries, including Belarus, Brazil, Bulgaria, China, Israel, Ukraine, and South Africa.⁴² Russia, one of the three governments serving as official observers/mediators in the peace process (the "Troika"), undermined its official position by selling large amounts of weapons to the government, resulting in a number of shipments to Angola. Portugal, another Troika member, also undermined its role as an objective and impartial observer/mediator, entering into military cooperation agreements with the Angolan government during the peace process. The United States, the third Troika member, did not have any formal military agreements with the government.⁴³ The government's procurement of weapons again reached new levels in 1999, matching the high levels of purchasing of 1994. The Russian Federation was the prime source of arms to Angola during this period.⁴⁴

* Human Rights Watch supports the embargo on UNITA.

Covert arms purchases financed by oil revenues were also a concern during this period. International oil prices fell sharply in 1998, leaving the Angolan government short of cash. But approximately U.S. \$870 million in funds generated by signature bonus payments on oil exploration and offshore deepwater concession Blocks Thirty-One, Thirty-Two, and Thirty-Three were used by the government to pay for its weapons purchases. These funds were earmarked for the "war effort," according to the Angolan Foreign Minister.⁴⁵ The multinational oil companies BP, Exxon-Mobil, and Elf are heavily invested in these blocks, principally because only the large oil majors have the technical expertise and investment capital to develop these technically challenging and expensive deepwater concessions.

- **Arrests over Arms-for-Oil Deals in 1993-1994**

One of the joint-venture partners in Block Thirty-Three is Falcon Oil, a company reportedly controlled by Pierre Falcone, a Franco-Brazilian businessman who is alleged to have engaged in arms brokering.⁴⁶ On December 1, 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. According to The Washington Post, Falcone's company, Brenco International, brokered arms deals involving the sale of surplus Russian military equipment to the Angolan government. The first deal, the newspaper said, was worth approximately U.S. \$47 million and took place on November 7, 1993, while a second deal, worth some U.S. \$563 million, took place in 1994.⁴⁷ In both cases, the weapons purchases were reportedly paid for with Angolan proceeds from oil sales – with Sonangol, for example, paying some of the money for the 1994 transaction to French bank accounts controlled by a Czech firm, ZTS OSOS, that provided some of the weapons.⁴⁸ Falcone has denied the charges and stated that he "is innocent on charges and will be proven so in French courts."⁴⁹

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. Dos Santos went further, praising 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.⁵⁰

The French authorities examined Falcone's computer records after his arrest and, according to Agence France-Presse, issued an international warrant for the arrest of Arkady Gaydamak, a Russian-born businessman, on December 8, 2000.⁵¹ Gaydamak was said to have been one of Falcone's partners in the 1993 arms deal with the Angolan government.⁵² On December 29, 2000, Agence France-Presse reported that Gaydamak was then in Israel, and that he denied that he was guilty of tax fraud and arms dealing.⁵³

French authorities also arrested Jean-Christophe Mitterrand, son of the late, former French President Francois Mitterrand, in connection with the arms deals on December 21, 2000. According to the Washington Post, Jean-Christophe Mitterrand had allegedly helped facilitate the 1993 transaction between Brenco International and the Angolan government when he was then his father's presidential adviser on African affairs. He allegedly received payments totaling U.S. \$1.8 million in 1997 and 1998 for his services.⁵⁴ Mitterrand was released on January 11, however, after his mother posted U.S. \$725,000 bail.⁵⁵ Prosecutors requested the court to drop the charges of arms trafficking because of procedural errors in filing the case, but a French court

denied their request on February 23, 2001.⁵⁶ Jean-Christophe Mitterrand has denied all the charges and stated that the payments he received were consulting fees for an oil mortgaging deal between the Angolan government and Brenco International.⁵⁷ The case is still under investigation by French authorities.⁵⁸

Controversy over Falcone's activities spread to the United States because he maintains a residence with his wife, Sonia de Falcone, in Arizona.⁵⁹ Ms. Falcone gave substantial campaign contributions to various politicians and political parties, some of which were ultimately returned. According to U.S. Federal Election Commission filings, Ms. Falcone, through her Essante Corporation, gave U.S. \$20,000 and U.S. \$80,000 to the Republican National Committee (RNC) on May 19, 2000 and November 16, 2000, respectively.⁶⁰ She also donated U.S. \$2,000 to the Arizona Republican Party on June 8, 2000 and U.S. \$1,000 to the Governor George W. Bush Presidential Exploratory Committee on April 14, 1999.⁶¹ The Arizona Republic reported that current president Bush's father, former president George H.W. Bush, attended an exclusive U.S. \$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.⁶² 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."⁶³ 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.⁶⁴

Other candidates and parties received money as well. The 2000 presidential campaign of current Arizona senator, John McCain, received a total of U.S. \$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.⁶⁵ The Democratic National Committee (DNC) received a U.S. \$2,000 contribution from Ms. Falcone on May 24, 1999.⁶⁶ 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 1999.⁶⁷

- **Recent Arms Flows to the Angolan Government**

Recent arms procurement by the Angolan government highlighted the importance of oil as collateral for arms purchases and the lack of transparency in government procurement. These events underscored the need for the Angolan government to disclose its use of oil revenues and military expenditures in order to facilitate proper accounting and effective scrutiny of the government's activities.

Angola and Slovakia signed an arms-for-oil bartering agreement on April 3, 2000—the same day that the SMP was announced. This arms deal reportedly included the purchase of six SU-22 bombers and possibly T-72 battle tanks.⁶⁸

On February 24, 2001, Spanish authorities on the Canary Islands seized a Ukrainian freighter carrying weapons destined for Angola. Authorities found approximately 636 metric tons of weapons, including grenades, night vision equipment, and ammunition aboard the ship that was seized after the captain failed to accurately report the cargo. The captain originally told the authorities that the ship was carrying automobile parts.⁶⁹ Angolan government representatives acknowledged that the cargo was destined for the Angolan government and was legally purchased from the Russian state-arms company, Rosvooruzhenie (now a new agency named Rosoboroneksport), by the Angolan state-owned company, Simportex. However, Angolan officials acknowledged that Spanish authorities had still to determine whether the freighter captain had violated Spanish law by failing accurately to disclose the nature of the cargo.⁷⁰

Hiding arms shipments to Angola by reporting them as another type of cargo has been a common practice, according to a shipping broker who monitors and arranges shipments to Angola. Previous arms shipments have been declared as agricultural equipment, fragile cargo, mining equipment, medicines, spare parts, or other products. For example, a Russian freighter delivered approximately 500 metric tons of Ukrainian 7.62mm ammunition to Angola in late September 2000, but declared that it was a “fragile” cargo on the official shipping manifest. The deal was reportedly arranged by a Russian broker through a London shipping agent and destined for Simportex.⁷¹

On January 11, 1994, a German freighter carrying Russian and Czech weapons was impounded in the British port of Plymouth. In this case, the captain declared that the ship was carrying "agricultural equipment" instead of weapons.⁷²

Oil Mortgaging

The practice of obtaining oil-backed loans heightened concern over the lack of transparency in the government's use of oil revenues. The Angolan government used future oil production as collateral for loans due to its lack of foreign exchange reserves and arrears on debt service payments. The IMF estimated that oil-backed loans comprised 33 percent of the country's U.S. \$8.78 billion total debt by the end of 1999.⁷³ These oil-backed loans were obtained in a manner that was not necessarily transparent and sometimes bypassed the central bank. In some cases, the government did not adequately disclose how the money was spent. Both Jean-Christophe Mitterrand and Pierre Falcone said that they were not engaged in arms sales to the government, but were involved in facilitating oil-backed loans.⁷⁴

These high-interest loans took many shapes and forms, including four Union Bank of Switzerland (UBS) facilities and others arranged by Paribas, Banque Nationale de Paris (BNP), and the Bankers' Trust, for advances of around U.S. \$300 million with repayment terms of three years or less.⁷⁵

In early 1998, the Angolan government reached a deal with the Swiss oil trader, Glencore, to mortgage virtually the last barrel of the government's own oil production in exchange for up-front payments of approximately U.S. \$900 million. The deal did not meet the basic standards of transparency that the IMF prefers since it was routed through Sonangol and the Angolan Presidency rather than the Ministry of Finance or central bank. Its terms guaranteed Glencore some 75,000 barrels per day of the government's allocation. The remainder was tied up in pre-financing deals with Lloyds Bank, BP, Chevron, and Elf Aquitaine (now TotalFina-Elf).⁷⁶ Sonangol announced the signing of a U.S. \$575 million loan agreement in London underwritten through the Union Bank of Switzerland (UBS) on May 18, 1999. A substantial portion of this loan was designated for re-financing of previous loans.⁷⁷ Only some U.S. \$35 million was new cash.⁷⁸ The latest loan effectively stretched out the repayment terms for Angola over a longer period, easing its short-term repayment obligations. The Angolan government repaid U.S. \$1 billion of the UBS (the U.S. \$575 million loan) and BNP-Paribas (U.S. \$1.02 billion) loans by February 2001, according to the Economist Intelligence Unit.⁷⁹

Standard Chartered Bank finalized a U.S. \$455 million oil mortgaging agreement with Sonangol on March 8, 2001. An undisclosed amount of these funds will be used for the early repayment of existing debt from a previous oil mortgaging agreement that is due at the end of 2001. The balance is designated for unspecified reconstruction projects in Angola.⁸⁰

Government Attempts to Limit Public Criticism Over the Use of Oil Revenues

The government has faced growing public dissatisfaction over its management of the economy and other policies. According to the Economist Intelligence Unit (EIU) in August 2000, "public criticism of the government has grown noticeably, particularly focusing on official corruption.... The resurgent peace movement has also been active in articulating growing exasperation with the country's political leadership over the impression that the country's enormous, and growing, oil wealth has failed to produce any tangible benefits to the general population."⁸¹

In practice, social spending is very low in Angola. The IMF estimated that social spending averaged only 11.6 percent of government expenditure from 1995-1999. Then, with the resumption of civil war at the end of 1998, defense expenditures reached a five-year high in 1999, while social spending fell further, to 9.4 percent, the lowest level since 1996 and second lowest since 1995.⁸² The World Bank noted starkly that "income inequality in Angola increased sharply over 1995 to 1998, with the richest 10 percent of the population enjoying a 44 percent increase in wealth while the poorest 10 percent suffered a 59 percent decrease."⁸³ The country ranked 160th out of 174 countries in the United Nations Development Programme's (UNDP) 2000 Human Development Index (HDI).⁸⁴ The IMF reported that nine million out of the country's thirteen million people, some 62 percent, live in "absolute poverty,"⁸⁵ while UNICEF (the United Nations Children's Fund) reported that Angola had the world's second highest child mortality rate in 2000.⁸⁶ Approximately 4 million people (30 percent of the population) have been internally displaced as a result of the continuing conflict, according the United Nations High Commissioner for Refugees (UNHCR), some 2.7 million of them, 21 percent of the population, since 1998.⁸⁷

Although the government has committed itself to improving human rights, it remains particularly hostile to public inquiry or criticism over its use of oil revenues, as reflected in its tightening of restrictions on freedom of expression and peaceful assembly, and a series of actions taken against local journalists.

Gustavo Costa, of the Portuguese-language newspaper *Expresso*, for example, was charged with defamation and libel for writing about cabinet corruption in April 1999. On December 24, 1999, Costa received a suspended prison sentence, was fined U.S. \$508, and ordered to pay U.S. \$2,000 compensation for "defaming the Chief of the Civil Office of the President, Jose Leitão." Costa's trial was closed to the public and the media, and he complained that he was pressured to reveal his sources. His lawyer lodged an appeal to the Supreme Court, but it has yet to be heard.⁸⁸ The case was effectively dropped on November 29, 2000, when the parliament passed an amnesty law that pardoned Costa and other journalists of charges previously filed against them.

The government introduced a draft new press law in late July 2000 that would have severely restricted freedom of expression. It appeared intended to curtail increasing domestic press questioning of the government following the publication of a report by Global Witness that exposed links between oil and high level government corruption allegedly involving President Dos Santos and his associates, and critical reporting by local journalists such as Rafael Marques. It prescribed sentences of two to eight years of imprisonment for any journalist who impugned the president's honor or reputation; empowered the authorities to determine who could work as a journalist, and to seize or ban publications, including foreign publications, at their discretion; and allowed the arrest and detention of journalists for thirty days before any charges were filed. The draft law also removed truth as a defense against libel against the president or the office of the president, which would have allowed the authorities to imprison even journalists who wrote accurate reports if these could be deemed to impugn the president's honor or reputation.⁸⁹ In the face of widespread domestic and international criticism, the government ultimately withdrew the

draft law in October 2000 and said it would establish a committee comprised of government and nongovernmental representatives to revise the law.⁹⁰ At this writing, the government had not formed the committee.

The government also took action against opposition political parties who criticized its policies and performance. On January 24, 2001, police beat and arrested eight members of the Party for Democracy and Progress in Angola (PADPA) after they staged a peaceful hunger strike outside the Luanda residence of President dos Santos, calling for him to resign on grounds of economic mismanagement and corruption. The protestors also called for disclosure of the details of the French arms-for-oil scandal, and criticized the government's discontinuation of peace negotiations with UNITA. Following this incident, Rádio Nacional de Angola broadcast an official statement warning people not to demonstrate against the government. Two of the eight demonstrators were released shortly after their arrest but the six others were charged with holding an "illegal protest." The charges were dismissed by the court, however, when the six appeared in court on January 29, 2001.⁹¹

Conclusion

As the Oil Diagnostic progresses, the government of Angola should be seizing the opportunity to emerge from an environment of war, poor governance, economic crisis, and widespread human rights abuse toward a climate of transparency, official accountability and support for the rule of law, good governance, and sustained social development—all conditions which would help bring much-needed human rights improvements in the country. In this context, the Oil Diagnostic could be an important step in establishing transparency and governmental accountability, but for this to occur it is vital that the Angolan government commit to publicly releasing the Oil Diagnostic reports and a follow-up audit to determine discrepancies. Similarly, the World Bank and IMF should insist on those steps as conditions for further cooperation with the government. Beyond the Oil Diagnostic, the government should make public its budget and create strong institutions that promote and protect transparency, accountability, respect for the rule of law, and human rights.

Endnotes

¹ In addition to the Oil Diagnostic, the monitoring program sets out a series of ambitious reforms that the government must undertake before becoming eligible for Enhanced Structural Adjustment Facility loans from the international financial institutions, including: creating an integrated financial management system; eliminating domestic fuel subsidies; limiting subsidies to indebted state-owned enterprises; eliminating tax exemptions that are not a part of international agreements; eliminating import licenses and non-tariff barriers; simplifying commercial licensing; progressively adjusting tariffs for public services such as water and electricity to market levels; liquidate the *Caixa de Credito Agropecuria* (CAP); defining a strategy to deal with the country's external debt; clearing arrears payments to multilateral financial institutions; gradually eliminating external commercial credits to the central bank; creating a register of debt service payments, including oil-backed loans; preparing a restructuring of the financial system, including privatization of state banks; revising of the special foreign exchange regime; presenting a policy document on privatization; implementing a pilot program involving the privatization of five state-owned companies; publishing comprehensive statistics on government accounts and macroeconomic indices; and preparing a plan for tax reform.

² In June and September 2000, Human Rights Watch released "The International Monetary Fund's Staff Monitoring Program for Angola: The Human Rights Implications" a backgrounder that detailed certain provisions and weaknesses of the Oil Diagnostic and recommendations to ensure greater transparency and accountability on the part of the Angolan government. Some statistical figures regarding government revenues and expenditures have been revised since the release of this document, reflecting updated information by the World Bank and IMF.

³ Additionally, the international accounting and consulting firm, Ernst & Young, is conducting an audit of the Angolan central bank (the Banco Nacional de Angola, or BNA) that should be completed by March 2001. The state-owned diamond company, Empresa Nacional de Diamantes de Angola (ENDIAMA), has agreed to conduct its own diamond diagnostic. The IMF and World Bank may negotiate a more comprehensive study of the diamond sector after reviewing the findings of the ENDIAMA diagnostic.

⁴ International Monetary Fund (IMF), *Angola: Recent Economic Developments*, IMF Staff Country Report Number 00/111, August 2000 pp. 13, 41. In general, the country's reliance on oil peaked in 1995 but appears to have surpassed this in 2001.

⁵ Government of Angola, Memorandum of Economic and Financial Policies, memorandum for the IMF, February 2001.

⁶ Ibid; and "2001 State Budget Presented," ANGOP, February 23, 2001. According to recent estimates, Angola produces approximately 766,000 barrels of oil per day (bpd). Oil production is estimated to increase to 1 million bpd by the end of 2001 and 1.4 million bpd by 2003. The vast majority (approximately 474,000 bpd) of oil production occurs in Block 0 located offshore the enclave of Cabinda. The companies involved are a joint venture between Sonangol (41 percent), TotalFina-Elf (10 percent), ENI-Agip (9.8 percent), and the operator Chevron (39.2 percent) through its Cabinda Gulf Oil Company (CABGOC) subsidiary. At the end of 1999, total production in Block 0 reached 510,000 bpd, or approximately 67 percent of Angola's total oil production. The second largest area of production is Block 3 located offshore the northern coast of Angola, producing approximately 174,000 bpd. TotalFina-Elf (50 percent) is the operator and the other joint-venture partners include Ajoco (25 percent), ENI-Agip (15 percent), INA-Naftaplin (5 percent), and Naftagas (5 percent). Block 2, offshore of the northern city of Soyo produce approximately 84,000 bpd and is a joint venture between the operator Texaco (20 percent), Petrobras (27.5 percent), TotalFina-Elf (27.5 percent), and Sonangol (25 percent).

⁷ Human Rights Watch, *Angola Unravels: The Rise and Fall of the Lusaka Peace Process* (New York: Human Rights Watch, 1999), p. 95, citing Human Rights Watch interview with a Banco Nacional de Angola (BNA) representative, Luanda, August 1998.

⁸ See, for example: Global Witness, "A Crude Awakening: The Role of the Oil and Banking Industries in Angola's Civil War and the Plunder of State Assets," December 1999.

⁹ Economist Intelligence Unit (EIU), "Angola: Country Report," August 2000, p. 18; Paul Webster, "Elf Spent Dollars 60 m a Year on Bribes, Investigators Told," *The Guardian*, July 12, 2000; and "New Corruption Allegations at French Oil Group Elf," Reuters, July 11, 2000.

¹⁰ "Angola Denies Elf Charges," *The Oil Daily*, July 21, 2000; and "Angolan President Refutes Elf Bribe Claims," *Hart's Africa Oil and Gas*, July 26, 2000.

¹¹ IMF, *Code of Good Practices on Fiscal Transparency—Declaration of Principles*. This document is available at: www.imf.org/external/np/fad/trans/code.htm.

¹² “Petróleos sob Auditoria Internacional,” *Jornal de Angola*, November 20, 2000; and “Angola Announces Audit of Oil Industry,” *Associated Press*, November 21, 2000.

¹³ Contract for the Oil Diagnostic between the World Bank, the Government of Angola, and KPMG, Appendix A, “Description of the Services,” p. 23. Human Rights Watch has confirmed with KPMG and oil companies that this document accurately details the services provided by KPMG.

¹⁴ *Ibid.*

¹⁵ IMF, *Code of Good Practices on Fiscal Transparency—Declaration of Principles*, Principles 2.2 and 4.1. This document is available on the Internet at: www.imf.org/external/np/fad/trans/code.htm.

¹⁶ Jeff Huther and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework for Evaluation,” *The World Bank*, December 2000, p. 10.

¹⁷ Human Rights Watch interview with IMF representative, Washington, D.C., January 23, 2001.

¹⁸ “Description of the Services,” p. 26.

¹⁹ Human Rights Watch interviews with KPMG representatives, Luanda, December 6, 2000.

²⁰ “Description of the Services,” p. 23.

²¹ Human Rights Watch interviews with World Bank representatives, Washington, D.C., May 22, 2000.

²² “Description of the Services,” p. 24.

²³ *Ibid.*, p. 27.

²⁴ *Ibid.*, p. 24.

²⁵ Human Rights Watch interview with KPMG representatives, Luanda, December 6, 2000.

²⁶ Human Rights Watch interviews with oil company representatives, Luanda, December 5 and 6, 2000; Human Rights Watch interview with IMF representative, January 23, 2001; Human Rights Watch correspondence with Royal Dutch/Shell, February 6, 2001; and Economist Intelligence Unit (EIU), “Angola: Country Report,” February 2001, p. 17.

²⁷ Human Rights Watch interview with IMF representative, January 23, 2001.

²⁸ BP Amoco (now BP), “BP Social Report, 1997 (London: BP Amoco, 1997), p. 19.

²⁹ Undated letter from BP Amoco (now BP) Chairman Peter Sutherland to House of Lords Member Lord Averbury regarding Averbury’s May 18, 1999 letter of inquiry about the government of Angola’s use of signature bonus payments paid by BP Amoco.

³⁰ Letter dated February 6, 2001 from BP to Global Witness; and “Campaign Success: BP Makes Move for Transparency in Angola,” *Global Witness* press release, February 12, 2001.

³¹ BP Exploration (Angola) Limited, “Annual Report and Accounts 1999,” October 16, 2000, p. 11. BP published this payment because it was considered a “material payment” that had to be disclosed to Companies House in London. The other payments were not detailed because they were cash payments and did not require the same level of disclosure.

³² At the time Block Thirty-One was awarded, the press estimated that the total bonus payment would be approximately U.S. \$350 million. For example, see “Signature Bonuses In Angola ‘Much Higher’ Than Expected-Sonangol,” *Dow Jones Energy Service*, April 13, 1999. Based on the figures supplied in the BP annual report, the calculated total appears to be approximately U.S. \$333 million. Since joint-venture partners in oil blocks pay amounts according to their percent ownership of the block, the BP payment represented 26.67 percent of the total bonus payment. The total bonus payment would have been about U.S. \$416,531,684, but Sonangol is a 20 percent owner of the block and would not have paid a bonus payment, so 20 percent (approximately U.S. \$83,306,336) of the total can be subtracted. The new total, minus Sonangol’s share, would be approximately U.S. \$333,225,347, which is consistent with estimates that the bonus payment would be about U.S. \$350 million. Based on this figure, Exxon-Mobil (25 percent) paid approximately U.S. \$104,132,921; Statoil (13.33 percent) paid approximately U.S. \$55,398,714; Marathon Oil (10 percent) paid approximately U.S. \$41,653,168; and TotalFina-Elf (5 percent) paid approximately U.S. \$20,826,584.

³³ Government of Angola, Memorandum of Economic and Fiscal Policies, memorandum to the IMF, February 2001.

³⁴ *Angola: Recent Economic Developments*, p. 43.

³⁵ Human Rights Watch interview with a representative of the Angolan Ministry of Defense, Luanda, August 1998.

³⁶ *Angola: Recent Economic Developments*, p. 43.

³⁷ Ibid.

³⁸ For a comprehensive account of violations by all parties to the conflict see generally *Angola Unravels*; and Human Rights Watch, *Angola: Arms Trade and Violations of the Laws of War Since the 1992 Elections* (New York: Human Rights Watch, 1994).

³⁹ Human Rights Watch field work in Angola in August 1998. These included: (1) seeing new minefields being prepared in Luena in August 1998, and also establishing that the provincial authorities had refused to allow mine clearance operations in these areas; (2) interviewing newly-arrived refugees in Zambia who said that the Angolan National Police had protected their police station in Cazombo by placing mines on their roof; and (3) speaking with Angolan soldiers who admitted to planting mines under orders from their superiors in August 1998 during operations in Piri and in Uige. Human Rights Watch fieldwork in Angola and Zambia, May 2000; and IRIN, "Namibia: Angolans faces terror charges," May 24, 2000.

⁴⁰ See generally *Angola Unravels*, p. 108.

⁴¹ See generally Ibid., pp. 108-154; The United Nations, *Report of the Panel of Experts on Violation of Security Council Sanctions Against UNITA*, U.N. Security Council Report S/2000/203, March 10, 2000; and The United Nations, *Final Report of the Monitoring Mechanism on Angola Sanctions*, U.N. Security Council Report S/2000/1225, December 21, 2000.

⁴² See generally *Angola Unravels*, pp. 103-108.

⁴³ See generally *Angola Unravels*, pp. 98-103.

⁴⁴ See generally *Angola Unravels*, pp. 92-108.

⁴⁵ *Angola Unravels.*, pp. 94-98; and Human Rights Watch interview with Foreign Minister Venâncio de Moura, Luanda, December 9, 1998.

⁴⁶ U.S. Energy Information Agency, "Angola: Country Analysis Brief," July 2000.; *Angola Unravels*, pp. 97-98 citing *Africa Confidential* vol. 40, no. 10, May 14, 1999; and the Economist Intelligence Unit (EIU), "Angola Country Report, 2nd Quarter, 1999," p. 26; and Human Rights Watch interview with French intelligence source, Lisbon, December 1999. The other joint-venture partners in Block Thirty-Three are ExxonMobil (the operator), Naphta, Petrogal, Sonangol, and TotalFina-Elf.

⁴⁷ Alexandra Brunais, "Mitterrand's Son Posts Bail in Arms Case; Inquiry Sullies Fame of French Ex-Leader," *The Washington Post*, January 13, 2001.

⁴⁸ "Mitterrand's Scandal Associated with ZTS-French Press," *Czech News Agency*, January 10, 2001.

⁴⁹ Dennis Wagner, "French Detain Local Jet-Setter Falcone Accused in Angolan Arms Deal," *The Arizona Republic*, January 5, 2001.

⁵⁰ President of Angola, José Eduardo dos Santos, "Remarks on the Occasion of the Presentation of Credentials by the New French Ambassador to Angola," Luanda, February 23, 2001.

⁵¹ "Russian Billionaire Sought in Probe on Weapons Sales to Africa," *Agence France-Presse*, December 8, 2000.

⁵² "Mitterrand Son Faces Christmas in Jail," *British Broadcasting Corporation (BBC) World News*, December 22, 2000.

⁵³ "Mitterrand Affair: Fugitive Businessman Declares His Innocence in Israel," *Agence France-Presse*, December 29, 2000.

⁵⁴ Alexandra Brunais, "Mitterrand's Son Posts Bail in Arms Case: Inquiry Sullies Fame of French Ex-Leader," *The Washington Post*, January 13, 2001.

⁵⁵ Suzanne Daley, "Mitterrand's Son Free on Bail After 21 Days," *The New York Times*, January 12, 2001.

⁵⁶ "France: Court Maintains Mitterrand Arms Traffic Probe," *Dow Jones International News*, February 23, 2001.

⁵⁷ Alexandra Brunais, "Mitterrand's Son Posts Bail in Arms Case: Inquiry Sullies Fame of French Ex-Leader," *The Washington Post*, January 13, 2001.

⁵⁸ "Mitterrand Son Probe Widens to African Fish Factory," *Reuters*, February 7, 2001.

⁵⁹ Catherine Reagor, "Falcones Hold Record for the Priciest Estate," *The Arizona Republic*, January 12, 2001; and Catherine Reagor, "Hopping on the Trail of a Real Estate Maze," *The Arizona Republic*, January 12, 2001.

⁶⁰ Republican National Committee (RNC), *Report of Receipts and Disbursements to the U.S. Federal Election Commission*, pp.12, 53, June 15, 2000 and addendum.

⁶¹ 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.

⁶² Eileen Bailey, "The Scoop: Daddy Bush Down to Earth on Valley Visit," *The Arizona Republic*, October 7, 2000.

⁶³ Dennis Wagner, "Falcone Firm Gave \$100,000 to GOP," *The Arizona Republic*, January 24, 2001.

⁶⁴ Human Rights Watch telephone interview with Mark Pfeifle, RNC spokesperson, Washington, D.C., February 16, 2001.

⁶⁵ McCain 2000 Inc., *Report of Receipts and Disbursements: October 15 Quarterly Report to the U.S. Federal Election Commission*, October 15, 1999; and McCain 2000 Inc., *Report of Receipts and Disbursements: Monthly Report to the U.S. Federal Election Commission*, March 20, 2000.

⁶⁶ Democratic National Committee (DNC), *Report of Receipts and Disbursements: July 31 Mid Year Report*, July 30, 1999.

⁶⁷ Human Rights Watch telephone interview with Rick Hess, Democratic National Committee spokesperson, Washington, March 8, 2001.

⁶⁸ Human Rights Watch, *Human Rights Watch World Report 2001* (New York: Human Rights Watch), pp. 32-33.; and the Economist Intelligence Unit (EIU), "Angola: Country Report, June 2000," p.27.

⁶⁹ "Angola Bound Ship Carrying Arms is Ukrainian, Not Georgian," *Agence France-Presse*, March 1, 2001.

⁷⁰ Ibid.; and "Angola Bought Weapons from Ukraine in 'Totally Legal' Transaction," *Rádio Ecclesia*, Luanda, March 2, 2001.

⁷¹ Human Rights Watch interviews with shipping broker, London, September 21, 2000 and March 19, 2001.

⁷² Human Rights Watch interviews with British customs officials, Plymouth, January 14, 1994; and see generally: *Angola: Arms Trade and Violations of the Laws of War*.

⁷³ *Angola: Recent Economic Developments*, pp. 15, 39.

⁷⁴ Dennis Wagner, "Jet-Setter's Life Marked by Intrigue: Arms-Deal Allegations Don't Fit, Many Say," *The Arizona Republic*, January 12, 2001; and Economist Intelligence Unit (EIU), "Angola: Country Report 2nd Quarter, 1999," p.26.

⁷⁵ Human Rights Watch interview with Banco Nacional de Angola official, Luanda, August 1998.

⁷⁶ Human Rights Watch has seen a copy of the confidential memoranda between Glencore staff and representatives of Sonangol. See also, *Africa Confidential*, vol. 39, no. 14, July 10, 1998.

⁷⁷ "Oil Company Signs 575m-dollar Loan Agreement," *Reuters*, May 21, 1999.

⁷⁸ Human Rights Watch interview with an oil industry source, London, May 21, 1999.

⁷⁹ Economist Intelligence Unit (EIU), "Angola: Country Report," February 2001, p. 28.

⁸⁰ "Sonangol: U.S. \$455 Million Crude Oil Contract Repayment Facility," *Standard Chartered Bank Press Release*, March 9, 2001. According to banking and oil industry representatives that Human Rights Watch spoke to in March 2001, the loan scheduled for early repayment is reportedly from a UBS-backed oil mortgaging agreement and BP is reportedly the purchaser of the mortgaged oil.

⁸¹ Economist Intelligence Unit (EIU), "Angola: Country Report," August 2000, pp. 17-18

⁸² *Angola: Recent Economic Developments*, p. 43. Social spending was lower in 1996, amounting to 9.3 percent of government expenditures.

⁸³ The World Bank, *Angola: Country Brief*, September 2000. This document is also available on the Internet at: www.worldbank.org/afr/ao2.htm.

⁸⁴ United Nations Development Programme (UNDP), *Human Development Report 2000* (New York: UNDP, 2000), p. 160.

⁸⁵ *Angola: Recent Economic Developments*, p.19.

⁸⁶ The United Nations Children's Fund (UNICEF), *State of the World's Children 2001* (New York: UNICEF, December 2000), Table 1: Basic Indicators.

⁸⁷ United Nations High Commissioner for Refugees (UNHCR), *2001 Global Appeal, Addendum I: Angola IDP Programme in Short*, January 2001, pp.12-16. This document is also available on the Internet at: www.unhcr.ch/fdrs/ga2001/addago.pdf; and Economist Intelligence Unit (EIU), "Angola: Country Report, November 2000," p. 14.

⁸⁸ Human Rights Watch interviews, Luanda, December 1999 and London, May 2000.

⁸⁹ *Human Rights Watch World Report 2001*, p. 473; and U.S. Department of State, *Country Human Rights Reports 2000* (Washington, D.C.: U.S. Department of State, 2001), Angola country chapter.

⁹⁰ *Country Human Rights Reports 2000*, Angola country chapter.

⁹¹ Human Rights Watch telephone interview with PADPA representative, Luanda, March 1, 2001; and Human Rights Watch interview with Fernando Macedo of the Angolan human rights organization, Justice, Peace and Democracy, London, March 13, 2001.