Press Release
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Congo: Is President's son paying for designer shopping sprees with country's oil money?

The son of the president of Republic of Congo appears to have spent hundreds of thousands of dollars of money that may derive from sales of state oil on lavish designer shopping sprees in Paris, Marbella and Dubai, while Congo remains one of the poorest and most indebted countries in the world.

While 70% of Congolese citizens earn less than a dollar a day, in August 2006 alone, Denis Christel Sassou-Nguesso, son of Congo's President and head of Cotrade, the marketing branch of the state oil company SNPC, spent $35,000 on purchases from designers such as Louis Vuitton and Roberto Cavalli.

A recent court case in Hong Kong has revealed that the younger Sassou's credit card bills, and those of Blaise Elenga, formerly general counsel for SNPC and now deputy head of Cotrade, have been paid off using funds from companies based in the tax haven of Anguilla, Elenga Investment Limited (EIL) and Long Beach Limited. EIL and Long Beach are beneficially owned by Blaise Elenga and Denis Christel Sassou-Nguesso respectively. These companies appear to have received, via other shell companies, money related to Congo's oil sales.[1]

'Such a potential blatant conflict of interest in the management of the country's oil wealth throws into serious doubt Congo's commitments last year to clean up its public finances in return for debt relief', said Sarah Wykes, a campaigner at Global Witness.

Corruption and mismanagement in Congo's oil sector is well documented. Despite earning over $3 billion dollars in revenues in 2006, Congo remains one of the poorest and most indebted countries in the world, and its oil wealth has contributed to several bloody civil wars.[2] In March 2006, the country was granted access to debt relief through the Heavily Indebted Poor Countries (HIPC) programme, despite what the IMF and World Bank called 'serious concerns about governance and financial transparency' focused on mismanagement of its oil sector.[3]

Previous evidence, including information from audits of the national oil company under IMF programmes and from court actions undertaken by litigating creditors, had revealed that over several years top Congolese public officials used oil-backed loans and oil sales routed through offshore structures in order to evade paying debts, and to hide new lending from international financial institutions.[4]

Global Witness and Congolese anti-corruption activists have long campaigned against such inherently opaque deals because they greatly increase the risk of Congo's oil wealth being mismanaged and misappropriated. In return for debt relief, the country committed to 'preventing conflicts of interests in the marketing of oil; requiring officials to publicly declare and divest any interests in companies having a business relationship with SNPC'.[3] This latest evidence appears to show that Congo has broken its promises to crack down on conflicts of interest by oil officials and ensure public revenues go to poverty reduction.

How payments that may derive from oil sales flowed via shell companies into offshore accounts from which the credit card bills are paid

- Two specific cargos of Congolese oil are referenced in bank transfers to Long Beach. A $150,000 payment on 12 April 2005 references the *Genmar Spartiate* cargo, sold by Congo on 17 January 2005, and another cargo shipped on the *Tanabe* on 21 March 2005 is referenced in a payment of just over $322,000.
- Payments to EIL and Long Beach from shell companies selling Congo's oil called Sphynx Bermuda and Africa Oil and Gas Corporation (AOGC) first emerged during a High Court case in London in November 2005 (the Nordic Hawk case).[5] Now the latest evidence shows Long Beach received a payment of hundreds of thousands of dollars from AOGC in 2004 while EIL received similar payments from AOGC and from a company called Pan Africa during 2002 & 2003.
- Pan Africa is identified as a corporate vehicle operated by the same secretarial service company that set up EIL and Long Beach. According to an affidavit by its owner, Jean Yves Ollivier, who describes himself as 'a friend of President Sassou-Nguesso', Pan Africa 'has been involved in organised [sic] oil-collateralised loans for SNPC' since 2002, and has received payments from SNPC as 'success fees'. In 2003, for instance, Pan Africa received a payment of $1 million. In a first affidavit, Ollivier states that 'there are no business transactions involving Long Beach, EIL […] and Pan Africa' and denies ever having heard of EIL or Long Beach. In subsequent testimony, after evidence of payments into EIL accounts emerged, he says his previous statement may be 'technically incorrect' and affirms that a payment of $185,000 in 2002 plus 'further funds' were a loan to Elenga, his personal friend, for building a house in Congo.[1]
- AOGC and Sphynx Bermuda were identified in the High Court action in London in 2005 (the 'Nordic Hawk case') as vehicles which bought US$472 million of Congo's oil from Cotrade between January 2003 and April 2005 at significantly below-market prices, and then sold it on at a profit to independent traders. Most of the profits from these sales ended up in the bank accounts of AOGC.[6] Sphynx and AOGC were controlled by the Head of the SNPC, Denis Gokana, while he was a special adviser to the President and then in his current position as Head of the SNPC, a blatant conflict of interests that is prohibited by SNPC's byelaws. The latest evidence in May 2007 includes a 'consultancy agreement' signed between Sphynx Bermuda, EIL and Long Beach in March 2004.
- According to the judgment in the Nordic Hawk case, the primary aim of the Sphynx structure was to keep oil revenues out of the hands of creditors trying to seize the country's assets,[6] yet Gokana himself also admitted in his testimony to profiting from the sales, despite his companies adding no value to the transactions and running no commercial risks.[7] There is also evidence that sales of oil through intermediary shell companies under the control of Gokana and the receipt of monies upfront in the form of pre-payment facilities that are extremely expensive for the Congolese Treasury continue today. All that has changed is the names of the shell companies used.[8]

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<u>Notes</u>

1. See www.globalwitness.org for copies of all the court documents referred to.
2. See World Bank ROC Country Brief, April 2005. External debt stood pre-debt relief at $9.24 billion (end 2004). See IMF, Article IV Consultation with the Republic of Congo, June 2007, Table 9, p. 32; http://www.imf.org/external/pubs/ft/scr/2007/cr07205.pdf. Oil accounts for around 65-70% of Congo's income and in 2006 government oil revenues reached around $3 billion (1531 billion FCFA). Ibid, Table 2, p. 23.

3. IMF, ‘Republic of Congo Reaches Decision Point Under the Enhanced HIPC Debt Relief Initiative’, Press Release No. 06/46 March 9, 2006,http://www.imf.org/external/np/sec/pr/2006/pr0646.htm
4. See Global Witness, *The Riddle of the Sphynx: Where has Congo’s Oil Money gone?*, December 2005.
5. Denis Gokana testimony in the case of Kensington International vs. Republic of Congo in the High Court of Justice, London, 2005, Day 4, Thursday 27 October, p.44 of transcript. Gokana confirms a payment of $100,000 to EIL from Sphynx Bermuda.
6. 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, para. 199 & 212. See also Global Witness, *The Riddle of the Sphynx: Where has Congo’s Oil Money gone?* December 2005.
7. Testimony of Denis Gokana in case of Kensington International vs. Republic of Congo, Day 4, Thursday 27 October 2005, pp. 33-37.
8. Ike Nwobodo, an oil trader who helped set up SNPC UK/Cotrade and later became a key player in Sphynx/AOGC's marketing of oil, gave testimony in September 2006 that sales were now being done via a vehicle called Phenicia, also under Gokana’s control. Cross-examination of Mr Ike Nwobodo, High Court September 12 &13, 2006.