

TRANSPARENCY AND ACCOUNTABILITY
IN EQUATORIAL GUINEA:
POLICY RECOMMENDATIONS
FOR THE OBAMA ADMINISTRATION

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TOWARD A JUST EQUATORIAL GUINEA



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Overview

Equatorial Guinea, Sub-Saharan Africa's fourth largest oil exporter, is important to the United States because of its vast oil and gas reserves. Today, it is oil—produced by U.S. companies there—and little else, that drives the economy of Equatorial Guinea and its engagement with the United States. In 2006, with a daily production level of about 400,000 barrels, oil accounted for 94.6 % of total government revenues. In 2007 oil and natural gas accounted for 97 % of the nation's ten billion dollar exports. The United States is Equatorial Guinea's leading foreign investor, having injected over seven billion dollars into the oil and gas industry.

At current extraction rates and proven reserves, the country's oil is likely to be depleted in the next 20 years. This short window of opportunity to use massive windfall oil profits to address the nation's pervasive poverty must not be squandered. Yet the mismanagement of oil revenues by government authorities has deepened corruption and raises serious concerns about the long-term socio-economic development of the country. Without a sharp change in direction, Equatorial Guinea threatens to become yet another African country to fall victim to the 'resource curse' that has distorted development and entrenched poverty at the expense of the vast majority of its citizens.

Equatorial Guinea thus presents the Obama Administration, the United States

Congress, and American policy-makers with both a responsibility and an opportunity. Given the billions of U.S. dollars invested in Equatorial Guinea, the importance of maintaining access to oil in a stable environment, and President Obama's commitment to reducing global poverty, the Obama Administration must strongly encourage the government of Equatorial Guinea to manage the country's oil revenues in a transparent and accountable manner that can benefit all the people of Equatorial Guinea—consistent with its Extractives Industries Transparency Initiative (EITI) commitments and with the participation of civil society in this critical process. Only then, can oil revenues contribute to reducing poverty, promoting long-term economic development, and improving the quality of living for the people of Equatorial Guinea.

While the Bush Administration failed to take decisive steps in this direction, the Obama Administration can do so by making support for transparency and accountability, political participation and human rights, the cornerstones—all of which depend on strengthening the rule of law and improving governance—of U.S. diplomacy in Equatorial Guinea.

An Important Opportunity that the U.S. Cannot Ignore

Africa's Gulf of Guinea is an increasingly important source of oil. It is home to seven percent of the world's known oil reserves. It supplies more than 15 percent of the U.S. oil imports, and by 2015, that figure is expected to rise to 25 percent.

Equatorial Guinea sits in the heart of the Gulf of Guinea. U.S. oil companies discovered oil there in the mid-1990s, and since that discovery, the country's GDP has increased about 20 percent each year due to the expansion of its oil and gas industry, while the non-oil economy remains tiny. Today, oil accounts for approximately 97 percent of the nation's exports. ExxonMobil is the leading producer in Equatorial Guinea with more than 270,000 barrels of oil a day in production. Marathon Oil extracts 41,000 barrels of liquid hydrocarbons a day and produces an additional 366 million cubic feet of natural gas daily. Marathon owns a controlling interest (52 percent) in the Alba liquid petroleum gas (LPG) plant and a 45 % working interest in the methanol company AMPCO (Atlantic Methanol Production Company), which sold 792,794 metric tons of methanol in 2008. Additionally, Marathon holds a 60 percent interest in the recently completed liquefied natural gas (LNG) plant on Bioko Island. Hess Corporation produces 68,000 barrels of oil per day from its wells located offshore of the country's

mainland (Rio Muni). Noble Energy produces 57,000 barrels of oil equivalent and has total proved reserves of 238 million barrels of oil equivalent. In addition, Noble Energy owns a 28 percent interest in the Alba LPG processing plant and a 45 percent interest in AMPCO.

Despite this significant U.S. presence in Equatorial Guinea, little of the nation's oil and gas revenues end up benefiting the people. Most people still live on less than 2 dollars a day, and human development indicators in Equatorial Guinea are still amongst the lowest ranking in the world.

The widespread socioeconomic disparities and poor government spending on social services in Equatorial Guinea place the long-term stability of oil production in question. One missing element is to address the socio-economic realities and needs of the people where production occurs, particularly in countries where the government has proven unable or unwilling to provide public goods, and in places where regulatory systems and mechanisms for ensuring checks and balances have traditionally faltered.

The United States' Role: An Imperfect Arrangement

While poor governance and corruption are the principal reasons for the lack of development in Equatorial Guinea, international actors—including the United States government and oil companies operating there—tacitly enable the government.

Despite her earlier admonition that “Americans must never excuse tyranny or corruption in Africa,” in 2006, and the Bush Administration’s “anti-kleptocracy” initiative, former Secretary of State Condoleezza Rice honored President Obiang Nguema as a “good friend” during his visit to the U.S. Then, in 2007, the Bush Administration appointed an ambassador to Equatorial Guinea, after not having had a diplomat based in the country since 2004. Such appointment, however, did not entail efforts to combat corruption or promote democracy. The ambassador failed to sternly push for transparency or respect for human rights. Today the U.S. is still Equatorial Guinea’s leading foreign investor, in spite of the U.S. State Department’s condemnation of Equatorial Guinea’s human rights record and corruption in its annual Human Rights Country Report. In 2008, the report detailed the following concerns:

[L]imited ability of citizens to change their government; increased

reports of unlawful killings by security forces; government-sanctioned kidnappings; systematic torture of prisoners and detainees by security forces; life threatening conditions in prisons and detention facilities; impunity; arbitrary arrest, detention, and incommunicado detention; harassment and deportation of foreign residents with limited due process; judicial corruption and lack of due process; restrictions on the right to privacy; restrictions on freedom of speech and of the press; restrictions on the rights of assembly, association, and movement; government corruption; violence and discrimination against women; suspected trafficking in persons; discrimination against ethnic minorities; and restrictions on labor rights.

A 2004 U.S. Senate investigation into the Riggs Bank which revealed that the President of Equatorial Guinea regularly received and held royalty payments from U.S. oil companies in his own private accounts.

Following the Senate investigation in 2004, the investigators wrote that oil companies “may have contributed to corrupt practices in that country by making substantial payments to, or entering into business ventures with, individual E.G. officials, their family members, or entities they control, with minimal public disclosure of their actions.”

In order to help increase the impact of government spending of oil revenues, in 2006, the US Agency for International Development (USAID) signed a Memorandum of Understanding with the Equatoguinean government establishing a “Social Development Fund” in Equatorial Guinea. However, that fund has yet to show any results due to delays in implementation and the unwillingness of the Equatoguinean authorities to authorize disbursement of project funds. As a result, these measures have not markedly improved the well-being of the people in Equatorial Guinea. Nor have these efforts substantially helped to promote transparency, accountability or human rights, or to further citizens’ participation in democratic processes.

A Crucial Juncture

Unless human rights and governance improve in the next few years, it is unlikely that the oil boom will lead to improvements for ordinary Equatoguineans. Thus far, the Equatoguinean government has not taken any serious steps to address

pervasive poverty and corruption, nor to develop the rule of law or even allow the emergence of legitimate, independent civil society, and, as a new Human Rights Watch report, *Well Oiled: Oil and Human Rights in Equatorial Guinea* notes, Equatoguineans have “no way to hold their government officials accountable for their actions”.

During his inaugural speech, President Obama cautioned governments that “cling to power through corruption and deceit and the silencing of dissent” that they are “on the wrong side of history.” He promised that America would reach out and “extend a hand” to those “willing to unclench [their] fist.” More recently, in a speech delivered in Accra, Ghana, on July 11, 2009, President Obama said that “governments that respect the will of their own people are more prosperous, more stable and more successful than governments that do not... No country is going to create wealth if its leaders exploit the economy to enrich themselves.” Obama went on to state that the U.S. government will “increase assistance for responsible individuals and institutions, with a focus on supporting good governance... and on concrete solutions to corruption.”

The next presidential elections in Equatorial Guinea are expected to take place at the end of 2009. This will be an important milestone, and it can provide a good indicator for the Equatoguinean government’s political will and readiness for meaningful democratic reforms. Importantly, it can also provide an opportunity for the Obama Administration to assess its foreign policy towards Equatorial Guinea, based on the government’s ability to ensure a transparent, fraud-free, and intimidation-free electoral process.

Therefore, given President Obama’s expressed core principles related to good governance and development, the Obama Administration must make transparency, accountability, and political participation the cornerstone for its foreign policy with Equatorial Guinea. EG Justice makes the following recommendations to guide the Obama Administration’s policy towards Equatorial Guinea:

- President Obama should appoint as the next U.S. Ambassador to Equatorial Guinea an individual committed to promoting human rights, transparency and the rule of law alongside U.S. security and commercial interests.
- The Obama Administration should establish a fund of \$1 million dollars to be housed at the U.S. Embassy in Equatorial Guinea, to be used to encourage and support civil society participation in the critical areas of human rights,

transparency and rule of law—including the participation of independent civil society in the EITI process as required for validation.

- The Obama Administration should firmly express concern over the ongoing human rights violations taking place in Equatorial Guinea, and set concrete benchmarks for improvements in human rights and overall respect for the rule of law as a condition for any future high-level diplomatic visits. Such benchmarks should address democratic procedures, institutions and legal frameworks, including:
 - The elimination of laws that preclude robust civic participation by civil society groups, citizens and political parties
 - The cessation of tactics used to intimidate voters and obfuscate the efforts of civil society groups and opposition leaders pushing for greater government accountability and transparency.
- The Obama Administration should strongly support for legitimate civil society participation in the EITI process to assist both medium-term validation and long-term improvement of revenue management along with overall governance and development
- The Obama Administration should support and encourage Congress to pass the Extractive Industries Transparency Disclosure (EITD) Act—requiring payment disclosure by SEC-listed oil, gas and mining companies—so so that civil society groups and individuals in Equatorial Guinea have access to information critical for holding their government to account for the use of natural resource revenues.

While the U.S. has significant commercial and energy interests, these should not be allowed to trump the U.S. policy of promotion of transparent and accountable governance. Advancing these objectives will not only help Equatorial Guinea overcome decades of repression and corruption, escape the resource curse, and create a more prosperous future for all its people. At the same time, they will make Equatorial Guinea a more dependable long-term partner of the U.S. at a time when our energy security and national security can be reinforced by better governance—and governments commanding the legitimate support of their people—around the world.



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