

Algeria Reels from Tales of Oil Sector Corruption

AOMAR OUALI & PAUL SCHEMM, Associated Press

ALGIERS, Algeria (AP) — Corrupt and gorging itself at the trough of Algeria's vast oil wealth — that's how most Algerians privately view the elites running the country. Yet few have been willing to say so publicly, until now.

New corruption scandals are shining a new spotlight on state oil company Sonatrach, which jointly with BP and Norway's Statoil runs the desert gas plant that was the scene of a bloody hostage standoff in January.

A recent anguished public plea by a former Sonatrach official shocked Algerians and raised hopes that the leadership will try to clean up the oil and gas sector in Africa's largest country.

There's plenty at stake: Algeria is also one of the continent's richest countries, as the No. 3 supplier of natural gas to Europe, with \$190 billion in reserves, up \$8 billion in the last year alone.

The Feb. 18 letter by former Sonatrach vice president Hocine Malti in the French-language Algerian daily El Watan broke the silence around the company. Addressing the shadowy leader of Algeria's intelligence service, it asks if he is really serious about investigating new bribery scandals involving Sonatrach and Italian and Canadian companies.

When Italian prosecutors in January announced an investigation into oil company ENI and subsidiary SAIPEM for allegedly paying €197 million (\$256.1 million) in bribes to secure an €11 billion contract with Sonatrach, it provoked a firestorm in the Algerian media, until the North African country's justice system finally announced its own inquiry Feb. 10.

Malti, author of the "Secret History of Algerian Oil," scoffed that Algerian authorities were only following the lead of international investigators and wondered if Mohammed "Tewfik" Mediene, the feared head of the Department of Research and Security, would allow the real sources of corruption to be tried in court.

"Is it too much to dream that some of your fellow generals, certain ministers or corrupt businessmen — members of the pyramid that you are on top of — members of this fraternity, might also end up in front of justice?" he asked in the letter. "Or will it be like always, just the small fry are targeted by this new investigation?"

"Will we have to continue to listen for news from the Milan prosecutor to know the sad reality of our country, to discover how certain people, whom you know quite well, people you have come across in your long professional career, have gorged themselves on millions of dollars and euros of the country's oil revenues?" he added.

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Published on Chem.Info (<http://www.chem.info>)

The response to the letter was swift. Energy Minister Youcef Yousfi promised that once an investigation was complete "we will take all necessary measures" against those harming the interests of the nation.

President Abdelaziz Bouteflika, who rarely appears in public, said in a written statement, "these revelations provoke our disgust and condemnation, but I trust the justice system of our country to bring clarity to the web of accusations and discover who is responsible."

Malti told The Associated Press by telephone from his home in France that he wrote the letter partly out of anger that Algeria had to rely on foreign prosecutors to reveal the extent of its own corruption and addressed it to the head of intelligence to shock people.

"It made a lot of noise because with this letter, I broke a taboo," he said. "The head of the DRS is an unapproachable figure in Algeria, at times we can't even pronounce (say) his name."

It is not the first time the state-owned hydrocarbon company, which provides Algeria with 97 percent of its hard currency earnings, has been enmeshed in scandal.

In 2010, its head, three of its vice presidents and the minister of energy were all fired in a corruption investigation run by Mediene's intelligence agency.

However, rather than restore faith in the country's corruption-fighting mechanism, the 2010 purge was widely seen as a chance to settle scores between the DRS and Bouteflika, since most of those fired were his close associates.

Algeria ranks 105 out of 176 in Transparency International's 2012 corruption index, and the occasional corruption investigation often just seems to be how the elites settle their scores, such as a string of revelations about prominent politicians in November, which observers said were linked to next year's presidential elections.

"I realize that people might be shocked by what is happening at Sonatrach — these scandals are terrible and we condemn them as individual acts," Sonatrach head Abdelhamid Zerguine said on the radio Sunday, the anniversary of Algeria's 1971 nationalization of its oil industry from the French. He promised to fight further corruption "with utmost vigor," even while denying it was systemic.

The scale of the scandals is staggering. Nearly €200 million (\$260 million) was paid out by the Italians, according to the Milan prosecutor. ENI has pledged full cooperation with prosecutors in their investigations.

Meanwhile, according to a joint investigation by Canada's Globe and Mail newspaper and an Italian business paper published Feb. 22, Canadian company SNC-Lavalin paid a series of bribes of its own to secure a \$1 billion engineering contract. Company spokeswoman Lilly Nguyen responded to queries about the case saying

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"to the best of our knowledge, SNC-Lavalin is not specifically under investigation in the Sonatrach matter."

With commissions on deals like this going to the highest levels of power, the Algerian press rarely reports about it — until the subject is broached by the foreign media.

Malti, who was there at the founding of Sonatrach in 1963, estimated that the country was losing between \$3 and 6 billion annually to corruption in the oil sector alone.

"If a judge says that an inquiry has opened or even a minister promises to take measures against 'people working against Algeria's interests,' I don't believe them," Mohammed Saidj, a professor of international relations at Algiers University, told the AP. "It's just words to appease a public opinion shocked when it hears about the corruption and billions of dollars stolen by high-level political and military officials, including those close to the president."

The chances of this situation changing are dim, considering how much the country relies on a single company.

In a chapter on Sonatrach in the 2012 book "Oil and Governance," John Entelis, an Algeria expert at New York's Fordham University, described the importance of a company established just a year after Algeria won its independence from France, and wrote, "Algeria's governing elite rely upon Sonatrach for revenue from which they gain power, patronage, and privileges."

Entelis told AP that the letter in El Watan shows that Algerians are increasingly able to complain about this system, even if that won't necessarily change things.

"This is the heart of the Algerian political system — Sonatrach, the DRS, civil society in the form of ... willingness to make these things public. Some say this is what enables it to maintain itself instead of collapse," he said.

Paul Schemm reported from Rabat, Morocco. Associated Press writer Karim Kebir contributed to this report from Algiers, Algeria.

Source URL (retrieved on 09/21/2014 - 7:03pm):

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