

AFRICA CONFIDENTIAL

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Who's counting?

Finance Minister Ismaila Usman and the IMF's Hiroyuki Hino have concluded that Nigeria's economic position is even worse than reported in the cautious budget a month ago. Hino and Usman have yet to sell their agreed reform package to the military rulers and incoming civilian politicians.

ANGOLA I

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All about power

In the return to all-out war UNITA's aim is to strangle the key cities and provoke a revolt against President Dos Santos' government. Failing that, it hopes that with both sides tearing up the Lusaka Accord it may be possible to negotiate a better deal. Neither goal is realistic.

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SOUTH AFRICA/ITALY

Men of honour

For seven years Italian and American police have been trying to extradite Vito Palazzolo and now they may be too late

The net is finally closing around convicted money launderer and Cape Town bon viveur, **Vito Roberto Palazzolo**. He is wanted by the Italian police on charges (which he emphatically denies) of membership of the Sicilian mafia, drug trafficking and money laundering. Indeed an investigating judge in Sicily alleges that Palazzolo manages the investment portfolio of **Salvatore 'Toto' Riina**, the gaoler head of the notorious Corleone clan and still the 'boss of bosses'. Over the past seven years Italian attempts to extradite him from South Africa, backed by the **United States**, have failed, although new South African legislation makes membership of criminal gangs, including the mafia, an extraditable offence. The Palazzolo affair is now opening up mysterious facets of South Africa's police and security services, with implications for some political figures too.

Sources close to the case insist they are moving in on their target. They may be too late. Palazzolo is trying to sell two of his mansions in Cape Town and his farm, La Terre de Luc, in Franschhoek, Western Cape, perhaps wanting to liquidate his assets in South Africa, and move on. For convenient sanctuary, Palazzolo owns several farms in neighbouring **Namibia** (where he faces charges of diamond smuggling); in **Zimbabwe**, his **British** Virgin Islands company Cape International Holdings has banking interests; in **Angola**, he has a stake in the Camatue diamond concession, near the town of Lucapa.

Vita da boss

To back the latest extradition attempt, South African police have relaunched their investigation, from which more is emerging about Palazzolo's political and business networks in South Africa.

1. A cabinet meeting presided over by President **F.W. de Klerk** in March 1993 gave Palazzolo a residence permit, although at the time he was the subject of an Italian extradition warrant. In September 1993, De Klerk's government issued a passport to Palazzolo, despite continued reports from the Italian police about his alleged criminal activities. In January 1993, Palazzolo had written to Law and Order Minister **Hernus Kriel** asking him to tell the Minister of Home Affairs, **Eugene Louw**, that there were no objections to his requests for a residence permit. Palazzolo claims that Kriel had already written a similar letter for his use in **Switzerland**.

2. **Piet Viljoen**, the acting head of the Presidential Task Force investigating organised crime, has claimed that Palazzolo had compromising photographs of former Foreign Minister **Pik Botha**. Botha and Palazzolo's lawyer, **Norman Snitcher**, say there are no photographs. Botha told the Afrikaans daily, *Rapport*: 'I had nothing to do with Palazzolo. He was an acquaintance and a friend of the National Party in the Cape.' But Viljoen has told the Johannesburg *Weekly Mail and Guardian* that he had other photographs of Botha and Palazzolo together with an NP member of parliament, **Peet de Pontes**, who had helped Palazzolo get his South African residence permit. De Pontes was convicted of fraud in January 1991.

3. Dr. **Jan d'Oliveira**, now Attorney General for Gauteng, objected against the withdrawal of Palazzolo's residence permit in July 1991, although it had been established that Palazzolo had entered South Africa illegally in 1986, using a false passport after absconding from a Swiss gaol. After the representations by D'Oliveira, then Attorney General for Eastern Cape, Palazzolo requested a personal interview with the Minister of Home Affairs to draw attention to 'very important issues that I do not wish to put on paper because of the confidentiality thereof, other than to say it directly concerns the government.' D'Oliveira has since been consulted on successive occasions about the validity of Italian extradition warrants for Palazzolo, and has each time recommended that the warrants be dismissed. D'Oliveira, who has the distinction of running the prosecution of apartheid assassin **Eugene de Kock**, is currently in charge of all cases of organised crime reaching the office of the Director of National Prosecutions.

4. Palazzolo struck up a relationship in 1989 with **Anton Lubowski**, a Namibian and an activist in the South West African People's Organisation. In June 1989, Palazzolo's son **Christian** and his lawyer **Cyril Prisman** (who is now an acting judge) visited Lubowski in Windhoek. In the same

month, three payments totalling SA Rand 100,000 were mysteriously made into Lubowski's bank account by Global Capital Investments, a front company for the SA Department of Military Intelligence. In August 1989, Palazzolo invited Lubowski to a meeting in Switzerland. Lubowski returned to Namibia on 25 August and on 12 September was murdered by DMI agents. On 25 September, the Director General of the Home Affairs Ministry issued Palazzolo a visa to re-enter South Africa, to testify for the prosecution against Peet de Pontes, the MP mentioned above. Palazzolo helped the prosecutors prove that De Pontes had assisted the illegal immigration of an Italian financier (viz. Palazzolo) into South Africa.

5. Palazzolo was a generous contributor to NP funds, and knew the Deputy Minister for Constitutional and Provincial Affairs, **Tertius Delport**, who advocated the lifting of the Reserve Bank's freeze on Palazzolo's assets in South Africa. Delport's relative **P.J. 'Dup' de Bruyn** was Palazzolo's legal advisor.

6. The Presidential Task Force investigation into Palazzolo turned into a farce. It was headed by **Andre Lincoln**, who has since been arraigned on 46 counts of fraud and corruption. Palazzolo is a potential witness in Lincoln's trial, claiming that Lincoln owes him R11,000 from a trip the two made together to Angola. Police Inspector **Abraham Smith**, who also served on the Task Force investigation, alleged in an affidavit that Lincoln had known Palazzolo for some years before the investigation and had received a Volkswagen car from him prior to 1994, and that Palazzolo was informed about all the task force's major documentation.

Inspector Smith has told friends that he fears he will be murdered. In turn, Lincoln claims that his wife was warned by an African National Congress MP, **Reggie Oliphant**, that Lincoln was at risk of assassination. Lincoln had written to **Cyril Prisman**, Palazzolo's lawyer, apparently exonerating Palazzolo: 'No past or current investigation carried out by myself or my office can implicate your client in the extortion of Italian businessmen in South Africa . . . It has been a pleasure for me to assist your client.' Prisman said this letter would be used to defend Palazzolo against any attempt at extradition; Lincoln claims the letter was a ploy to make Palazzolo feel safe while the investigators continued their inquiries.

Criminal record

Palazzolo's known record includes the following facts. He was arrested in April 1984 by the Swiss authorities (on a warrant issued by a prosecutor in Rome) and later found guilty of financing drug-trafficking in Switzerland and elsewhere. (He was also indicted in a US federal court, along with 34 others, for conspiracy to import heroin into the USA.) In September 1985 he was sentenced in Switzerland to three years' imprisonment. On 26 December 1986, out on a 48-hour special pass, he absconded to South Africa. He arrived at Jan Smuts airport using the passport of his cell-mate **Stelio Frapoli**, and the NP MP De Pontes helped him to move on to the Ciskei 'homeland'. The Ciskei homeland was then the headquarters of the DMI's covert operations. There Palazzolo changed his name by deed poll to **Robert Von Palace Kolbatschenko**, claiming aristocratic **German** lineage, and applied for South African citizenship without disclosing his real name or his Swiss conviction.

After inviting an official of the Home Affairs Department, **Johan Scheffer**, to his farm at Franschoek, Palazzolo was granted a South African residence permit in December 1987. The following month he was arrested on a Swiss extradition warrant by Major **Andre Fouche**, who found some R500,000 of diamonds and several unlicensed weapons at the Franschoek farmhouse, together with

documents indicating that Palazzolo had invested more than R25 million in various companies in South Africa and Namibia. These findings were submitted to the Harms Commission's Inquiry into Cross-Border Irregularities.

Palazzolo went back to his Swiss jail. Meanwhile a senior state prosecutor in Eastern Cape told Palazzolo's lawyer, Prisman, that they were willing to drop charges if his client would act as a state witness in the prosecution of De Pontes on fraud charges. In October 1989, Palazzolo was in South Africa again, and with his family began building a formidable network of businesses.

Heads in the sand

He is directly involved in the Barrydale Ostrich Company; elsewhere his interests are represented either through his sons Christian or **Pietro**, or through the Von Palace Kolbatschenko (VPK) Trust. The trust, with offices in Cape Town's Greenpoint suburb, is affiliated to Palazzolo's Cape International Holdings. Among the 20-plus companies linked to him are Anglo-Cape Diamonds, Von Palace Cutting Works and La Vie Mineral Waters (Pty). One big foreign deal involved taking a 15 per cent stake in a valuable Angolan diamond concession, Camatue. Since a tax audit on him started in September 1997, he has argued that his only business enterprise in South Africa is the Franschoek farm, and that he has no other tax liabilities in the country.

Disagreeing with this and much else, the Italian police in February 1998 asked for Palazzolo's immediate detention prior to extradition, submitting detailed indictments to Pretoria. (Their case was supported by the legal attache of the US Federal Bureau of Investigation in Rome, **Bob Wright**.) The report from the investigating judge, **Alfredo Montalto**, alleges that Palazzolo, who was born in Terrasini, Sicily, in 1947, has been involved with the Sicilian branch of the *Cosa Nostra* (mafia) for more than 20 years, and links him to other alleged *mafiosi* sheltering in South Africa - **Giovanni Bonomo**, **Giuseppe Gelardi** and **Mariano Troia** charged with the assassination of the *mafioso* Christian Democrat Euro MP, and '*uomo di fiducia*' of President **Giulio Andreotti**, **Salvatore Lima**.

The indictment says that Palazzolo's skills in financial engineering have secured him a leading role in the direction and international investment of the Sicilian mafia's funds, and in managing the property and investment portfolio of Salvatore 'Toto' Riina who won control of the cupola (governing commission) of the Sicilian mafia in the early 1980s. Around that time Palazzolo is said to have managed funds routed through Switzerland in the so-called Pizza Connection, in which millions of dollars worth of heroin were transported from **Turkey** to the USA. Italian and US intelligence officers estimate that Palazzolo laundered more than US\$1.5 billion through offshore companies and fronts from 1979 until his arrest in Switzerland in 1984.

Lately, South African investigators have reported that Palazzolo frequents Hemingways, a nightclub owned by his wife **Tsirtsa Grunfeldt**, and a favourite haunt of **Cyril Beeka**, a former DMI operative, and **Rashied Staggie** of the Hard Livings gang. Also part of the circle are the **Bracale** brothers of Avenue Watch security, **Edward Beeka** of Pro Security, former Death Squad operative **Dirk Coetzee** and another former DMI man, **Gert Nel**. In 1989 Coetzee repudiated his apartheid past and pledged loyalty to the ANC; he now works for the National Intelligence Agency, monitoring the group of Islamic activists called People Against Gangsterism and Drugs (Pagad). Coetzee's son, **Dirkie**, works for Palazzolo.

Whatever the outcome of the latest investigations, they point towards long-lasting ties between security operatives of the apartheid state and organised crime - ties which survived the demise of the NP government in 1994. This helps explain why organised criminals, and the mafia, have targeted Southern Africa for drug trafficking, money laundering and car theft since the late 1980s. The Italian police claim that the mafia's international operators like South Africa, with its infrastructure (better telephones than Italy's) but well away from prying policemen. Unless these sinister links are broken, South Africa's shaky reputation as a safe place to live and do business in will sink further.

NIGERIA

Who's counting?

Talks between Abuja and the IMF reveal an even grimmer economic picture this year

Nigeria's politicians, soldiers, bankers, farmers, taxi drivers and creditors all know that the economy is weaker than at any time since Independence in 1960. Indeed, the figures agreed between officials in the International Monetary Fund and Nigeria's Finance Ministry in their recent negotiations show an even more alarming picture than has been publicly acknowledged so far. In his 4 January budget, Nigeria's head of state, General **Abdulsalami Abubakar**, hoped the ailing economy would grow by at least 3 per cent this year, despite plunging world oil prices.

However, with the government assuming an average oil price for 1999 of US\$9 a barrel, oil revenues are projected at \$7.9 billion, barely half the 1997 output of \$15.2 bn. Oil exports constitute some 95 per cent of export earnings. Officials privately say this will mean negative growth and a potential economic catastrophe for the incoming civilian administration due to take the reins at the end of May.

Negotiations in January between the Finance Minister, **Mallam Ismaila Usman**, and an IMF delegation headed by the **Japanese** senior advisor in the Africa Department, **Hiroyuki Hino**, concluded that the economy was in fact likely to contract by at least 1.6 per cent in 1999. Again, some Nigerian officials still regard even that assessment as overly optimistic.

The other figures used to draw up the strategy for Nigeria's standby programme with the IMF are just as sobering. Reflecting the oil price crash, exports are projected to fall by 15.7 per cent. And, unheard of in an election year in Nigeria, imports are projected to fall by 4.3 per cent; if that happens these will be Nigeria's cheapest elections (and civilian government) on record.

The collapse in prices from mid-1998 onward has already led to a balance-of-payments crisis and severe public spending cuts. Although Nigerian and IMF officials are working on the basis of a financing gap of \$1.5 bn. this year, if the oil price dips below an average of \$9, this gap could widen to as much as \$3-4 bn. Gen. Abubakar announced that international reserves stood at \$7.6 bn. at the end of November, and some fear that the civilian government will have to raid these reserves to staunch the spending gap. Questions are also being raised about how the current exchange rate strategy of a floor rate of N90:US\$1 can be sustained in the face of free-falling foreign exchange earnings.

It is perhaps for these reasons that Hino emphasised that under the terms of the mooted IMF programme, Abuja should consult

with the IMF if strong pressures for depreciation persist, even after monetary policy is tightened. Hino also referred in a letter to the Finance Ministry on 22 January to an agreement about a thorough review conducted by Nigerian officials, with IMF assistance, of laws 'establishing the main principles and institutions in the areas of accountability and the rule of law'. The purpose of this review, Hino says, is to allow the incoming government 'to consider whether existing arrangements should be strengthened or revamped'.

More perspicacious officials in Abuja harbour no illusions about the economic dangers. Hino's IMF team departed with a promise to try to secure not just a staff-monitored standby programme (at which funds are drawn down at near commercial interest rates) but also early agreement on a substantial Enhanced Structural Adjustment Facility, which might encourage other more cautious donors and help prepare the ground for talks with the Paris Club of official creditors. Most of all Nigeria has to establish a track record for effective and accountable economic management.

Yet many within the military's Provisional Ruling Council remain sceptical about the blossoming relationship between Nigeria and the IMF, preferring instead the eccentric, homespun economics of the Chairman of the National Economic Intelligence Committee, **Sam Aluko**. The policy reforms required of Nigeria to qualify for IMF support have therefore been made extremely modest:

- By the end of February the government has to submit externally audited NNPC accounts for 1997 and publish them by the end of May, as well as appoint financial advisors for the privatisation of the state-owned fertilizer plants, telephone companies, electricity company and national airline;
- By the end of May, the government has to enact a new regulatory framework for the sale and distribution of gasoline and other petroleum products - in other words, further cut the subsidy on local gasoline sales;
- By the end of July, the government has to publish a full accounting of NNPC's oil production and refining operations as well as submit externally-audited accounts for 1998;
- By the end of September, the state telephone company, NITEL, should be ready for sale and a final decision should be made on the restructuring of the state electricity corporation, NEPA.

Doubts and debtors

It is by no means certain, however, that incoming civilians, thus far kept out of the loop on the dismal state of the economy, will honour commitments entered into by Gen. **Abubakar** or that donors, to whom Nigeria already owes well in excess of \$20 bn. will abandon their present scepticism. They at least will demand a full reconciliation of Nigeria's outstanding debt, presently estimated at \$26 bn. by government, \$28 bn. by the IMF and \$31 bn. by the World Bank. However fast they move, **Britain's** Crown Agents, who are working with Central Bank and Finance Ministry officials in Abuja, don't expect to have reliable debt figures until towards the end of the year.

Politicians, civilian and khaki alike, are reluctant to start a difficult economic debate in the middle of the political transition with so much regional instability. Instead, Gen. Abubakar's government is trying to herd its civilian successors into an economic strategy agreed in advance with the IMF. How well that works will be clearer after they hold discussions in early March with the successful candidates in the Presidential and National Assembly elections. Officials in Abuja say that it's not just for them and the politicians to reach agreement, there will also be a more national public debate on economic strategy. Only then, they insist, will a Nigerian standby programme be put to the IMF board later in the month.

ANGOLA

All about power

Jonas Savimbi's aims are clear but they are unlikely to prevail

What does **Jonas Savimbi's** *União Nacional para a Independência Total de Angola* hope to gain from the return to all-out war? Power, of course. Savimbi's specific aim is to strangle the key cities and thus provoke a revolt against President **José Eduardo dos Santos'** government. Failing that, Savimbi may hope that, with both sides tearing up the 1994 Lusaka peace accords, it may be possible to renegotiate a better political deal. Neither aim is likely to succeed.

Should President Dos Santos be pushed from power, his probable successor would be a military man, even harder against Savimbi. UNITA's impressive military performance over the past three months shows that the government was unprepared and poorly coordinated. But it is inconceivable that the government's *Forças Armadas Angolanas*, under General **João de Baptista Matos**, the Chief of General Staff, would allow UNITA to keep the initiative for long enough to renegotiate a political accord.

For now, UNITA plans to stave off government offensives in the planalto (central highlands) while gaining as much terrain as it can in the north and north-east. The fall of the capital of Zaire province, M'banza Congo, is seen by some nervous oil companies as part of a threat to the oil-producing centre of Soyo on the Atlantic coast. But M'banza Congo is more than 150 kilometres of hard fighting country from Soyo, for whose defence the government is piling in troops.

Oil company managers are worried that UNITA may switch from its well-tested guerrilla tactics to urban and economic sabotage, pressuring the companies, which produce the government's economic life blood, into at least a temporary shut-down. The oil majors, pinched by the lowest oil prices for a decade, do not want to face vast new security and staff protection budgets. Hitherto UNITA has not made physical threats against the oil companies, as it wanted to work with them once it gained power. For that, some oil companies paid UNITA the odd backhander. Attacking oil installations or personnel would serve little strategic purpose (and the toughest, such as **France's** Elf Aquitaine, would probably stay to take advantage of their competitors' faintheartedness). UNITA commanders, with limited resources, have a greater need to hold onto the diamond-rich Lunda Norte and Lunda Sul provinces, where there have been fierce clashes with government troops, notably around Luzamba.

Despite United Nations' sanctions, **South African, Lebanese, Nigerian** and **Portuguese** dealers fly into UNITA areas to barter arms for diamonds. Weapons have also arrived from Eastern Europe through **Uganda**, which some senior UNITA leaders - including Savimbi himself - have visited. The degree of official connivance in these trips and arms supplies isn't clear: UNITA desperately wants new allies, particularly among the rebels in **Congo-Kinshasa** (and their Ugandan and **Rwandan** allies). **Laurent-Désiré Kabila's** claims that UNITA was helping the Congo rebels persuaded Dos Santos to join the pro-Kabila alliance in August (AC Vol 39 No 16). UNITA has also exploited its refugee supporters in **Zambia**. Several Ovimbundu businessmen with Zambian passports have helped Savimbi, and the Zambian

government has ignored them.

In December, the Congress of the ruling *Movimento Popular de Libertação de Angola* backed the government's decision to make a fresh assault on Bailundo, Nharea and Andulo, UNITA's main strongholds in the planalto. The FAA was surprised by UNITA's firepower, and its first efforts proved fruitless. Savimbi has been preparing to fight since he signed the Lusaka accords in 1994, as several high-ranking defectors from UNITA had made clear. The government was still unprepared.

Older UNITA commanders such as Gen. **Demóstenese Amós Chilingutilla**, who has fallen out with Savimbi, served in the Portuguese army and mingled with other Angolans. So did the impressive Brigadier **Isaías Samakuva**, UNITA's former Representative on the Joint Commission meant to oversee implementation of the peace accords. But most UNITA commanders are young and have met urban Angolans only in war, having been raised in UNITA's occupied zones in the bush and trained by South Africans and **Moroccans**.

These officers are deeply suspicious of anyone who deals with the government, and believe that the Angolan *mesticos* who are prominent in Luanda would put them to work on coffee plantations, given a chance. Brokering a deal between them and the MPLA will be even tougher than the last negotiations, and might only encourage both sides to seek the elusive military victory.

UNITA is also determined to defend its bastions on the central Angolan plateau, the Ovimbundu heartland. The reasons are symbolic, historical and practical. Bailundo, their headquarters, is the seat of the supreme Ovimbundu king; Andulo in Bie Province is Savimbi's home town. By persistence, government troops may get there, but the resistance will be dogged.

A dictator's style

UNITA wants to avoid a rerun of the 1975 and 1994 scenarios, when the government forced it out of Huambo in the Central Highlands into the remote, underpopulated south-east. The central plateau remains a plentiful source of recruits, from which both UNITA and the government have press-ganged teenagers. For a long war, however, the plateau has drawbacks: without thick forests it is vulnerable to air-strikes, and its vast population makes it easy to infiltrate UNITA structures. The UNITA leadership has therefore been relocating to the north of the country.

In wartime, Savimbi's dictatorial style plays better. No commander, not even his Chief of Staff **Altino Bango Sapalalo 'Bock'**, is allowed even a broad picture of what is going on. Only Savimbi knows the locations of the secret dumps of fuel and arms, and of the many airstrips from which supplies are transported to the front. Savimbi's personal grip means that even the most high-placed defectors cannot give the government precise information.

Many senior commanders knew nothing about their colleagues who had been trained in Morocco. These men, now in command of UNITA forces, were strictly ordered not to speak Portuguese and told to say they were from Rwanda. Also, few UNITA officials know much about the operations of **José Pedro Katchiungo**, a former student in Lisbon, and **John Marques Kakumba**, a wealthy Abidjan-based businessman with strong links to West African leaders. They have been crucial in organising arms flights into Angola.

Savimbi hopes to profit from tensions within the MPLA. His own organisation too has many (not so open) dissenters. Many of UNITA's overseas representatives, and its numerous students in Europe and Africa, have been kept short of money, since most of

The President's men

Two main imperatives drove the formation of President **José Eduardo dos Santos'** war cabinet, announced on 30 January: the need to find scapegoats for Angola's appalling economic and military problems and a serious attempt to improve the quality of economic management. President Dos Santos says he is taking personal charge of the two wars, against *União Nacional para a Independência Total de Angola* and against economic devastation. He is to form a 'permanent commission' made up of selected ministers to serve as a link between the presidency and the cabinet.

President Dos Santos blames Angola's near-collapsed economy on the war with UNITA and on the three successive premierships of **Fernando França VanDuném** (July 1991-November 1992), **Marcolino José Carlos Moco** (November 1992-June 1996), then the second coming of França VanDuném (June 1996-January 1999). The prime ministers accused the presidency (*Futungo de Belas*) of denying them real power, especially over budgetary matters.

Yet, VanDuném appointed the same weak economic team in both governments: **Emanuel Moreira Carneiro**, Planning; **Sebastião Bastos Lavrador**, Governor of the National Bank, and **Mario de Alcantara Monteiro**, Minister of Finance. They won credibility neither with Angolans, nor with the International Monetary Fund and World Bank.

Policy battles between Futungo and the premierships were supposed to end with the appointment of **José Leitao da Costa e Silva** as new Prime Minister. Leitao has been operating behind the scenes as de facto Vice-President and economic czar. Cigar-chomping Leitao is not only very bright but is also a workaholic. But he is also desperately shy and would find the public and ceremonial duties of the premierships irksome. So Dos Santos abolished the premierships and appointed a heavy-hitting new economic team. At its head is Finance Minister **Joaquim Duarte da Costa David**, who has been head of the state oil company Sonangol for the past decade. David worked his way through engineering school as an air-traffic controller and Dos Santos selected him over more than a dozen lobbyists for the finance post. David is regarded by foreign oil companies as professional and fair, and free from accusations of corruption that plague business in Angola.

Number two as National bank governor is the highly respected **Aginaldo Jaime**. He was Finance Minister from 1990 to 1993 before resigning in frustration at the sidelining of his economic reforms. He left Luanda to join the African Development Bank in Abidjan, where he became the chef de cabinet to ADB President **Babacar N'Diaye**. He returned to Angola last year and launched Angola's first private bank, *Banco Africano de Investimento*. Given the bank's success and his previous frustrations in government, Jaime was reluctant to return to public office.

UNITA leader **Jonas Savimbi** has again criticised the government for having too many whites and *mesticos*. Both Carneiro and Lavrador are white and are replaced as leaders of the economic team by David and Jaime who are Ovimbundu, (Savimbi's ethnic group).

But their appointments are more about improving management than meeting Savimbi's criticisms. More than a quarter of the new cabinet is Ovimbundu and, excepting Dr. **Jorge Alicerces Valentim**, they are among the most talented in the government.

Number three in the economic team is **Ana Dias Lourenço**. She replaces her former boss, Manuel Carneiro, whom she served well as Deputy Minister. Well-regarded in the IMF and World Bank's Washington headquarters, she is married to *Movimento Popular de Libertação de Angola* Information Secretary **João Manuel Gonçalves Lourenço**. The economic team will receive strong support from the hard-headed **Albina Faria de Assis Pereira Africano**, previously Minister of Petroleum and now Minister of Industry.

The new team's room for manoeuvre will widen when the signature bonuses for the new ultra deep-water blocks are paid. The three new blocks 31-33 will be operated respectively by British Petroleum, Elf Aquitaine and Exxon. Under Joaquim David, Sonangol negotiated unprecedented bonuses for the new blocks. Less than a year ago the oil companies thought they would have to double the highest bonuses paid previously, roughly US\$100 million for each block. Now the main operators in each block are engaged in negotiations with their partners and about the division of payments. The final total payment to government will be some \$1 billion.

If the technocrats in the new economic team win the arguments and use part of the signature bonus to pay off some of the major creditors, this could help efforts for a wider debt restructuring and structural adjustment credits from the IMF. The government would have to submit to tough accountability criteria, including audits of Sonangol and the National Bank, but could win access to much more competitive credits than the usurious oil mortgage-based deals it has negotiated in recent years.

Kundy Payama's replacement of General **Pedro Sebastião** as Defence Minister is partly scapegoating Sebastião for the government's military setbacks last year and partly rewarding Payama, who won the largest number of votes at the MPLA's congress in December. Traditionally, the Defence Minister has been quiescent and stayed away from the Chairman of the Joint Chiefs of Staff. Sebastião, dapper and articulate, had been highly visible and represented Angola at a number of international meetings, including the Paris Francophone summit in December and the summit in **Namibia on Congo-Kinshasa** last month (AC Vol 40 No 2).

Sebastião overly involved himself and the ministry in the day-to-day affairs of the military and fell foul of Chief of Staff, **João de Matos**. However, Kundy Payama may be no less intrusive. A popular military and political figure from southern Angola, he is unlikely to sit in the ministry with arms folded. His relationship with the equally charismatic De Matos will be a critical one.

the revenue from diamonds is used to buy arms. In the **United States** the former representative, **Jardo Muekalia**, is heavily in debt. Savimbi may distrust Muekalia, who was close to the late **Tito Chingunji** (murdered, it is thought, by Savimbi) and to **Abel Chivukuvuku**, who now leads a breakaway UNITA group. In New York, **Marcos Samondo**, who was in the government of National Unity as the Geology and Mines Minister, survives on his savings.

To prove its faith in sanctions against UNITA, the US government

would be happy to force out any of its representatives there. In **Britain**, **Anibal Kandeya** has closed his London office because he could not pay the rent. Some UNITA stalwarts suspect that Savimbi fears the party's overseas bureaux could be the springboard for another UNITA dissident faction to emerge. The only well-funded operation is the Paris office, managed by Brig. Samakuva (who was refused residence in Britain), and is now the centre of all UNITA activities in the West.

COTE D'IVOIRE

Pushing out patronage

Politicians are divided over reforms that cut into the ruling party's largesse

Ivorians are warming up for two battles this year. The first is between reformers, backed by the World Bank and the International Monetary Fund, who want to decommission the country's creaking political patronage machine and those determined to block or derail such attempts. More exciting (and better covered in the lively local press) is the battle for political power between President **Henri Konan Bédié** and former Premier and current IMF Deputy Managing Director **Alassane Dramane Ouattara**, who is due back in Abidjan in July to challenge Bédié for the presidency in the run up to the elections next year.

However the outcome of the battle for the patronage machine will have important implications for the battle between Bédié and the ruling *Parti Démocratique de la Côte d'Ivoire-Rassemblement Démocratique Africain* (PDCI) versus Ouattara and his *Rassemblement des Républicains* (RDR), a breakaway group of the PDCI. The PDCI maintained its political dominance through a mixture of muscle (Côte d'Ivoire was a one-party state from 1960-1990) and plenty of patronage dished out to the country's cocoa farmers who enjoyed much better incomes through the state-managed sector than their **Ghanaian** neighbours.

But the Abidjan government's involvement in the cocoa and coffee sector has gradually been reduced and the current disbanding of the state-run crop price stabilisation fund, Caistab, is the last pillar of the state intervention strategy. It also means the PDCI will have fewer funds to distribute to its formerly loyal supporters in the cocoa growing areas. Pro-reformers in Abidjan see it differently and believe the liberalisation could prove politically popular. Bank and Fund figures indicate that if just 5 per cent of the Caistab funds are directed back to the coffee and cocoa farmers, that would be almost equivalent to the national healthcare budget for a year. It will be a one-off payment in a pre-election year.

Bédié's government faces both ways on the reforms. He has brought in a slew of 'technocrats' who have worked for **American** companies and speak the IMF's language. They see reform as inevitable and know enough about it to find ways to turn it to the PDCI's advantage. Chief among these is **Daniel Kablan Duncan**, who succeeded Ouattara as Prime Minister on 10 December 1993. Last year **Safiatou Ba N'Daw**, formerly of management consultants Arthur Andersen and of the World Bank, took over the new Energy Ministry, to oversee a big electrification programme. The new Minister for Economic Planning, **Tidjane Thiam**, (whose planned trip to London has been postponed, AC Vol 40 No 2) formerly of McKinsey & Co, also remains in charge of the respected development agency *Bureau National des Etudes Techniques de Développement* (BNETD). Thiam has family connections to the founding President, the late **Félix Houphouët-Boigny**.

Other economic ministries are held by politicians of a more traditional type. The Oil and Mining Minister, **Lamine Fadika**, has political clout in the north-west region where the ruling PDCI is weak. The Finance Ministry is held by **N'Goran Niamien**, a close confidant (and fellow Baoule) of Bédié. The PDCI ancien regime who remain extremely suspicious of reform and politicians such as Duncan include: Security Minister, **Timothee N'Guetta**;

Minister for National Integration, **Laurent Dona-Fologo**; Interior Minister, **Emile Constant Bombet**; and Defence Minister, **Vincent Bandama N'Gatta**.

However, Ouattara's RDR has failed to cut a distinctive line on reform, other than to say it favours it as long as it doesn't hit the poor. Ouattara's campaigning claim is that as a technocrat he can run a more efficient capitalist economy than Bédié. As Deputy Managing Director of the IMF, Ouattara doesn't question the Fund's strategy; indeed some suspect his presence in Washington has persuaded the Fund to take a more flexible approach towards Abidjan. It would be political suicide to give his enemies any claim that he was being disloyal in Washington.

Opening up cocoa and coffee

Ouattara has less sway with the World Bank which is spearheading the coffee and cocoa liberalisation. His RDR followers have been highly critical of the hold of the PDCI and their business friends over the transport, marketing and export of the country's cash crops. But, like others, they question the ability of farmers to benefit from the liberalisation in a year of rising pressure on commodity prices, and to break into the more lucrative areas of transport and marketing which have been the preserve of PDCI-approved operators.

The IMF's strategy has three main objectives; to pay off Côte d'Ivoire's massive foreign debts, to bring government spending more nearly into line with government revenue and to privatise the state sector. So far the record is mixed. The sell-off of state assets has gone quickly, and the biggest company still to be sold is the oil refinery, *Société Ivoirienne de Raffinage* (SIR), in which multinational companies already have a significant stake. Air Ivoire, valuable for its international access rights which it does not use to the full as it has only four small aircraft, has not been sold. Critics insist that liberalisation has favoured the ruling clique.

One dominant private-sector company, Sifcom, was founded in the Houphouët-Boigny era to give top politicians a stake in the cocoa and coffee trade, and still has close links to the presidency, although its ownership is obscured by its complex structure. The Sifcom group, firmly controlled by its Chairman, **Pierre Billon**, who is half **French**, half Ivorian, and its French Managing Director, **Yves Lambelin**, has grown into a conglomerate with an estimated annual turnover of 3.5 billion French francs (US\$625 million) and investments in France and **Benin**. Its Comafrique division has the Nissan and Alcatel dealerships, and is a partner with France Telecom in the national telephone monopoly *Côte d'Ivoire Télécom*, and in the leading mobile phone supplier, Ivoiris.

The heart of Sifcom's business is its subsidiary Sifca, originally a cocoa and coffee exporter, whose Managing Director is **Jean-Baptiste Fofana**. It has bought into many former state companies, and has formed a separate division, Siparal, to look after newly acquired businesses including Uniriz, the dominant rice distributor, and Cosmivoire, a soap and edible oils manufacturer which competes with Unilever's Ivorian subsidiary, Blohorn. Sifca has a minority holding in Palmci, which produces most of the country's crude palm oil, and is a joint venture with Blohorn and Socfinco, a palm-oil specialist owned by the Bollere group of France.

Sucroivoire, a sugar refiner, is a partnership between Sifca, Harel Frères of **Mauritius** and Oleatech, an edible oils business owned by the **Aga Khan's** Ivorian subsidiary Industrial Promotion Services (IPS). The Aga Khan is an old friend of the Ivorian government, and IPS is the local partner in the \$215 mn. Azito power plant, the biggest private-sector infrastructure project to date, in a consortium

led by ABB, a **Swiss-Swedish** power group.

Traditional French dominance is threatened by liberalisation of investment policy. The state-owned power company *Electricité de France* (EDF) lost the bid for the Azito contract to the ABB, but ABB brought EDF into the consortium through the back door. Since EDF owns Abidjan's two other thermal power stations, this move was opposed as anti-competitive by some foreign investors - notably **Britain's** Commonwealth Development Corporation, **Germany's** DEG and FMO of the **Netherlands** - but not by the International Finance Corporation and the African Development Bank. The main distributor of power, the *Compagnie Ivoirienne d'Electricité*, belongs to Bouygues of France, as does the water company, Sodéci.

Liberalisation of cocoa and coffee exports has caused a big shakeout. Under the old system run by the mighty *Caisse de Stabilisation*, about 60 exporters got their licences as political favours. During the 1997-98 season, 80 per cent of the market was controlled by only about 10 exporters, nearly all managed or controlled by multinationals with access to overseas finance and markets. This season's trade is even more concentrated. The players are: Sifca (30 per cent owned by the US giant Archer Daniel Midland (ADM)); Tropival, a subsidiary of the British commodities company ED&F Man; Swiss-owned Barry-Callebaut, a big local cocoa processor; Cipexi, owned by the Dutch group Continaf; Cargill West Africa, an American giant which began exporting this season and is building a cocoa processing factory in Abidjan; CCA, part of the Swiss-based Andre group; and French-controlled traders Dafci and Proci.

Two Ivorian groups with strong political contacts had hoped, like Sifcom, to diversify out of cocoa trading by buying into privatised firms. Octide Finance is the business empire of **François Bakou**, a former Cargill employee and protege of Houphouët-Boigny; the *Société Internationale de Café et de Cacao* (SICC) is run by **Daniel Usher**, the flamboyant son of **Arsène Usher Assouan**, former Foreign Minister and now a presidential advisor. Both firms borrowed heavily to finance the acquisitions they hoped for and after defaulting on loans to domestic and foreign banks, they have been cut off from fresh credit to continue trading this season and are now discredited. Before disbursing the second tranche of last year's structural adjustment loans, the IMF had insisted that defaulting cocoa traders must pay their debts. It was announced in the local press at the end of January that Octide's cocoa and coffee trader Jean Abile Gal (JAG - formerly the second largest in the country) is being taken over by Sifca. Although Jag is bankrupt, some assets including its extensive network of warehouses are of interest to the expanding big players. Analysts see Sifca's bid as defensive, preventing the infrastructure being sold to its emerging rival, Cargill West Africa.

Presidential privatisation

Last year Octide hired **Daouda Thiam**, former boss of SIR and brother of the new economics minister, Tidjane Thiam, in preparation for buying SIR when it was privatised. The prospect faded when Hudson Finance, run by **Jean-Luc Bédié**, a son of the President, was appointed advisor to the refinery's privatisation. Meanwhile the local rice trade has been cornered by Cogeco, a company belonging to Bédié's other son **Patrick**. The American commodity trader Cargill, which had tried to make deals both with Sifcom and with Octide, is now prospering on its own in Côte d'Ivoire. Cargill's main rival in the global cocoa industry, ADM, made a shrewd investment in Sifca. But Cargill's cocoa division

buys up to 200,000 tonnes of Ivorian cocoa a year, as much as Sifca. Cargill's financial services division took part in a loan syndicate which helped to keep the government in funds in early 1998, when the IMF delayed disbursement of a crucial loan.

The 'restructuring' of Octide is being undertaken with advice from Rothschild & CIE, the Paris division of the merchant bank group which is well placed in Côte d'Ivoire. In partnership with Hudson Finance it beat Equator Bank, a keen newcomer to Abidjan, for the contract to advise on privatisation of a local bank, *Banque Internationale pour l'Afrique Occidentale Côte d'Ivoire*. Last year BIAO sold off a small division called *BIAO Investissements*, which is managed by the President's brother-in-law, **Guy Koizan**, and held most of the bank's best assets. Bankers in Abidjan say they know little about the buyer, Cofipa, adding the main BIAO, which has not yet been sold, has been left with many bad loans. One potential buyer of BIAO, Standard Chartered Group, may set up on its own in Côte d'Ivoire.

The country's banks have been weakened by bad loans to the cocoa and coffee sector; some economists suspect that loans were often used to stuff politicians' overseas accounts. The World Bank plans a loan to help in restructuring the financial sector, but will not bail out losses arising from default or fraud. It will insist that the debts be recovered, which may embarrass the President.

The Bédié family's expanding business interests cause friction with donors, and potentially with voters too. Privatisation of the cotton trade (AC Vol 39 No 12) is especially sensitive in the north, where Ouattara has his power base and cotton is by far the most important cash crop. There are rumours that Patrick Bédié has been forced by his father to sell his small stake in one of the two privatised cotton milling companies. The cotton farmers well-organised union, Urecosci, led by Seydou Sorro, a protege of Ouattara, is going into joint-ventures with the French multinational Louis Dreyfus group.

Now the world cotton price has slumped, the new owners of the cotton mills say they cannot afford to pay the farmers more than they got last year, when the sole purchaser was a state agency. One block of shares was sold to a consortium led by **Malian** trader **Cheikh Kagnassy's** Swiss-based *l'Aiglon* group, along with the Bollore group (of France) and Shorex Investments, registered in Nassau, Bahamas, in which Patrick Bédié was a shareholder. Kagnassy borrowed heavily to outbid his multinational rivals, and the investment now looks shaky. Kagnassy dominates the cotton trade in Benin and seems more interested in profits than in political favours. Whatever the benefits of privatisation, they are unlikely to go to the cotton-growers.

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SOUTH AFRICA/LIBERIA

Frequent flyers

The frequent visits of convicted fraudster **Nico Shefer** and **Fred Rundle**, former *Afrikaner Weerstandsbeweging* spokesman, to President **Charles Taylor** in Monrovia have attracted the attention of officials monitoring the United Nations arms embargo against the rebel Revolutionary United Front in **Sierra Leone**. **American**, **Ghanaian** and **Nigerian** officials have all accused Taylor of training and supplying arms to the RUF, and on 30 January Nigerian Foreign Minister **Ignatius Olisimeka** announced that a regional policy 'to contain Taylor' was being drafted.

Particular interest is focusing on the activities of Rundle, a former Colonel in the South African Defence Force who worked as a liaison officer for the rebel *União Nacional para a Independência Total de Angola*, and was responsible for coordinating SADF special forces support for UNITA in the late 1980s. Rundle is an accomplished commander of guerrilla operations, and stayed on with UNITA on a freelance basis (he was paid with diamonds) after the SADF withdrew from Angola.

Rundle also became the most public face of the far-right AWB, after its leader, **Eugene Terre'Blanche**. Rundle also knows Taylor and Liberia well. He was a leading shareholder in the South African-based Amalia mining company which went into liquidation in April 1998, after it was revealed that its offshore branch, Commonwealth Gold, had come to grief in Liberia. London-based Commonwealth Gold, run by **British** businessman **Andrew Cecil**, had borrowed more than R4.5 million from Amalia, and had held its value on the basis of promised mineral rights in Liberia. When these failed to materialise, the value of Commonwealth Gold sank.

As a director of Amalia, Nico Shefer was blamed for its problems and those of Commonwealth Gold. Before that he had been sentenced to 14 years gaol in 1990 for stealing R47 mn. from South Africa's Trust bank. On parole since 1995 (having been described as a 'model prisoner') Shefer now faces charges that he defrauded another bank of R116 mn. in foreign exchange. However, he played a key role in Taylor's campaign in Liberia's 1997 elections.

Shefer coordinated the despatch of thousands of tee-shirts with Charles Gankay Taylor's image on them to be handed out to voters; similarly thousands of bags of rice with Taylor's picture were also sent to Monrovia in mid-1997, bankrolled by Shefer and Rundle. Once Taylor was elected they were to be rewarded with mineral concessions. Shefer has opened up a branch of the Florida-based and

controversial Greater Ministry Africa Foundation in Liberia. They have operations near the border with Sierra Leone. **Ecuador**-born Shefer's commercial style is highly effective. A one-time business partner with **Columbia's Pablo Escobar**, Shefer has an extensive network of contacts in the banking and diamond trading sectors. Currently, Shefer says he is concentrating his interests under the Tandon group of companies in Rosebank in Johannesburg. Yet we hear he has made several trips, with Col. Rundle, to see Taylor in Monrovia in recent weeks.

ZAMBIA

Copper crunch

The timing could hardly have been worse. As the world price of copper plummets, the Zambian government has at last moved decisively towards selling off its one big asset, the best parts of Zambia Consolidated Copper Mines. Under a memorandum of understanding dated 22 January, experts from the Anglo American Corporation of **South Africa**, through its Zambia Copper Investments subsidiary, will now start to examine ZCCM's mines and - especially - accounts. The aim is to close the deal by 31 March.

The price is low. The proposed deal involves the best of the mines - Konkola and Konkola Deep, plus Nchanga and Nkana. Anglo American had really wanted to buy the whole ZCCM corporation, in which it had a substantial minority stake, break it up and manage the sell-off. But several consultants, including Rothschilds, advised President **Frederick Chiluba's** government against such an arrangement. The last potential buyer, the so-called Kafue consortium of Noranda, Phelps-Dodge, Avmin and the Commonwealth Development Corporation, pulled out after the collapse of its bid (made in June 1998) for 88 per cent of these assets of US\$160 million in cash, plus the assumption of \$150 mn. of ZCCM's outstanding debt of over \$700 mn.; the consortium was to invest \$750 mn. Crudely, the consortium would have paid \$310 mn., but Zambian over-optimism and the consortium's tactlessness killed the deal.

Anglo American now proposes to buy 80 per cent of the assets for only \$90 mn. in cash, and (if it can find other firms to share the cost) to invest \$300 mn. plus \$800 mn. in Konkola Deep. The memorandum says nothing about settling ZCCM's debts, and assumes that Zambia can use money from international donors to pay off redundant workers. If Anglo's experts turned up something unexpectedly ugly in ZCCM's mines, or accounts, the deal would be off. Meanwhile Mines Minister, **Syamukayumbu Syamujaye**, defends ZCCM's chief negotiator, **Francis Kaunda**, and insists the Anglo deal is better in real terms than Kafue's offer last year. Few in the mining business find that convincing.

G.BISSAU/SENEGAL

Treaty testing

As regional diplomats struggled to negotiate a truce on 3 February, the **French**-backed peacekeeping initiative, *Renforcement des Capacités Africaines en Maintien de la Paix* (RECAMP), was at risk of failing its first big test. The French naval transport *Siroco* left Dakar on 31 January, carrying 292 soldiers, half from **Benin**, half from **Niger**, to Guinea-Bissau as part of the West African Peacekeeping force (Ecomog) operation. There they witnessed an artillery duel between the rebel forces of General **Ansoumane Mane** and the 3,000 Senegalese/**Guinean** soldiers sent last June to prop up President **João Bernardo Nino Vieira**. The *Siroco* mission remained at a safe distance from Bissau, suffering from sea-sickness, while their advance guard of **Togolese** peacekeepers was trapped in the city. An extra 50 Togolese troops remain in Dakar; 150 **Gambians** are still at home, having been put on hold. Evacuated European Union representative **Miguel Amado** confirmed that both sides had initially agreed to the scheduled Ecomog landing on 1 February. But it seems one side (most people think Gen. Mane's) lured the other into an all-out attack to sabotage the Ecomog operation.

The operation is nominally run on behalf of the Economic Community of West African States, and the official French line to *Africa Confidential* was that 'There is no official French line. France has been asked by Togo's head of state and current ECOWAS chairman, Gen. **Gnassingbé Eyadéma**, to help with the mission'. Local announcements are to come from the besieged French ambassador in Bissau, **François Chappellet**, who is trying for a ceasefire. The big decisions will come from French President **Jacques Chirac** and Elysée Africa advisor **Michel Dupuch**.

Mane wants all foreign soldiers out of Bissau; his men shelled the Guineans because they were near the port, and seemed to be the weak link in the bilateral force. There are fears in Dakar that Mane has lined up alongside his allies in the hardline military wing of the *Mouvement des Forces Démocratiques de la Casamance* (MFDC), which has fought for the independence of Senegal's southern border region with Guinea-Bissau since 1982. Senegalese army hawks think they can win the Casamance conflict by eliminating Mane.

The Senegalese army has been on the move in Casamance since the *Siroco* sailed, but military spokesmen give no details. A visit by the MFDC's figurehead, Father **Augustin Diamacouné Senghor** (who in January welcomed a conciliatory speech by President **Abdou Diouf**) to **Gambia's** President **Yahya Jammeh**, was cancelled. If Mane wins, the MFDC's Bissau-based forces may return across the border, enabling the movement's civilian leaders to start talking to the Dakar government.