



# IPRIS Lusophone Countries Bulletin

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# São Tomé and Príncipe in 2010: promises and disappointments

GERHARD SEIBERT

Researcher, Lisbon University Institute (ISCTE-IUL), Center for African Studies (CEA), Portugal

The 2010 legislative elections have resulted in a change of government. The new government headed by Prime Minister Patrice Trovoada promised “change”. Given the small country’s weak economy and excessive dependence on external financing, the government has adapted foreign policies in an attempt to obtain aid and investment from additional countries. At the same time the oil sector has again disappointed and is unlikely to produce any revenue in the near future.

## Local politics

The political scene was dominated by the legislative elections of August 1<sup>st</sup> that were won by the opposition Independent Democratic Action (ADI) of Patrice Trovoada, a wealthy businessman and son of former President Miguel Trovoada (1991-2001). It was already the fourth change of government through the ballot box in São Tomé and Príncipe since the first multiparty elections in 1991. Before the ADI, three different parties won the elections while they were in the opposition: the Democratic Convergence Party (PCD) in 1991, the Liberation Movement of São Tomé and Príncipe/Social-Democratic Party (MLSTP/PSD) in 1994, and the Democratic Movement Force of Change (MDFM) in 2006. On first sight, this is a remarkable performance in the African context. On the other hand, the case of São Tomé and Príncipe cannot easily be compared with other African countries, since it is a small insular, culturally relatively homogeneous Creole society, without ethnic, religious or linguistic cleavages.

The electoral victory of the ADI in the legislative elections did not come completely unexpectedly, because in the local elections on July 25<sup>th</sup> Trovoada’s party had become the country’s second most voted party and gained a majority in the two most populous districts: Água Grande (with the capital São Tomé) and Mé-Zóchi, areas representing almost 80% of the total population of 160.000. The MLSTP/PSD of then Prime Minister Rafael Branco obtained most of the total votes and a majority in the four district councils of Lobata, Lembá, Cantagalo,

and Caué. The PCD lost the four district councils it had controlled since 2006, while, surprisingly, the MDFM of President Fradique de Menezes (2001–...) that for the first time competed without the PCD in elections did not secure a single seat in any of the six districts. The Union for Príncipe’s Change and Progress (UMPP), headed by Tozé Cassandra and supported by ADI, PCD and MDFM, repeated the victory of 2006 and won all the seven seats in Príncipe’s Regional Assembly.

It was expected that in the legislative elections the electorate would choose between a coalition of ADI and MDFM headed by Patrice Trovoada and the continuation of the coalition of MLSTP/PSD and PCD headed by Rafael Branco, since nobody believed that in the context of the country’s four-party constellation one party alone could achieve an absolute majority. During the campaign, it became clear that the ADI would considerably improve its 2006 result of 20% of the votes. In 2008 President Menezes had agreed to appoint Trovoada as Prime Minister, although the ADI disposed of only 11 seats in Parliament. Then, surprisingly, he was dismissed after only three months through a motion of no confidence by the opposition MLSTP/PSD and the PCD, at the time his coalition partner.

In his campaign rallies, Trovoada capitalized on this episode by stating that the two parties had removed him from office when he tried to make an end to the practice of triple and quadruple government jobs that many leaders of the two parties would occupy, earning thousands of dollars per month while young trained cadres would hardly find any adequate occupation at all. He further reminded the electorate of the consecutive corruption scandals that affected the previous governments and promised to seriously fight corruption. Trovoada’s call for a true change in government affairs came at a time when many people were tired of the ruling political elite and willing to give him and his party a chance. Trovoada particularly attracted the younger generations since he promised a true change in local politics. His opponents consider Trovoada to be the “owner” of the ADI, since

the party relies completely and exclusively on him both financially and politically. Shortly before the elections, the ADI confirmed Trovoada by acclamation as party leader. The ADI, founded by followers of Miguel Trovoada in 1992, is São Tomé and Príncipe's first presidential party, whose main characteristic is that its leader autocratically rules it and competitive elections for the party leadership would be unthinkable. Trovoada's own financial means and external support put at his disposal enabled the ADI to run an efficient election campaign throughout the entire country.

In contrast, the other presidential parties, the MDFM, created by followers of President Menezes in late 2001, had been weakened by ongoing internal problems within the leadership that Menezes – the party's *de facto* leader – has failed to resolve. Besides, after nine years in office and a year before the end of his second term, Menezes himself had become rather unpopular. Due to these reasons, on the months preceding the elections several prominent party members had publicly declared their withdrawal from the MDFM. The results of the local elections had already indicated that many voters considered the MDFM to be redundant and were rather inclined to prefer ADI.

During the campaign, Patrice Trovoada wooed the followers of the PCD by stating that in 2008 that party leadership had removed him from office without the approval of the party membership. Besides, the ADI accused the PCD of having been involved in several corruption scandals and of being co-responsible for the poor performance of consecutive governments since 2006. The PCD, apparently not expecting the poor result in the local elections, blamed the recurrent practice of vote buying for the party's defeat.

The PCD, with considerably less financial means at its disposal than its three competitors, still hoped to improve results in the legislative elections, where contrary to the local elections mandates are not awarded according to majority rule, but are distributed in accordance with proportional presentation.

Finally the ADI clearly won the election by obtaining 26 seats, two short of an absolute majority. The MLSTP/PSD

secured 21 seats, one more than in 2006, but considerably less than the much-desired absolute majority. The PCD received only seven deputies, one each in Príncipe and São Tomé's six districts. While the PCD lost four seats in relation to the eleven seats occupied in the alliance with the MDFM, the voting result was similar to 1998 when the party competed alone. Much worse was the result of the MDFM that received only one single seat. This debacle also bereft the ADI of a coalition partner. In fact, the ADI had primarily won its majority at the expense of MDFM

and PCD, the other two parties of the so-called "parties of change", while the former single party MLSTP/PSD slightly increased its votes. Like in previous elections, vote buying was again an integral part of the process. However, it has remained unclear if and to what extent vote-buying has influenced the results, since apparently several parties resorted to this strategy while having no guarantee that voters would actually cast their ballots in favor of the party that paid them. On the other hand, it cannot be excluded that this phenomenon contributed to the high turnout of 89% of the registered voters.

On August 14<sup>th</sup>, Patrice Trovoada was sworn in as Prime Minister of the country's 16<sup>th</sup> government since 1991. He considered ruling without a parliamentary majority not to be a problem, since in 2006 Vera Cruz (MDFM-PCD) also managed to govern with the support of only 23 deputies. His executive is composed of ten ministers and one secretary of state, four of whom do not belong to the ADI but are considered independents. One of them is Afonso Varela, who was appointed Minister Secretary-General with the task of coordinating the government ministries. He was the only minister with previous government experience, though only for three months in 1999 when

he was Minister of Planning and Finance for the MLSTP/PSD. Another independent, new Minister of Foreign Affairs Manuel Salvador dos Ramos, was the country's ambassador in Luanda and Libreville. While most new ministers came from the public administration, several of them are only in their thirties and largely unknown.

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he would discontinue his predecessor's priority for the strategic partners Angola, Brazil and Portugal, arguing that one could not place one country above the other, since all countries were strategic partners, and consequently must be considered equal. He explained that it would be better to see what each individual country could offer to São Tomé and Príncipe, and vice versa. In his turn, Foreign Minister Salvador dos Ramos declared that the Central African sub-region, where the archipelago held a strategic position, was the principal target of the new government.<sup>1</sup>

Since then, the government has strengthened bilateral ties with Equatorial Guinea, Gabon, and Angola, but also with Libya and Cape Verde. Angola particularly has been willing to increase its investments in the islands. In December the government conceded to Angolan oil company Sonangol the exploitation of the port of São Tomé and the country's international airport. Earlier, Sonangol – already the majority shareholder of the local fuel company ENCO – had signed an agreement on the construction of a maritime fuel supply station in Neves. Irrespective of major attention being given to the Central African region, Portugal, Taiwan, Brazil and the European Union will certainly remain among the country's principal donors.

The government has expected the foreign partners to finance 93% of the 2011 national budget of US\$153 million.<sup>2</sup> The government is likely to get budget approval in Parliament with the abstention of the opposition. However, it will probably encounter more difficulties in raising sufficient external funds to accomplish the budget targets.

Meanwhile, at the end of the year, the government was accused of censorship when it discontinued a popular

television program. On December 1<sup>st</sup> the government ordered the director of the state-owned Televisão Santomense (TVS), Óscar Medeiros, to cancel an interview with Carlos Veiga, leader of the Cape Verdean opposition party Movimento para a Democracia (MpD). Veiga had been invited by journalist Conceição Deus Lima for an interview in her program "Em Directo", agreed for the same day. The MpD leader, who paid a three-day visit to São Tomé as part of the pre-campaign for the legislative elections in Cape Verde on February 6<sup>th</sup> 2011 among the local Cape Verdean community (2200 registered voters), received the sudden decision on the cancellation of the interview by Medeiros, who is also the local correspondent for Lisbon-based RDP África, only when he had already entered the television station. Allegedly, the government intended to stop the interview with Veiga in order not to embarrass the government of José Maria Neves (PAICV), with whom Prime Minister Trovoada had signed a bilateral cooperation agreement in November. Subsequently, the government decided to discontinue the program "Em Directo", one of the TVS's programs with the largest audience, and not to renew the contract with the journalist Conceição Deus Lima, signed with the previous government. The local union of journalists and international human rights organizations condemned the measure, widely perceived as government censorship.

Still in October, the MLSTP/PSD postponed its 5<sup>th</sup> extraordinary party congress fixed for November until January 15<sup>th</sup> 2011. The three candidates for the succession of party leader Rafael Branco were Aurélio Martins, a wealthy businessman and former journalist in Angola with close ties with the

MPLA, Jorge Amado, ex-ambassador in Taipei, and Amaro Couto, a former Minister of Justice. However, a few days before the event, Couto, who had been publicly supported by ex-party leader and ex-President Manuel Pinto da Costa (1975-1991), withdrew his candidature

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1 Téla Nón, 24 August 2010.

2 Téla Nón, 17 November 2010.



alleging irregular selection of the delegates. During the congress, Martins, who has lived years in Angola where he made a fortune in the construction business before he returned to São Tomé some five years ago, won with 783 votes against 283 obtained by Amado.<sup>3</sup> Martins was supported by Branco and ex-Prime Minister Maria das Neves, the leader of the party's influential women's organization. The congress did not make any decision on the MLSTP/PSD's candidate for the presidential elections of 2011.

However, party leader Martins, whose initial ambition was to become head of state, was reportedly willing to support the presidential candidature of Maria das Neves in exchange for her support in his election. Besides Neves, the two other potential candidates within the MLSTP/PSD are former Defense Minister Elsa Pinto and Manuel Pinto da Costa. The latter is still influential, but the fate of his favorite Couto has shown that it is unlikely that he will easily gain strong party support. Moreover, he has already lost the presidential elections twice, in 1996 and 2001. Patrice Trovoada has always had presidential ambitions, however to run for the presidency he has to quit the premiership. This would be a risky decision since his government has not yet provided visible results to make his victory likely. Therefore, it remains to be seen whom the ADI, possibly together with the MDFM, will back in the presidential elections. It does not seem completely impossible that Trovoada would be available to support the candidature of Pinto da Costa. Suffice to recall that in the 2006 presidential elections, the MLSTP/PSD formally supported Trovoada, who then lost clearly with 38.8% of the votes against incumbent Menezes with 60.6%. Other declared candidates are Filinto Costa Alegre, a lawyer at the Central Bank close to the PCD, and the independent Liberato Moniz, a Lisbon-based businessman who recently became engaged in the local oil sector.

### The oil sector

Like in previous years, the oil sector has not produced any encouraging news, let alone any crude. In November, Chevron/Texaco transferred its 45.9% stake in Block 1 of the Joint Development Zone (JDZ) with Nigeria to French group Total, which announced the beginning of

exploration within 2-3 years. Chevron had already carried out exploration drillings in Block 1 in 2006, without discovering commercially viable oil. The Product Sharing Contracts (PSC) of JDZ Blocks 5 and 6 have not been signed since 2005, because the ownership of the two blocks has become the object of a never ending juridical dispute involving ERHC – Energy Inc. that claims 15% preferential rights on both blocks. As long as the PSC are not signed, São Tomé and Príncipe will not receive its 40% share in the signature bonuses of US\$37 million and US\$45 million respectively, to be paid for the two blocks. ERHC is a Houston-based Nigerian owned company

that signed a controversial oil agreement with the government in 1997.<sup>4</sup> Although renegotiated in 2003, this agreement has been widely considered to be prejudicial to the country's national interests. ERHC also owns a 22% interest in JDZ Block 2, 10% interest in JDZ Block 3 and 19.3% interest in JDZ Block 4.

The official results of the exploration drillings in five wells carried out in Blocks 2, 3 and 4 of the JDZ by the oil companies Sinopec and Addax Petroleum (since June 2009 a subsidiary of the Chinese Sinopec) between August 2009 and January 2010 have not been revealed. Instead, Sinopec and Addax asked the Joint Development Authority (JDA) in Abuja twice for an extension for six months each of the exploration phase that had ended in March 2010. While the studies have not been completed,

in September, ERHC claimed that natural gas had been discovered in at least three wells.<sup>5</sup>

In the last years the overstuffed JDA in Abuja has become an increasingly heavy burden for São Tomé and Príncipe's national budget that is almost entirely financed by foreign donors, since the impoverished country has to pay 40% of the office's expensive operating costs. In December Nigeria and São Tomé agreed to reduce the JDA's annual budget in 2011 from US\$14.5 million to US\$12 million, an amount still equivalent to 8% of the small island nation's annual national budget of about US\$150 million.

While the announcement of the results of the exploration drillings in three blocks of the JDZ was postponed until March 2011, the government vested considerable hopes in the first licensing round of oil blocks in the country's own Exclusive Economic Zone (EEZ). Finally,

3 Téla Nón, 17 January 2011.

4 In 1997 ERHC was still US-owned and based in Lafayette, Louisiana.

5 Marketwire, 21 September 2010.

after consecutive delays, in March the National Oil Agency (ANP) launched a licensing round for seven of 19 delineated blocks in the EEZ, to be closed on September 15<sup>th</sup>. While in the first licensing round of the JDZ in 2003 a minimum bid of US\$30 million per block was demanded, this time no minimum bid was required at all in order not to discourage potential investors in view of the absence of proven commercial hydrocarbon reserves in the ultra-deep EEZ. Already in February, ERHC and Equator Exploration, a company that had acquired Petroleum Geo Services (PGS)' pre-emption rights in 2004, exercised their preferential options of 100% working interests in two blocks of their choice each in the EEZ. Consequently, ERHC and Equator were awarded Blocks 4 and 11 and Blocks 5 and 12 respectively.<sup>6</sup> Under the agreements with the two companies, ERHC was awarded the blocks free of signature bonus payments, while Equator had to pay signature bonuses. Besides ERHC and Equator maintain additional rights to acquire up to 15% paid working interests in another two blocks and one block respectively in the EEZ.

Sometime after the licensing round was launched, executive director of the ANP Luís dos Prazeres claimed that various reputable oil companies had manifested their interest in the open tender, including the majors ExxonMobil and Shell. In July, the oil industry press reported that Chevron, Total, BP, India's ONGC Videsh and Brazil's Petrobras had inquired into the data of the EEZ.<sup>7</sup> However, when in early September the government extended the licensing round until November 15<sup>th</sup> to give more companies an opportunity to participate in the bidding process, it had become obvious that the auction had not attracted the expected interest. Still on September 22<sup>nd</sup>, during a visit to Luanda, Prime Minister Patrice Trovoada declared that he expected Sonangol to take part in the auction.<sup>8</sup> Finally, during the 14<sup>th</sup> UNCTAD Africa Oil, Gas and Minerals conference, held in São Tomé from November 21<sup>st</sup>-24<sup>th</sup>, the ANP announced that only six companies had submitted bids for the first licensing

round. The oil majors were absent from the list despite the ANP's previous statements that they were interested. Also, Sonangol, Petrobras and Galp Energia, the three companies which São Tomé had wooed to constitute a 'Lusophone' consortium for oil exploration in the EEZ, did not show up. Apparently economic rationality had not superseded linguistic and historical affinities.

The six bidding companies were London-based Afex Global, Force Petroleum (Angola), Grupo Gema (Angola), O.G. Engineering S.A. (São Tomé - Portugal), Oronto Petroleum (Nigeria), and Overt Energy (Nigeria). Overt

is owned by the Wabara family, who is also the owner of Island Bank, which has a branch office in São Tomé, while the local Banco Equador, dominated by Angolan capital, is the official representative of Afex Global.<sup>9</sup> In mid-December the ANP announced that the two Angolan companies Grupo Gema and Force Petroleum had been excluded from the process, since they did not meet the criteria for this phase. It was disclosed that Afex Global offered a bid for Block 2, Oronto for Blocks 3 and 6, Overt Energy for Block 6, with options for Blocks 3 and 8, while O.G. Engineering submitted a proposal for Block 3, with options for Blocks 1 and 2. The ANP announced a decision on the awarding of the blocks within 60 days. There are concerns about whether the small companies have the financial and technical capacities for deep-sea exploration in the EEZ. Overt won a 5% equity in JDZ Block 4 in 2004, but later sold its stake without having invested anything. Prince Arthur Eze owns

Oronto from the Kingdom of Dunukofia, Anambra state, Nigeria, a political power broker who was close to late former dictator Sani Abacha. The company controls two blocks in Ivory Coast and Sierra Leone. O.G. Engineering S.A. is majority-owned by São Toméan businessman Liberato Moniz, who recently established the company together with Portuguese interests with the sole purpose of participating in the licensing round of the EEZ.

In early November, Minister Afonso Varela disclosed that the government was inquiring into the whereabouts of US\$1 million resulting from the resale of Nigerian crude

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6 Meanwhile Equator's rights in EEZ Blocks 5 and 12 are controlled by the Nigerian oil company Oando (*Energy Compass*, Vol. XXI, No. 40, 8 October 2010)

7 International Oil Daily, 16 July 2010.

8 Reuters Africa, 22 September 2010.

9 Téla Nón, 18 December 2010.

supplies in 2009. In October 2003 then President Olusegun Obasanjo promised the archipelago the allocation of 30.000 barrels of crude per day at a preferential price for resale on the international market. In 2004 Nigeria started supplying the crude, to be made in four deliveries per year. The country received about US\$0.15 per barrel from the profits of this operation carried out by a Nigerian company. The archipelago's total profit per year has been about US\$1 million, a sum that has officially been used to pay scholarships for São Toméans studying abroad. The supply was suspended in 2007 after late President Umaru Musa Yar'Adua succeeded Obasanjo in office, but in early 2009 the latter had promised President Menezes to resume supplying crude. Varela explained that US\$1 million resulted from the resale of four uploads in 2009, however the government was not sure if the crude had really been supplied.

During a parliamentary debate on this affair on November 20<sup>th</sup>, ex-Prime Minister Rafael Branco (2008-2010) declared that his own government had inquired into the whereabouts of the money and had asked President Menezes to provide information on the subject. The deputy Ângela Viegas, ex-Minister of Planning and Finance, declared that the crude deal had always been controlled by the presidency, not by the government. In turn, Varela confessed during the debate that the government had just discovered that day that there had actually been three payments made to the treasury by Telavera, which was not the company that had signed a contract with the government. He added that Overt Energy had made a fourth payment, the government's actual partner in the resale deal. Varela announced that the investigation would continue since it was not clear if the deposited amounts corresponded to the country's actual share in the deal.<sup>10</sup> In response, President Menezes denied any personal involvement, or that of anybody else surrounding the presidency, in the crude resale. In a press conference the President showed copies of two bank transfers made by the oil trading company to the treasury. He promised to resign from office if his involvement in the affair was established.<sup>11</sup> According the country's Constitution, like any other economic affair, the crude resale is clearly a government competency. Meanwhile, the public prosecutor (Procurador-Geral da República) has begun an official investigation into this affair.

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10 Têla Nón, 20 November 2010.

11 Têla Nón, 26 November 2010.



**EDITOR** | Paulo Gorjão

**ASSISTANT EDITORS** | Kai Thaler • Laura Tereno • Pedro Seabra

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Portuguese Institute of International Relations and Security (IPRIS)  
Rua Vitorino Nemésio, 5 - 1750-306 Lisboa  
PORTUGAL

<http://www.ipris.org>  
email: [ipris@ipris.org](mailto:ipris@ipris.org)

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