Executive summary

The sale of crude oil by governments and their national oil companies (NOCs) is one of the least scrutinized aspects of oil sector governance. This report is the first detailed examination of those sales, and focuses on the top ten oil exporting countries in sub-Saharan Africa. From 2011 to 2013, the governments of these countries sold over 2.3 billion barrels of oil. These sales, worth more than $250 billion, equal a staggering 56 percent of their combined government revenues.

Swiss commodity trading companies buy a considerable share of the oil sold by African governments. The payments made by Swiss companies generate a significant portion of public revenues in some of the world's poorest countries, and are subject to governance risks as they take place in environments of weak institutions and widespread corruption. To date, however, these important transactions have escaped oversight due to opaque corporate practices and weak regulation.

With the aim of shedding light in this historically dark area, we gathered information on 1,500 individual oil sales made by NOCs in sub-Saharan Africa in the 2011–2013 period. While this sample represents a large majority of the total, the secrecy that prevails in this part of the oil sector prevented us from gathering comprehensive data, and the caveats to our findings are explained in the full text of the report. Nonetheless, the available data leaves no doubt about the vast scale of purchases by Swiss traders. The findings indicate:

- Of the 1,500 individual sales we identified, Switzerland-based companies purchased a quarter of the volumes sold by African NOCs, buying over 500 million barrels worth around $55 billion.
- The amounts paid by Swiss traders to the ten African governments equal 12 percent of the governments' revenues, and are double what they received in foreign aid.
- Swiss trading companies were the largest buyers of oil from the governments of Cameroon, Chad, Equatorial Guinea, Gabon and Nigeria.
- Glencore bought 100 percent of the oil sold by Chad's government, and made payments that we estimate were equal to 16 percent of total government revenue in 2013.
- Swiss traders Arcadia, Glencore, Trafigura and Vitol bought oil worth a total of $2.2 billion from the government of Equatorial Guinea in 2012—payments equivalent to 36 percent of government revenue.
- In Nigeria, Swiss companies bought oil worth $37 billion over the three years, an amount equal to more than 18 percent of the national government's revenues.

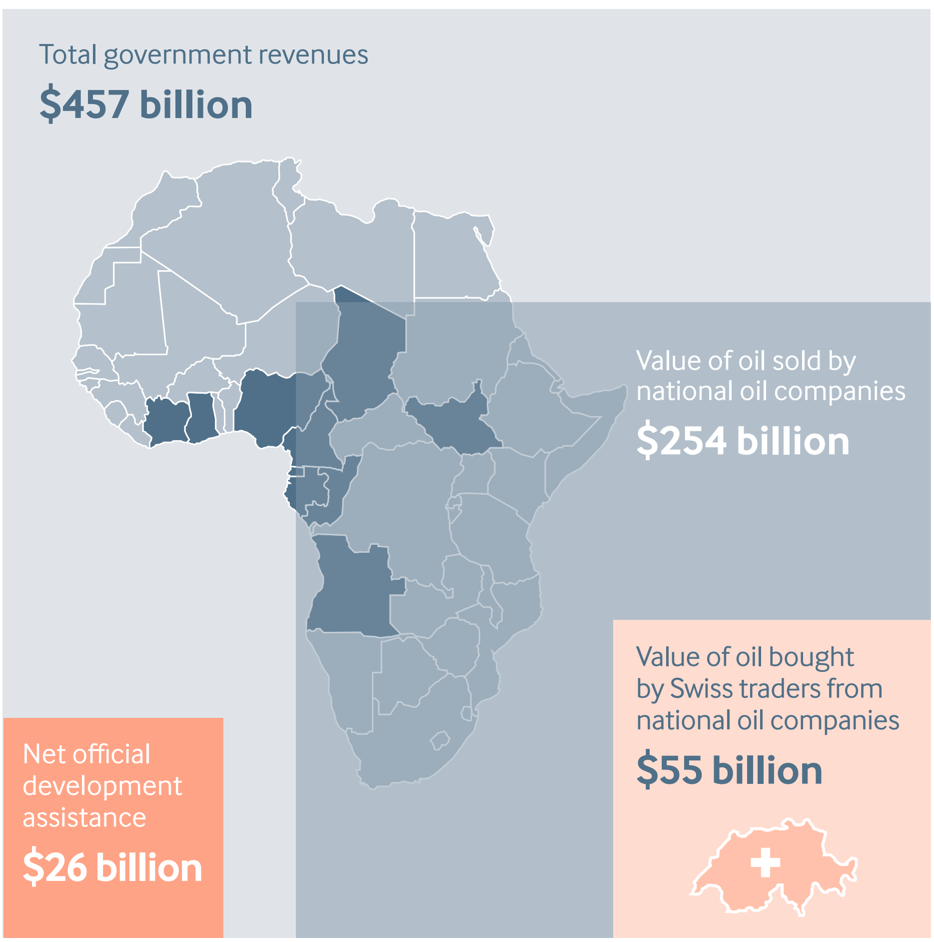
Payments of this scale that affect the development prospects of poor countries require public oversight, which has been largely missing in most of the scenarios described in this report. Transparency provides citizens with a tool to hold their government to account for the management of their country's most valuable asset. To achieve transparency, we recommend the following:

- *Oil-producing governments and NOCs* should adopt rules and practices that encourage integrity in the selection of buyers and determination of the selling price, including detailed public disclosures on how the state's share of production is allocated and sold.

- *Switzerland* should accept its responsibility as the world's leading commodity trading hub and pass regulation that requires Swiss companies producing or trading in natural resources to disclose all payments made to governments and state-owned companies, including payments associated with trading activities. In a 25 June 2014 report, the Swiss federal government indicated a preference to exclude trading-related payments from future regulation of this kind. If that position holds, the payments described in this report would remain secret.

- *Other governments* of jurisdictions home to commodity trading companies, including the EU, the US and China, should include commodity trading in their respective payment disclosure regulations.

Figure 1: Oil payments by Swiss traders to sub-Saharan Africa's top-ten oil exporting countries, 2011–2013



Notes: The countries are Angola, Cameroon, Chad, Côte d'Ivoire, Republic of Congo, Equatorial Guinea, Gabon, Ghana, Nigeria and South Sudan. Sources: for ODA data, we used 2011 and 2012 figures from the World Bank's 2014 *World Development Indicators* to estimate a three-year total; for government revenues, 2014 IMF *World Economic Outlook*; for NOC oil sales, official government reports and market data; and for Swiss oil sales, authors' calculations using market data.