

# THE AMERICAN LAWYER

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## THE ADVANCE TEAM

**S**AO TOME E PRINCIPE, a tiny island country stranded in the Gulf of Guinea, would seem an unlikely place to run into the senior partner of a major Washington, D.C., law firm. But it wasn't long ago that Hogan & Hartson's Joseph Bell found himself in the pitch of night outside a broken-down shack eating the day's catch off a paper plate along the capital's dilapidated beachfront. His dinner companions, sweating in their suits around a broken plastic table, were an equally unlikely bunch: a Hogan & Hartson associate and a pair from Columbia University, a political scientist and an economist.

To be sure, energy law takes lawyers to some faraway places, including, increasingly, West Africa. (The United States expects to get 25 percent of its oil from Africa by the end of the decade.) But those places are usually more substantial than São Tomé, a third the size of Rhode Island and inhabited by 140,000 people.

Bell and his team descended upon São Tomé last fall because the country recently discovered it's sitting on as much as 4 billion barrels of oil. Now that deals are being struck with oil companies—ChevronTexaco Corporation and Exxon Mobil Corporation are the first two big winners—the discovery is expected to bring the government some \$200 million in signing bonuses alone. That is four times the country's yearly budget. "The current annual revenues of the country would be a small percentage of revenues of Skadden, Arps," says Bell.

What to do with the sudden slew of cash presents unique challenges for the country, and explains why Bell and his expert team were talking revenue management late into the steamy African night over grilled fish and cans of Fanta soda. Bell is the senior member of a team of experts put together by Columbia University's Earth Institute under the direction of economist Jeffrey Sachs.

A former assistant general counsel in the Federal Energy Administration, the affable 63-year-old Bell is advising São Tomé's president how to do something that has never before been done in Africa: make the country's oil wealth improve the lot of its people.

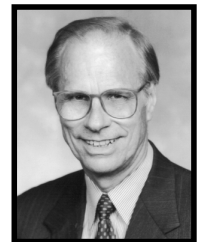
In most poor countries, instead of spurring economic growth, striking oil has done just the opposite, slowing economic development and leading to massive corruption and inequality. Despite the oil wealth of neighboring Nigeria and Angola, for example, the two largest oil producers in Africa, their populations are among the most desperate in the world.

Poland on its post-Soviet economic transition in 1989–90. About 18 months later, Hogan & Hartson opened an office in Warsaw.

A project finance attorney, Bell knows that the growing African oil and gas industry could offer vast opportunities. "We're certainly looking at international projects where we may be project or finance counsel," he says.

Bell's team faces some serious hurdles in São Tomé. "You can have all the laws in the world, but the problem is building institutions," says Bell. São Tomé's legal system is lacking, and the government is unstable. Last July a coup briefly unseated the president, Fradique de Menezes.

## Before oil wealth corrupts a nation, a pro bono team swoops into action.



HOGAN'S BELL

The purpose of the São Tomé project is to take this long-ignored backwater, whose economic prospects until now were dismal—per capita annual income averages only \$220, and 80 percent of the country's revenues come from foreign aid—and turn it into the world's first oil-based success story.

Bell and his team are recommending that the government pass a law that would reveal how it spends its oil revenues; make sure the money goes to education, health, and infrastructure; and force the government to save for future development.

Although this project is pro bono—Bell and Hogan & Hartson associate Teresa Faria have put in about 400 hours so far—there could be something in it for the firm in the long run. Bell got involved in this project because he'd worked with Sachs before on a pro bono project advising the government of

But São Tomé also has several things going for it. Unlike most of its neighbors, it is a democracy, and de Menezes seems eager for advice on doing the right thing. And despite the coups, São Tomé is unusually peaceful. "This is an oddly calm place," says Bell, the sound of the waves lapping the beach in the background as he picked the head off his red snapper. "It doesn't have the kind of overwhelming slums and crime you have in a place like Lagos," the Nigerian capital. Indeed, on the 20-minute walk from their hotel to the restaurant, Bell's team talking shop was virtually the only sound heard on the capital's deserted, palm-lined streets.

The challenge now: whether an oil boom, even with the advice of the best experts, will leave it that way.

—DAPHNE EVIATAR