

AFRICA RISK CONSULTING**Angola Monthly Briefing April 2018****Angola Summary 18 April 2018**

The fallout from the arrest for fraud of the former head of the Fundo Soberano de Angola (FSDEA) (Angola's sovereign wealth fund), Jose Filomeno dos Santos, continues to dominate the news. The Ministério das Finanças (Angola's finance ministry) publishes a detailed account of the case, revealing that the total amount to be transferred from Angola in the fraudulent scheme was to be \$1.5 billion and involved control of Angola's domestic foreign exchange systems. Switzerland-based Quantum Global, the company dos Santos appointed to manage the FSDEA's funds, announces that the FSDEA has terminated its contract amid allegations of complicity in the fraud. A new visa on arrival system for nationals of 61 countries, which takes only 3 days to obtain, will make entry to Angola easier and is a further sign of the regime opening up.

Finance ministry acknowledges \$1.5 billion fraud was planned

The **Ministério das Finanças** (finance ministry) has taken the unusual step of issuing a statement on the scope of the fraud allegedly planned by **Jose "Zenu" Filomeno dos Santos**, ex-head of the **Fundo Soberano de Angola (FSDEA)** (Angola's sovereign wealth fund), and **Jorge Gaudens Pontes**, director of **Mais Financial Services**, the alleged vehicle for the fraud, and a long-standing business associate of Zenu dos Santos.¹ The finance ministry has now said that the total of the amount to be transferred fraudulently was to be \$1.5 billion, together with €33m (\$42m) to set up the scheme. Dos Santos and Pontes proposed in 2017 to then President **Jose Eduardo dos Santos** (1979-2017) a scheme that claimed to mobilise \$35 billion for investment in strategic projects and the setting up of a foreign currency fund for 12 months, for the domestic foreign exchange market.² This latter would require investing \$300m per week,³ and would 'capture' the internal foreign exchange market in Angola:

"The promoters presented as a pre-condition the capitalisation of \$1.5 billion by the Angolan authorities, plus a payment of €33m (\$42m) to set up the financing structures. It should be noted that the entire transaction would be brokered by Mais Financial Services, which allegedly had the support of a syndicate of world-class banks."

The \$500m initially transferred in August 2017 was the first payment in this scheme. The payment was made to Mais Financial services, then transferred to a previously inactive holding company:

*"In August of that year \$500m was transferred to the account of **PerfectBit**, an entity hired by promoters of the transaction, [dos Santos and Gaudens Pontes] allegedly for custody purposes of the funds to be structured. It should be noted that Mr. Jorge Gaudens Pontes had been appointed director of PerfectBit days before the transfer of the aforementioned amounts. The "Due Diligence" carried out by the Ministry of Finance and*

¹ Ministry Of Finance, Luanda, 9 Apr 2018

² Ministry Of Finance, Luanda, 9 Apr 2018

³ Ministry Of Finance, Luanda, 9 Apr 2018

*the lawyers' office we contracted, concluded that the company PerfectBit, owned by the **Brazilian** citizen **Samuel Barbosa**, was a dormant company, that is, a vehicle with no history in similar operations.”⁴*

Following due diligence in October 2017, the finance minister headed a delegation to **London (United Kingdom (UK))**, to contact the promoters and the syndicate of banks that would support the financing operation.⁵ After this mission, the ministry concluded that *“the operation had strong indications of fraud”*, saying that dos Santos and Gaudens Pontes and their corporate structure lacked the capacity to structure and mobilise the funds, and that:

“... the suitability of the company PerfectBit has not been confirmed and there was no existence of any syndicate of international banks as guaranteed to the Executive.”⁶

The attempt to defraud Angola continued even after the due diligence in October 2017, when Gaudens Pontes and dos Santos presented apparently forged financial guarantees to President Lourenço’s office to validate the transfers:

*“The promoters delivered personally to the Executive a financial guarantee allegedly issued by the [London office of **Switzerland**-based] bank **Credit Suisse**, which should have been presented and validated prior to the transfers of funds made. **Crédit Suisse Bank** were contacted by our lawyers' office in London, [and] formally sent us information, which did not confirm the truthfulness of the guarantee, presumed to be a forged document.”⁷*

Although the UK authorities returned \$500m to Angola from the UK on 9 April, the government is seeking the return of a further €24.8m (\$31m),

“... paid to Mais Financial Services to set up the financing operation, [and] wrongly transferred to the company's account resulting from an unrealised provision of services”.⁸

The finance ministry statement reveals the complete lack of controls over the activities of the dos Santos family during Eduardo dos Santos’ presidency, given that the relevant authorities – the previous minister of finance and the **Banco Nacional de Angola (BNA)** (central bank) – seem to have waved through an apparent attempt to loot the state of \$1.5 billion. The statement also clarifies much of the public record of the affair, including the astonishing presentation of fake documents, allegedly from Credit Suisse, to validate a fraudulent scheme. This report and the following on Quantum (see below), will demonstrate to the international financial community that Angola’s public finances will no longer routinely be riddled with quasi-criminal enterprises. It is also likely to contribute to the rapid political demise of José Eduardo Dos Santos, who approved the scheme.

Fundo Soberano de Angola terminates Quantum’s contract

The Switzerland-based **Quantum Global Group** announced on 13 April that the FSDEA, Angola’s sovereign wealth fund, had terminated its multi-class asset mandate in February 2018 and that it no longer manages funds for the FSDEA.⁹ Quantum said,

⁴ Ministry Of Finance, Luanda, 9 Apr 2018

⁵ Ministry Of Finance, Luanda, 9 Apr 2018

⁶ Ministry Of Finance, Luanda, 9 Apr 2018

⁷ Ministry Of Finance, Luanda, 9 Apr 2018

⁸ Ministry Of Finance, Luanda, 9 Apr 2018

⁹ <http://quantumglobalgroup.com/article/quantum-global-media-statement/>

“The reasons for the termination were not related to the performance of the portfolio.”¹⁰

The FSDEA was set up in 2012 under the chairmanship of Jose Filomeno (Zenu) dos Santos, to manage and invest Angola’s \$5 billion oil profit derived fund.¹¹ Quantum Global was appointed to manage at least 80% of the FSDEA’s investments, but criticism of this appointment was immediate, both because Zenu was appointed by his father, then President Jose Eduardo dos Santos, and also in view of the long-term links between Quantum founder **Jean Claude Bastos de Morais** and Zenu dos Santos. The pair had business links in Switzerland, and in Angola had jointly set up **Banco Quantum**, later **Banco Kwanza Invest**.¹² The credibility of the operations was suspect from the beginning.

The FSDEA ended Quantum’s contract weeks after President **João Manuel Gonçalves Lourenço** (2017-present) fired Zenu dos Santos as head of the FSDEA in January 2018. At the time it was widely reported that Zenu was sacked due to revelations in the “*Paradise papers*” of investments from the FSDEA personally enriching Bastos de Morais. For example, the FSDEA financed the \$180m project for the construction of the **Caio Port** in **Cabinda**, in which Bastos de Morais had a shareholding, and approved \$157m for the construction of an office and apartment tower in the centre of capital **Luanda**, on land owned by a Bastos de Morais company. He was additionally revealed in the Paradise Papers as having invoiced the FSDEA for amounts of up to \$120m per year for consulting services.¹³

In **Mauritius**, headquarters of much of Quantum’s fund management, the **Financial Services Commission** has suspended **QG Investments Africa Management Ltd** operating licences for seven funds valued at a total of \$3 billion¹⁴ and frozen 25 bank accounts containing about \$200m, on the order of Mauritius’ **Supreme Court**. This latter action came in early April, days after a representative of the Angolan government travelled to Mauritius.¹⁵ Reports suggest that the reason for Mauritius’ actions was suspicion that Quantum was implicated in Zenu dos Santos’ fraudulent activities, and that the FSDEA account was the alleged source of \$500m transferred.¹⁶ The source of the funds has yet to be officially confirmed. Jean Claude Bastos denied any involvement in the fraud:

“I would like to assert categorically that neither I nor the Quantum Global Group, a company that I run as chairman, were part of the \$500m transaction currently under investigation by the Angolan authorities. I did not have prior knowledge of this transaction before being disclosed in the media and later confirmed by the Angolan Ministry of Finance. Moreover, I have never been questioned by the Angolan authorities or by any regulatory body about the said transaction.”¹⁷

Quantum added that “*Global’s private equity mandates are managed by its Mauritius-based operations, and these continue.*” However, the reports suggest that all the group’s operations in Mauritius are currently frozen. Quantum is challenging these actions.

Mismanagement and conflicts of interest at Angola’s FSDEA were inherent, due to the close relationships between the principals, and with the then president of Angola. The sacking of

¹⁰ <http://quantumglobalgroup.com/article/quantum-global-media-statement/>

¹¹ <http://www.fundosoberano.ao/fund-updates-press-releases>

¹² Relationships documented in Angola’s *Diario da Republica* and elsewhere.

¹³ *Novo Jornal* 9 Apr 2018

¹⁴ *L’Express Mauritius* 8 Apr 2018

¹⁵ *Novo Jornal* 9 Apr 2018

¹⁶ *Novo Jornal* 9 Apr 2018 and others

¹⁷ Jean Claude Bastos statement to media, 12 Apr 2018

Quantum frees the Fund to be managed in a more productive way for Angola, not as a plaything for the dos Santos family and its supporters. It seems likely no decision has been made as to how to manage the fund in the future, since there have been no public announcements. Quantum lost its contract because of the clear self-enrichment of its principal, and the longstanding suspicion that the fund would be abused has been proved. It has yet to be demonstrated that Quantum was involved in Zenu dos Santos' fraud, but if the source of those funds was indeed the FSDEA, it seems likely Quantum knew about this matter and further revelations about Quantum's activities are likely to follow.

New visa on arrival scheme for nationals of 61 countries includes UK, EU and USA

Angola has established a new simplified visa system, after decades of an often dauntingly complex entry process. Applicants for visitor's visas, who intend to travel as tourists or for short visits of up to 30 days, can now apply direct to the **Serviços de Migração e Estrangeiros de Angola (SME)**, via their web site (www.sme.ao), rather than applying through the consulates of the Republic of Angola, and receive an electronic pre-visa within 72 hours of application.

The new visa system is a major step forward for a country that has long been difficult to visit. One principal criterion for obtaining a visa was a letter of invitation from an entity or individual in Angola; this necessity has now been abolished. However applicants still have to present scanned copies of their passports, a ticket, proof of accommodation and means of subsistence, to obtain an electronic pre-visa.¹⁸

The time scale for application has been shortened to 72 hours, for obtaining an electronic pre-visa to present on entry to Angola which guarantees a visa for a stay of up to 30 days at entrance and up to 90 days a year.¹⁹ Application for a visa at consulates previously meant waiting for up to 15 working days to obtain a visa, making airline, hotel booking and scheduling meetings more difficult because of the time scale, and adding a degree of uncertainty about whether a visa would be issued.²⁰

SME director general **Gil Famoso** commented:

*"SME has set up five counters at Luanda's international airport. At the new counters, citizens from 61 countries including the **European Union** who arrive in Angola with a pre-visa will register, through the collection of biometric data, and pay the visa [fee] of US\$120. A digital platform has been created so that citizens wishing to travel to Angola can access the online tool in their countries and present the necessary documents - ticket, proof of accommodation and means of subsistence - to be issued with a pre-visa, within a maximum period of 72 hours."*²¹

The new system was set up by presidential decree on 28 February and started on 30 March.²² The system is aimed at encouraging tourism in Angola, but will also facilitate business meetings.

There is now visa-free entry for nationals of five countries: **Botswana**, Mauritius, **Seychelles**, **Zimbabwe** and **Singapore**. The visa on arrival system covers nationals of the European

¹⁸ Angop 27 Mar 2018

¹⁹ Angop 27 Mar 2018

²⁰ Angop 27 Mar 2018

²¹ Angop 27 Mar 2018

²² Presidential Decree 56/18 of 28 February. "Law on the Legal System of Foreigners of Republic of Angola."

Union, the **United States** and the UK, as well as countries that are important business and political partners of Angola, including the **United Arab Emirates, China, India, Brazil and Cuba**.²³

Despite the stated aims of the new process, Angola does not yet have the infrastructure for international tourism. In the capital, Luanda, hotels may be fully booked well ahead and can be very expensive, between \$250 - \$350 a night and higher. Across the country as a whole, only 86 hotels are listed on international booking websites and their standards are extremely variable.²⁴ The hotel and restaurant market, at least in Luanda, is still firmly aimed at business travellers and families visiting expatriate workers.

The visa on arrival system demonstrates a new openness and a reduction in state paranoia and bureaucracy. Famoso noted a reduction in security procedures for visitors entering Angola. For those wanting to set up meetings or visit family in Angola, or indeed for the hardy souls who undertake adventure tourism in Angola, the new system will come as a welcome, much faster process. It should also be encouraging for potential investors in Angola's nascent tourist industry.

Planner

May 2018 **Angola** Draft Law on "Repatriation of Financial Resources Domiciled Abroad" expected to be finalised, following civil society consultations.

25 April 2018 **Republic of Congo** President Lourenço to attend Heads of State summit on the protection of **Congo River** basin in **Brazzaville**, Republic of Congo.

Chronology

16 Apr 2018 **New York (Angola)** *CPJ* The **Committee to Protect Journalists** condemns a decision by Angolan authorities to continue the trial of journalists **Rafael Marques de Morais**, who runs the anti-corruption news website **Maka Angola**, and **Mariano Bras Lourenco**, a correspondent for the newspaper **O Crime**, behind closed doors instead of in open court;

15 Apr 2018 **(Angola)** *Jornal De Angola* Secretary of State for Economy **Sérgio Santos** says Angolan businessmen involved in monopolies and oligopolies contribute to inflation by artificially widening profit margins;

15 Apr 2018 **Cabinda (Angola)** *Voice of America* Opposition **União Nacional para a Independência Total de Angola (UNITA)** party vice-president **Raoul Danda** speaks on need for negotiated settlement in Cabinda;

14 Apr 2018 **Yale University (Angola)** *Jornal de Negócios* **Isabel dos Santos** speaks at the **Yale Conference for African Peace and Development**, on the need for a new and fairer economic system for development;

²³ Other countries in the new system include: **Lesotho, Madagascar, Malawi, Cabo Verde, São Tomé and Príncipe, Morocco, Swaziland, Algeria, Zambia, Argentina, Uruguay, Canada, Chile, Venezuela, South Korea, Indonesia, Israel, Japan, Australia, New Zealand and East Timor.**

²⁴ According to a check of Booking.com

13 Apr 2018 **Switzerland (Angola)** *Lusa* Switzerland-based luxury jeweller **Di Grisogono**, in which Isabel Dos Santos and her husband **Sindika Dokolo** are major shareholders, announces 40% staff cuts following a drop in sales, after Angola's state diamond trader, **Sociedade de Comercialização de Diamantes de Angola SARL (Sodiam)**, withdrew from its indirect minority holding;

13 Apr 2018 **SONANGOL (Angola)** *Negocios* SONANGOL denies that **Primagest - Sociedade Gestora SA**, the company that allegedly paid bribes to **Portuguese** ex-prosecutor **Orlando Figueira**, was a subsidiary between 2011 to 2013, and was not part of any corporate structure owned by Sonangol, EP. Sonangol also denies any involvement in the acquisition of Portuguese engineering company **Grupo Coba**;

11 Apr 2018 **Botswana (Angola)** *Angop* President **Mokgweetsi Masisi** makes brief visit to Angola, discusses bilateral co-operation;

11 Apr 2018 **Statoil (Angola)** *Norway*-based Statoil announces it is abandoning explorations in 2 pre-salt oil blocks in Angola, 38/11 and 39/11;

10 Apr 2018 **Assembleia Nacional (Angola)** *Angop* New draft competition law including establishment of regulatory authority, expected to be passed by parliament on 19 April;

10 Apr 2018 **Assembleia Nacional (Angola)** *Angop* Draft law enabling the president to legislate the definition of the Juridical Regime Applicable to Additional Development Research of the Oil Concessions during the period of production, expected to be passed by parliament on 19 April;

9 Apr 2018 **Mauritius (Angola)** *Diario de Notícias* Mauritius freezes accounts of **Quantum Global Group**;

9 Apr 2018 **UK (Angola)** *Jornal De Angola* \$500m fraudulently transferred to **London** is returned to Angola.

9 Apr 2018 **Cuba (Angola)** *Jornal De Angola* Cuba and Angola to increase their co-operation in the defence field;

6 Apr 2018 **SONANGOL (Angola)** *Lusa* **Tidewater Marine** will move forward with a partnership with Sonangol and create more than 200 jobs in Angola by 2019 in **Sonatide Marine Angola JV**, 51% owned by SONANGOL and 49% by Tidewater Marine;

5 Apr 2018 **(Namibia) (Angola)** *Angop* Angola and Namibia sign protocol of cooperation in judicial field in **Windhoek** as part of working visit by Angolan Justice and Human Rights minister;

5 Apr 2018 **Luanda (Angola)** *Angop* The government will renegotiate public works contracts awarded in Angola since 2013, but halted or postponed due to the financial crisis, with new conditions;

3 Apr 2018 **Brazil (Angola)** *Angop* Foreign minister **Manuel Augusto** is to visit Brazil to arrange visit of President **João Manuel Gonçalves Lourenço**, likely on 3 May 2018;

2 Apr 2018 **Lunda Norte (Angola)** *Angop* Border post between Lunda Norte and **Kasai, (Democratic Republic of the Congo)(DRC)**, reopens after one-year closure

due to conflict in DRC;

2 Apr 2018 **(Angola)** *Angop* Veteran UNITA MP **Jaka Jamba** dies of heart attack;

29 Mar 2108 **(Japan) (Angola)** *Jornal de Angola* Government of Japan provides \$250,000 to **UNICEF** for refugee support operations in **Lunda Norte**;

27 Mar 2018 **Kwanza Norte (Angola)** *Club KNet China Gezhouba Group Corporation* and **Niara Holding** employees, building the **Caculo Cabaça** dam in Kwanza Norte, level accusations of inhuman and degrading work conditions, including forced labour;