

AFRICA RISK CONSULTING

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Angola Summary 15 April 2019

Jose Filomeno Dos Santos and Jean Claude Bastos de Morais are released from preventative custody, and charges against Bastos de Morais appear to have been dropped. The World Bank and the International Monetary Fund (IMF) examine Angola's economic reforms, and the United States (US) Treasury announces it will carry out an assessment that should allow US correspondence banks to return to doing business with Angolan banks. The World Bank loans \$2.7 billion to Angola for infrastructure development; the IMF warns on Angola's level of indebtedness and the government has developed a new debt repayment strategy including stopping oil-backed loans. The government discovers that \$4.7 billion has been diverted from public funds to private investment and intends to recover the money.

Jose Filomeno dos Santos and Jean Claude Bastos de Morais released from custody

The trial of former **Fundo Soberano de Angola (FSDEA)** (sovereign wealth fund of Angola) chairman **José Filomeno (Zenu) dos Santos** and **Jean-Claude Bastos de Morais**, head and major shareholder of the **Switzerland-based Quantum Global** group, appears to have been halted by an unanticipated piece of evidence coming to light. The **Procurador Geral de Republica (PGR)** (attorney general) released dos Santos and Bastos de Morais from preventative custody in **Luanda** at the expiry of a six-month term of pre-trial detention. They had been held since 24 September.¹

Although Zenu is still facing charges in Luanda, it is reported that the attorney general has dropped charges against Bastos de Morais after a previously unknown addendum to the contract between the Angolan government and Quantum Global, which managed the FSDEA's funds, was produced in a **London (United Kingdom)(UK)** court.² The London court ruled against Angola after the scope of Quantum's contract with Angola was produced in court, together with the addendum, which neither dos Santos nor Bastos de Morais had made available to the new head of the FSDEA last year.³ The national director of the PGR's Asset Recovery Services, **Eduardo Rodrigues**, said,

*"Jean-Claude de Morais had legitimacy and legality to manage the assets of the Sovereign Fund, thanks to a contract concluded in light of **English** law with this institution of the Angolan State, despite [its] being extremely damaging to the Angolan State."*⁴

President **João Lourenço** (2017-present) gave some insight into the nature of the contract saying,

*"Against all the norms and rules of operation of the State Sovereign Funds, in this particular case of Angola, for reasons still not understood, the funds were run by a single foreign entity that the FSDEA itself did not control."*⁵

The effect of the addendum was to clear Bastos de Morais of the charges of fraud, criminal association, active corruption, influence peddling and money laundering, according to the PGR's office.⁶

¹ Angop, 26 Mar 2019

² Angop, 26 Mar 2019

³ Club-K, 21 Mar 2019

⁴ Angop, 26 Mar 2019

⁵ Angop, 29 Mar 2019

⁶ Angop, 29 Mar 2019

Quantum Global announced that Bastos de Morais had been released from detention and that the Angolan authorities have not filed any criminal conduct charges against him. They noted that a settlement agreement has been reached on a confidential basis between the FSDEA and Bastos de Morais.⁷ The PGR, however, made part of the terms clear:

*"All the financial and non-financial assets belonging to the Angola Sovereign Fund (FSDEA), which were under the management of Mr. Jean-Claude Bastos de Morais and the companies of the Quantum Global group, were recovered and returned to Angola; [further] both parties agree not to sue each other."*⁸

The PGR's office said Zenu dos Santos is still facing charges relating to the illegal transfer of \$500m to the UK, and other charges relating to the FSDEA.⁹ It is unclear how the discovery of the addendum has affected the charges against him. However, new charges may be brought against Bastos de Morais. Attorney general **Hélder Pitta Grós** made a statement at the end of March, saying:

*"The case involving Jean-Claude Bastos de Morais, money manager of the Sovereign Fund, and José Filomeno 'Zenu' dos Santos, a former president of the Fund, is [now] running in secret."*¹⁰

The trial of both men was expected to start during April, but has been halted not by secret deal-making but by new evidence coming to light. This gave Bastos de Morais, a 'get out of jail free' card to play, which also seems to have affected the charges against Zenu dos Santos. The attorney general has suggested that there may be further data on which to base charges. Any hint of impunity for either man is likely to derail the significant progress Lourenço has made in demonstrating that theft and corruption will no longer be tolerated.

Bretton Woods institutions and US banks back economic reforms in Angola

Both the **World Bank** and the **International Monetary Fund (IMF)** have recently reviewed Angola's economic reforms, and the **United States (US) Treasury** has announced that it will carry out an assessment that should allow US correspondence banks to return to doing business with Angolan banks. The new agreements add to Angola's economic credibility and capacity, as well as potentially easing the pinchpoint of dollar availability. World Bank vice president for Africa **Hafez Ghanem** visited Angola in mid-March to announce the decision to provide support for projects in Angola, aimed in particular at the most vulnerable populations.¹¹ In a joint briefing with President Lourenço, Ghanem said:

*"We want to support the reform process that is happening. This new financial support that the World Bank will grant to Angola results from the trust in the programmes that are being implemented by the government."*¹²

Angola is expected to receive a \$1.2 billion loan from the World Bank over a three-year period, to finance social infrastructure and water projects¹³ and a \$1.5 billion loan for treasury support.¹⁴ It is envisaged the loan will be finalised over the next three months and will support agriculture, health and education.¹⁵ Ghanem added that also under discussion is how the bank can provide support to the mining sector.¹⁶

The scope and repayment methods of Angola's debts have come under scrutiny from the other

⁷ Quantum Global Group press release 22 Mar 2019

⁸ Club-K, 24 Mar 2019

⁹ Angop, 26 Mar 2019

¹⁰ Jornal de Angola, 31 Mar 2019

¹¹ Africa News, 14 Mar 2019

¹² Angop, 14 Mar 2019

¹³ Angop, 14 Mar 2019

¹⁴ Lusa, 29 Mar 2019

¹⁵ Lusa, 13 Mar 2019

¹⁶ Angop, 14 Mar 2019

Bretton Woods institution, the IMF, which agreed financing of \$3.7 billion for macro-economic stabilisation last December (see *ARC Briefing Angola January 2019*). The IMF evaluation team proposed the need for "much caution in contracting new public debts, since current debt approaches 90% of GDP".¹⁷

The government has already developed a new debt strategy.¹⁸ One key term is that Angola plans to stop using its oil production to obtain loans or credit from other countries, such as **China, Brazil and Israel**.¹⁹ Speaking to **Russian** news agency **TASS**, President Lourenço said that the Angolan government intended to change the way it repays its loans:

*"Angola plans to stop using its oil production to obtain loans or credit from other countries. This change will happen not only with China but also with other countries with which we have the same way of repaying loans, such as Brazil and Israel. The amount of oil we exported to China was equivalent to our debt to the country, but this system is now outdated."*²⁰

Repayments might be eased by an assured flow of dollars into Angola. ARC business and banking sources in Angola say the dollar shortage has caused major forex problems. However, the US is now reconsidering its stance. US Deputy Secretary of State **John J. Sullivan** made an official visit to Angola on 18 March, and noted:

*"The reestablishment of correspondent banks by the United States banking system in Angola is a very important issue for our business and investment relations. My government colleagues and our embassy here in the State Department in **Washington**, and especially in the Treasury Department, have been holding intensive intense discussions with the Angolan Government and its Angolan ministers to improve the investment climate in Angola, especially to build confidence in US banks so they can re-establish the corresponding banks."*²¹

Sullivan noted that a mission from the US Treasury Department will visit Luanda shortly to assess the measures taken on fighting corruption and preventing money laundering, and make recommendations.²²

All three major institutions believe Angola has made in progress in reforming the debt-laden economy, despite the loss of revenue from oil. Lourenço has to achieve a balancing act between debt repayments and the need to invest in the basic needs of the population if he is to succeed. The new US position may help to increase confidence in Angola and speed up Angola's external payments for the public and private sectors, which are a continuing source of complaint.

Angola discovers \$4.7 billion public funds diverted to private investments

The Angolan attorney general has opened an investigation into the diversion of state funds valued at \$4.7 billion into private investments, following a communiqué from the **Conselho de Ministros** (council of ministers – cabinet) on the findings of the **Comissão Multissetorial** (multisectoral commission) charged with investigating losses from the public sector.²³ President Lourenço said the report on private investments "made using huge public funds is shocking and repugnant and the State is entitled to use all means at its disposal to recover what belongs to the Angolan people."²⁴

Attorney general Hélder Pitta Grós says that the PGR is collecting all the documents necessary to investigate.

¹⁷ Lusa, 31 Mar 2019

¹⁸ Lusa, 22 Mar 2019

¹⁹ TASS, 31 Mar 2019

²⁰ TASS, 31 Mar 2019

²¹ Lusa, 18 Mar 2019

²² Lusa, 18 Mar 2019

²³ Lusa, 4 Apr 2019

²⁴ Lusa, 4 Apr 2019

"When we came to the conclusion that there were irregular use of resources, some people were identified quickly, but we need to obtain all the documentation and interview them. The lawsuits are not all the same; some cases may have a faster solution, and some cases may not [need to] follow the judicial process."²⁵

Following this, the attorney general announced that \$286.5m had been recovered from the Angolan accounts of the **Hong Kong**-registered **China International Fund**, after an investigation into the accounts of the new **Luanda International Airport**.²⁶

During the March meeting of the ruling **Movimento Popular de Libertação de Angola (MPLA)** central committee (CC), President Lourenço emphasised there will be no further amnesty for corruptly obtained funds, after some MPLA members proposed a new amnesty law.²⁷ Lourenço told the CC that,

*"The application of **Lei sobre o Repatriamento Coercivo e Perda Alargada de Bens** (law of coercive repatriation of capital and excess loss of goods) is something that the competent judicial bodies will take seriously, with the consequences that can result therefrom. Many have used public goods with impunity for their own benefit."²⁸*

The six-month amnesty given to repatriate capital under the **Lei do Repatriamento de Recursos Financeiros** (repatriation of financial resources law) appears to have had little success in persuading those Angolans with illicit assets abroad to return them (see *ARC Briefing Angola June 2018*). Lourenço told the CC that the state will now coercively repatriate *"the assets of those who arrogantly opted to ignore and waste the unique opportunity given up until December 26, 2018"*.²⁹

Lourenço gave an accounting of assets already recovered from the FSDEA. These were: \$500m diverted from the accounts of the **Banco Nacional de Angola (BNA)** (central bank) to accounts in London, a further \$2 billion from another UK bank, and another \$1 billion recovered in cash, assets and different types of assets in **Mauritius** and other parts of the world.³⁰ No announcements have been made on any other assets voluntarily returned to Angola.

Investigations into the diversion of \$4.7 billion from the state coffers into private investment at least provide the possibility of identifying and recovering assets successfully. The attorney general implies he hopes some cases can be settled without going to court, and Angola has already begun to take control of companies set up using state money (see *ARC Briefing Angola February 2019*), as well as recovering a large part of the assets held by the FSDEA. Yet, within the MPLA there is a clear resistance to the new policies, unsurprisingly since major MPLA players are directly implicated in illicit dealings. Lourenço made it clear to the central committee that failure to deal with corrupt players will have a direct and negative result on the MPLA's political future as Angola's ruling party, and it will fall into greater disrepute.³¹

²⁵ Lusa, 4 Apr 2019

²⁶ Lusa 15 April 2019

²⁷ Angop, 15 Mar 2019

²⁸ Angop, 29 Mar 2019

²⁹ Angop, 29 Mar 2019

³⁰ Angop, 29 Mar 2019

³¹ Angop, 29 Mar 2019

Planner

June 2019: New oil bidding round expected to be opened;

Q2 2019 The Angolan government will issue eurobonds worth \$2 billion in the second quarter of 2019. This is the third eurobond issue by the government;

2019 New diamond hub will open in **Saurimo**, comprising a diamond cutting and polishing factory, a professional technical training school and supporting institutions and industries;

2019 Sell-off of state-owned oil company **Sonangol's** assets continues until end of 2019.

2019 **Luanda (Angola)** Trials of **Jose Filomeno dos Santos** and other high-ranking ex-officials variously charged with defrauding the state, embezzlement or theft, will take place during the year. No trial dates are confirmed as yet;

June 2019 **Luanda (Angola)** Expected completion date for transfer of **Sonangol's** contracts, concessions and relations with international oil companies to the **Agência Nacional de Petróleo e Gás (ANPG)** (national petrol and gas agency);

18 Nov – 6 Dec 2019 **Luanda (Angola)** Angola will host the **African Union's (AU)** 18th Session of the International Law Commission and the AU's 8th International Law Forum, entitled "*Constitutional Democracy, Rule of Law and Fight against Corruption*";

April 2020 **Luanda (Angola)** Luanda's **Novo Aeroporto Internacional de Luanda (NAIL)** (new international airport) to open.

2020 **Luaxe** kimberlite mine, managed by **Russia-based Alrosa**, begins production.

2020: First local and municipal elections to be held in Angola;

2021: National elections;

2022: End date for **Banco Poupanca e Credito's** recovery plan

Chronology

13 Apr 2019 **Washington (United States)** *Lusa* The director of the **International Monetary Fund's (IMF) Africa** department says the IMF is "*pleased*" and "*impressed*" by the scale and depth of reforms under the Expanded Financing Program (PFA) in **Angola**;

11 Apr 2019 **Luanda (Angola)** *Lusa* Angola announces it will receive the final 21 locomotives of the 100 that it ordered from **General Electric (GE)** in 2020, at a cost of \$430m, acquired with funding from the **Canadian Export Support Agency**;

10 Apr 2019 **Luanda (Angola)** *O PAIS* Opposition party **UNITA** leader **Isaiás Samakuva** will step down in December when UNITA holds its XIII ordinary congress;

8 Apr 2019 **Luanda (Angola)** *Club-K* President **João Lourenço** carries out a major review of ambassadorial posts, recalling 26 senior diplomats to Luanda;

7 Apr 2019 **Luanda (Angola)** *Club-K* The CEO of **General Electric Angola** allegedly flees Angola ahead of his trial for holding false documents and posing as an Angolan under the name **Wilson Freita Daniel da Costa**;

4 Apr 2019 **Moscow (Russia)** *Lusa* **Angola** and Russia sign 10 trade and economic agreements relating inter alia to military co-operation, diamond mining, fishing, space satellites and education;

3 Apr 2019 **Luanda (Angola)** *Angop France* and Angola sign protocol to increase cooperation in the sector of agriculture and livestock and training in France following an Intergovernmental Agreement

between France and Angola, signed on 1 March 2018;

3 Apr 2019 **Luanda (Angola)** *Expansao* Attorney general interviews **Manuel Vicente** concerning suspected money laundering between **Portuguese** airline **TAP** and **Sonangol's SONAIR**, involving Vicente's son, **Mirco Martins**, and another former president of Sonangol, **Francisco Lemos**;

3 Apr 2019 **Luanda (Angola)** *Lusa*. Angola spends \$8.6 billion on imports since 2016, half of this being basic foodstuffs, according to **Banco Nacional de Angola** head **José de Lima Massano**;

3 Apr 2019 **Luanda (Angola)** *Lusa* **Banco Nacional de Angola** (central bank) says Angola's net international reserves have declined since 2016 to around \$10.6 billion, due to the fall in the price of oil;

3 Apr 2019 **Luanda (Angola)** *Lusa* The **Banco Nacional de Angola** (central bank) sets an interest rate for credit of 7.5% or less per year, including all commissions;

2 Apr 2019 **Moscow (Russia)** *Angop* President **João Laurenço** starts a four-day state visit to Russia, with the aim of strengthening bilateral co-operation and attracting private investment;

2 Apr 2019 **Luanda (Angola)** *Angop* **Kaombo Sul**, the second Floating Production Storage and Offloading Unit (FPSO) of the **Kaombo Project**, begins production of 115,000 oil barrels per day (bpd), increasing block 32's overall capacity to 230,000 bpd, equivalent to 15% of Angola's output;

2 Apr 2019 **Luanda (Angola)** *Angop* The trade ministry issues the first licences for informal and small-scale trading and will roll out the new scheme across Angola;

1 Apr 2019 **Amsterdam (Netherlands)** *Publico* Arbitration case between **Isabel dos Santos'** telecommunications company **UNITEL** and **Brazil-based** telecommunications company **Oi** begins; the case revolves around seven loans, valued at about \$405.5m, assigned by the operator **Angolan Unitel SA to Unitel International Holdings (UIH)**;

31 Mar 2019 **Luanda (Angola)** *Lusa* **British** telecommunications company **Vodafone** enters into partnership with Angolan mobile operator **Movicel**; Vodafone will provide technical and other support but is not a shareholder in Movicel;

28 Mar 2019 **Luanda (Angola)** *Jornal de Angola* **Companhia de Bioenergia de Angola (Biocom)** announces its first export of ethanol, valued at \$3.5m;

27 Mar 2019 **Luanda (Angola)** *Lusa* New capacity to register companies online at the **Guiché Único de Empresas (GUE)** online portal allows national and foreign citizens to create companies in about two days; a second GUE is opened in Luanda, at the office of the **Agência de Investimento Privado e Promoção das Exportações (AIPEX)**(private investment and export promotion agency);

27 Mar 2019 **Maputo (Mozambique)** *Lusa* Mozambique's President **Filipe Nyusi** announces the sacking of **Helena Taipo**, Mozambican Ambassador to **Angola**, following investigation into corruption allegations; Taipo is suspected of receiving bribes of 100 million meticals (\$1.58m);

26 Mar 2019 **Luanda (Angola)** *Club-K* **United States** Under Secretary of State **John Sullivan** visits Luanda and tells **US Angola Chamber of Commerce** that **Washington** is willing to support Angola in diversifying the economy, but Luanda should choose to embrace either democratic institutions or **China** and **Russia**;

22 Mar 2019 **Luanda (Angola)** *Lusa* **Banco Nacional de Angola (BNA)**(central bank) governor **José Lima de Massano** says fees and commissions currently levied for all transactions in foreign currency will be reduced within 60 days;

22 Mar 2019 **Luanda (Angola)** *Angop* The government announces its poverty reduction and health and vaccination plan, running to to 2022 and aimed at 3 million people, with an initial budget of about \$600,000;

22 Mar 2019 **Luanda (Angola)** *Angop* **Rwanda's** President **Paul Kagame** concludes a two-day

working visit to Angola to strengthen bilateral cooperation, including in air transport, security and justice, migration, ICT and governance;

20 Mar 2019 **Benguela (Angola)** *Angop* Angola cancels a \$30m construction project in Benguela Province, as illegal; the project for a small shipyard and fish processing was operated by **Angola Daping**, with **Chinese** partners;

18 Mar 2019 **Luanda (Angola)** *Angop* The **Agencia Nacional de Petroleo e Gas (ANPG)** (national oil and gas agency) announces a new bidding round for 55 offshore and onshore blocks this year;

15 Mar 2019 **Luanda (Angola)** *Angop* **Banco Nacional de Angola (BNA)**(central bank) says the country's net international reserves stood at \$10. 6 billion in December 2018 and expects reserves to remain stable this year.

About Africa Risk Consulting:

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