

AFRICA RISK CONSULTING

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President João Lourenço (2017-present) sacks state-owned oil company Sonangol chair Carlos Saturnino Guerra Sousa e Oliveira and other directors following a major fuel supply crisis in Angola. The fourth mobile telecommunications licence award, made to Angolan company Telstar, is cancelled after criticism in Angola of Telstar's lack of track record and its "toxic" shareholders, as well as concerns about the role of the ministry and the telecommunications regulator. The attorney general's office acknowledges it made a deal with Switzerland-based Quantum Global group head Jean Claude Bastos de Moraes to drop the charges against him if he returned the resources of the Fundo Soberano de Angola (FSDEA) (Angola's sovereign wealth fund), managed by Quantum Global, to Angola.

Sonangol heads sacked following fuel supply crisis in Angola

President **João Lourenço** (2017-present) has sacked **Carlos Saturnino Guerra Sousa e Oliveira** as chairman of the board of state-owned oil company **Sonangol-EP**, and other directors. Lourenço asked for a change in Sonangol's priorities after a major fuel crisis developed across **Angola** and three of its largest cities ran out of gasoline and diesel.¹ The shortages started in mid-March, when Sonangol first admitted logistical difficulties in getting supplies into the country.² By early May, after weeks of intermittent shortages, **Luanda**, **Benguela (Benguela Province)** and **Huambo (Huambo Province)** were almost without fuel for transport and electricity generators and petrol stations across Luanda were closed.³ **Sonangol Logística** commercial and marketing director **Dionísio Rocha Júnior** made a statement about the causes of the crisis:

*"The difficulty in accessing currencies to cover the costs of importing refined products is one of the factors in the fuel shortage at major supply stations in Angola. Sonangol imports derivatives by means of payment in foreign currency, for sale to the national market in kwanzas."*⁴

The inability to pay for fuel imports, according to Rocha Júnior, was due to a high level of debt from industry, which consumes about 40% of the total fuel imports, and whose failure to pay also affects the availability of kwanzas for the purchase of foreign currency. This was exacerbated by logistical problems – an ageing tanker fleet and internal distribution difficulties.⁵ Sonangol, in the first quarter of 2019, disbursed \$221m to import 397,458 tonnes of fuel.⁶

Angolan writer **Manuel Rui Alves Monteiro** asked how Sonangol could have let this situation go on for so long:

"All in all, how do you not get paid for fuel for three years? Are there no courts? Can't you get an order to pay from the defaulters' bank account? It is singular that the director does not refer to the mechanisms of coercive collection, or are they untouchable entities? And during those three years of

¹ Lusa, 7 May 2019

² Folha, 8 Mar 2019

³ Voice of America, 21 Mar 2019

⁴ Lusa, 4 May 2019

⁵ Lusa, 4 May 2019

⁶ Lusa, 4 May 2019

default how did the director get kwanzas to buy foreign exchange? Obviously the narrative of the lack of kwanzas does not make total sense ...”⁷

President Lourenço held an emergency meeting with Sonangol officials and his economic team after asking for a report on the fuel crisis.⁸ He concluded:

“There has been a lack of dialogue and communication between Sonangol and the different state institutions, which contributed negatively to the import process for fuels and consequent scarcity of the product in the market throughout the country. All the necessary resources have [now] been mobilised for the complete stabilisation of the fuel supply market in the coming days.”⁹

Lourenço replaced Saturnino and several other directors with a team whose backgrounds may help resolve the supply chain and refinery problems. **Sebastião Pai Querido Gaspar Martins**, a longstanding executive director of Sonangol, was appointed the new CEO, and three other executive directors were replaced from within Sonangol. The new directors are:

- **António de Sousa Fernandes (Sonangol Refinação);**
- **Jorge Barros Vinhas (Sonangol Shipping Holding Limited);**
- **Josina Marília Ngongo Mendes Baião** (president of the executive commission, **Sonangol Holdings**);
- **Oswaldo Salvador de Lemos Macaia** (director of legal services).¹⁰

Baltazar Agostinho Gonçalves Miguel (finance director) and **Luís Ferreira do Nascimento José Maria** were reappointed, together with the previous non-executive directors.¹¹

President Lourenço told the new team that their priority was to speed up the development of the new refineries:

“I think that among the various missions that you are responsible for, without a shadow of a doubt, this should be considered a priority. We know that the process is already under way, what I would like to ask you is to speed up the process, no matter whether through public investment or private investment, provided that the country creates the capacity to produce diesel, gasoline, oils and other petroleum products.”¹²

The severe fuel shortages, as well as water and electricity outages across Angola since the beginning of the year, have dented public perceptions of Lourenço’s government, according to ARC sources in **Luanda**. Despite the new loans for developing infrastructure, basic problems have yet to be resolved, and indeed seem to be worsening. Clearly Lourenço expects the new Sonangol team to deliver the refineries in short order but whether the basic infrastructure issues can be fixed is a major test of his government’s capacity to deliver; the new \$1.2 billion **World Bank** loan is earmarked for energy and water projects,¹³ so funding is not lacking.

Lourenço cancels contract of Angola’s fourth telecommunications provider

President João Lourenço has cancelled the award for a fourth mobile telecommunications licence in Angola and instructed that a new international telecommunications tender be held. The telecommunications ministry announced the award of the licence to Angolan company **Telstar-Telecomunicações, Lda** on 12 April, but Telstar’s lack of track record and its shareholders attracted significant local criticism.¹⁴

⁷ Jornal de Angola, 5 May 2019

⁸ Lusa, 7 May 2019

⁹ Office of the Presidency, 9 May 2019

¹⁰ Office of the Presidency, 9 May 2019 and Sonangol website

¹¹ Office of the Presidency, 9 May 2019 and Sonangol website

¹² Lusa, 10 May 2019

¹³ Lusa, 2 May 2019

¹⁴ Portugal News, 12 Apr 2019

The official version, given in a press release from the Presidency of the Republic, states the annulment was because

*"... the company that was declared the winner of the competition has failed to comply with the terms of the parts of the procedure, the requirement regarding the balance sheet and income statements and statement on volume the last three years."*¹⁵

Telstar was only set up on 26 January 2018, according to the **Diário da República**, so it had no balance sheets. The shareholders are General **Manuel João Carneiro** (90% of the capital), and **António Cardoso Mateus** (10%), his brother-in-law. Telstar appears to be a subsidiary of **Mundo Startel**, a company with an expired landline telephone licence.¹⁶

The real reasons for the cancellation are said to be linked to the presence of "toxic" shareholders in Mundo Startel and concerns about the probity of the tender award. A principal shareholder is General **Francisco Higinio Lopes Carneiro**, whose company, **Mundo Telecomunicações**, is a shareholder in Mundo Startel and managed by his cousin, Manuel João Carneiro, the principal shareholder of Telstar. Higinio Carneiro is currently believed to be under investigation by the attorney general. Other shareholders include senior Angolan ex-ministers, including former transport minister **Augusto da Silva Tomás**, whom the attorney general charged with corruption in January.¹⁷

The announcement of an international public tender for the choice of a fourth mobile operator came about through Presidential Order No. 21-A / 18 of 23 February 2018. Twenty-seven companies originally expressed interest in the tender in 2017, but only six passed the first phase and only two remained in the running. These were Telstar and **South Africa**-based **MTN**.¹⁸

MTN, Africa's largest telecommunications company, withdrew from the tender in November 2018 claiming that the tender process was "flawed" and "lacking in transparency"¹⁹, leaving Telstar as the sole candidate. Neither the telecommunications ministry nor the regulator, **Instituto Angolano das Comunicações (INACOM)**, raised any objection to continuing the tender process, even though it was alleged that Mundo Startel owed "millions of dollars" to INACOM for 1% of the spectrum rental and social fund fees.²⁰

The tender award would have brought with it the privatisation of 45% of the capital of the public company, **Angola Telecom**, as well as increasing competition in the mobile sector, which currently has three operators: Angola Telecom (public), **Unitel** and **Movicel** (private).²¹

The new tender is expected to be announced later this month, but the entire process raises questions about the roles that both the ministry and INACOM played in selecting companies for inclusion in the tender and how they allowed a company that was clearly both not qualified and was known to have "toxic" linkages, to win the tender. This also raises questions about how the new tender will be managed.

Fundo Soberano de Angola had no control over Quantum Global's investments

The attorney general's office has acknowledged it made a deal with **Switzerland**-based **Quantum Global** group head **Jean Claude Bastos de Moraes** to drop the charges against him if he returned the resources of the **Fundo Soberano de Angola (FSDEA)** (Angola's sovereign wealth fund), managed by Quantum Global, to Angola.²² An interview with **Eduarda Rodrigues**, director of the **Serviço Nacional de Recuperação de Activos (SNRA)** (national asset recovery service), linked to the office

¹⁵ Club-K Net, 14 Apr 2019

¹⁶ Expansao, 12 Apr 2019

¹⁷ Deutsche Welle, 29 Jan 2019

¹⁸ Portugal News, 12 Apr 2019

¹⁹ Expansao, 23 Nov 2018

²⁰ Club-K Net, 14 Apr 2019

²¹ Angop, 28 Nov 2017

²² Folho 8, 4 May 2019

of the **Procuradoria-Geral da República (PGR)** (attorney general),²³ makes it clear that former FSDEA chairman **José Filomeno dos Santos** had ceded control of part of the FSDEA's assets to the Quantum Group in 2013.²⁴ According to the court proceedings in **London (United Kingdom)** last year, this was possibly a breach of Angola's Public Probity Law by José Filomeno dos Santos.²⁵ The group was 95% owned²⁶ and managed by his close friend and business associate, Jean Claude Bastos de Morais, and the assets were transferred in a manner that placed \$3 billion of the FSDEA's assets beyond normal recovery through the courts.²⁷ Eduarda Rodrigues said of the case:

*"What happened was that the Attorney General's Office, as a representative of the Angolan State, promoted negotiations between the parties, the Sovereign Fund of Angola (FSDEA) and Jean-Claude Bastos de Morais and the Quantum parties, with a view to recovery of assets, which was under the custody and management of these companies and Jean-Claude. And we did it based on the track record we were checking. When the criminal process began, what happened was that the FSDEA did not have much information or the necessary documents to help."*²⁸

Rodrigues said several contracts were signed between Bastos de Morais and the FSDEA during the administration of José Filomeno dos Santos,

*"... which were extremely harmful to the state and extremely beneficial to Jean-Claude and the group, allowing even the companies of the Quantum group to create new structures in **Mauritius**, which were considered partnerships. These structures caused the Angolan state and the FSDEA to completely lose sight of the businesses that were carried out between these companies, [that were] created with third parties. That is, the FSDEA had no idea what was going on, did not know what kind of investment they had, and were not aware of the investments."*²⁹

Rodrigues noted that there were no quarterly reports to the FSDEA made by the Quantum group to clarify the investment sector and the type of investments made.

*"In practice, in our investigation, we could not receive these reports from the Sovereign Fund, we could not even receive the identification of the existing patrimony, we had no idea of anything. The PGR had to rely on international cooperation."*³⁰

There were civil proceedings in Angola, the UK, Mauritius and Switzerland for the recovery of these assets.³¹ It was in the UK case that Angola discovered the full extent of the contracts. However, Mr **Justice Popplewell** said that "looking at the contracts", Angola could hardly recover its assets.

*"Because, unfortunately, we legitimately and legally ceded our monies through these contracts to Jean-Claude Bastos de Morais."*³²

Eduarda Rodrigues said that at the time of the creation of the FSDEA, \$5 billion was allocated to investments, which were subdivided into three tranches within the scope of its own investment policy approved by presidential decree. \$1.5 billion went to liquid assets – financial products – and \$3 billion in alternative assets to invest in mines, forests and hotels. It is the latter \$3 billion over which Quantum had total control.³³

"The other amounts have always been under the sphere of legal availability of the Sovereign Fund, because these \$1.5 billion are already under the aegis of the Sovereign Fund from the outset, what

²³ Jornal de Angola, 27 Apr 2019

²⁴ UK High Court Judgement, 16 Aug 2018

²⁵ UK High Court Judgement, 16 Aug 2018

²⁶ UK High Court Judgement, 16 Aug 2018

²⁷ Folho 8, 4 May 2019

²⁸ Folho 8, 4 May 2019

²⁹ Folho 8, 4 May 2019

³⁰ Folho 8, 4 May 2019

³¹ UK High Court Judgement, 16 Aug 2018

³² Eduarda Rodrigues quoted in Folho 8, 4 May 2019

³³ Folho 8, 4 May 2019

*was missing here was \$3 billion, which was allocated to alternative investments and were delivered to Jean-Claude to invest in 'private equity' in Mauritius, in those companies that were set up, where the fund did not know the type of investment. That is what we have recovered."*³⁴

Angola nearly lost three fifths of its sovereign wealth fund, the staggering sum of \$3 billion, to Quantum because of, at a minimum, abject failures of accountability and control of the manager of the funds, and possibly because there was no intention that the funds should be used for Angola's benefit in the first place. Negotiating a deal with Jean Claude Bastos de Morais was, it seems, the only way to recover the money. There is as yet no information on when the trial of José Filomeno dos Santos will take place, or what any new charges will be.

Planner

- May 2019 **Luanda (Angola)** Telecommunications ministry to launch new international tender for fourth global telecommunications provider;
- June 2019 **(Angola)** New oil bidding round expected to be opened;
- Q2 2019 **(Angola)** The government will issue eurobonds worth \$2 billion, its third eurobond issue;
- 2019 **Saurimo (Angola)** New diamond hub will open, comprising a diamond cutting and polishing factory, a professional technical training school and supporting institutions and industries;
- 2019 **(Angola)** 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 (ANGP)** (national petrol and gas agency);
- 24 Oct 2019 **Sochi (Russia)** President **João Lourenço** is to take part in the **Russia-Africa Summit**;
- 18 Nov - 6 Dec 2019 **Luanda (Angola)** Angola will host **African Union's (AU)** 18th Session of the International Law Commission followed by 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 **(Angola)** **Luaxe** kimberlite mine, managed by **Russia-based Alrosa**, begins production;
- 2020 **(Angola)** First local and municipal elections;
- 2021 **(Angola)** National elections;
- 2022 **(Angola)** End date for **Banco Poupanca e Credito's** recovery plan

Chronology

- 10 May 2019 **Lisbon (Portugal)** **Lusa Banco de Negócios Internacional (BNI)** announces the start of negotiations with **Finibanco** for a possible merger;
- 8 May 2019 **Luanda (Angola)** **Angop Serviço de Investigação Criminal (SIC)** (criminal investigation service) interviews former construction and public works minister **Waldemar Pires Alexandre** in relation to recovering \$10m allegedly diverted by former department managers 10 years ago;

³⁴ Folho 8, 4 May 2019

6 May 2019 **Luanda (Angola)** *Club-K* **Serviço de Inteligência e Segurança de Estado (SINSE)** (state intelligence and security service) sets up new centre to collect and process data and information on social networks and public and private, national and foreign media;

4 May 2019 **Luanda (Angola)** *Luso* **Tribunal Constitucional de Angola** (constitutional court) invalidates the **Frente Nacional de Libertação de Angola (FNLA)** congress to be held in June, at the request of FNLA officials;

3 May 2019 **Luanda (Angola)** *Angop* Foreign affairs ministers of Angola and **Japan** sign an assistance agreement for a health and economic development programme valued at two hundred million Japanese yen (\$1.8m);

2 May 2019 **Luanda (Angola)** *Luso* The **World Bank** finalises an additional \$1.2 billion loan to the Angolan government to implement projects in agriculture water, electricity and human capital and improve economic statistics;

2 May 2019 **Luanda (Angola)** *Angop* **Japanese Toyota Tsusho Corporation** chairman **Ichiro Kashitani** expresses interest in investing further in Angola's automotive sector and in areas of infrastructure, energy and new technologies;

2 May 2019 **Namibe Port (Angola)** *Angop* **Japanese Toyota Tsusho Corporation** chairman **Ichiro Kashitani** visits the Japan government-funded rehabilitation project of the **Port of Namibe** in southern Angola,

28 Apr 2019 **Luanda (Angola)** *Angop* **Portuguese** attorney-general **Lucília Gago** visits Angola to increase juridical co-operation between the prosecution departments of Angola and Portugal;

26 Apr 2019 **Saurimo (Lunda Sul) (Angola)** *Angop* 40,000 illegal foreign citizens are deported from northern provinces under **Operation Transparency**;

24 Apr 2019 **Luanda (Angola)** *Lusa* State-owned oil company **Sonangol** announces income of \$2.8 billion in the first quarter of 2019, with the sale of 45.1 million barrels of oil at an average price of \$63.13 per barrel;

18 Apr 2019 **Gabarone (Botswana)** *The Citizen* **Angola, Namibia, Zambia and Zimbabwe** back Botswana's plan to lift elephant hunting ban in the **Kavango-Zambezi Trans-frontier Conservation Area (KAZA-TFCA)**;

17 Apr 2019 **Luanda (Angola)** *Angop* **Portugal's** justice minister, **Francisca Van-Dúnem**, makes a four-day working visit to Luanda and confirms that teams from the justice ministries of both countries are working on dossiers;

17 Apr 2019 **Luanda (Angola)** *Press release* The **International Monetary Fund (IMF)** recommends improving the process of execution of the State Budget and better oversight of public spending and purchasing procedures;

16 Apr 2019 **Luanda (Angola)** *Lusa* **Bureau Veritas** awards Angola-based **Aenergy**, which operates the country's largest thermal power plant and provides locomotive engines for the nation's railways, the Anti-Bribery Management System Certificate ISO 37001;

14 Apr 2019 **Luanda (Angola)** *Angop* Vice-president of **Cuba's** Council of Ministers, **Ricardo Cabrisas Ruiz**, visits Angola to discuss Angola's debt to Cuba and enhanced co-operation agreements, updating those in place since 1976;