

Crédit Suisse and the Mozambique secret loans scandal



By **MultiWatch** (Switzerland)

In 2013, Crédit Suisse London and Russian bank VTB London granted a US\$2.07 billion loan to Mozambique via three state-owned companies, unbeknownst to the country's parliament. The then-president of Mozambique, Armando Guebuza, and a former intelligence chief, Antonio de Rosario, allegedly wanted to finance a major coastal defence project. Of the total, US\$850 million were loaned to a newly created state-owned company, Ematum, through Eurobonds sold to major investors, to set up a tuna fishing fleet with armed escorts to protect it¹. The fish were to be exported to the EU and the revenues were to be partly used as debt repayment. It is interesting to note that EU fish imports were worth €41 million in 2017.

This plan was never implemented. Privinvest, a conglomerate owned by Franco-Lebanese entrepreneur Iskandar Safa and his brother Akram Safa, was awarded the contract to build this fleet in a shipyard in Cherbourg, France for 'only' US\$200 million. This led to questions on where the rest of the money that Privinvest had charged had gone. On top of that, Crédit Suisse and VTB secretly granted more loans to two other Mozambican state-owned companies: US\$622 million, mostly from Crédit Suisse, went to state-owned Proindicus, which used the money to buy twelve military inspection vessels, radars and other military equipment; US\$535 million from VTB flowed to state-owned Mozambique Asset Management, which was supposed to be used for military security on the coast. Mozambique's loans from Crédit Suisse could thus be connected to an effort to protect future offshore natural gas production in the country, which would serve the EU's strategic objective of reducing its dependence on natural gas from Russia².

When the loans and their potential use for buying weapons were made public, donor countries suspended aid to the country. Mozambique declared insolvency and the country fell into a severe economic crisis³. Public spending on health and education had already been shrinking dramatically. The IMF is now urging Mozambique to implement more cuts.

Crédit Suisse London is accused of having violated its due diligence obligations in a context where the loans were obviously risky and would consume an unreasonably large share of Mozambique's GDP. The bank has also been denounced for charging the country exorbitant fees and interest rates. Investigations are ongoing in the UK and the US⁴. Mozambican civil society is demanding a transparent investigation into the loans and an audit of the country's debt⁵.

Demands of the affected communities

The Mozambican citizens, represented by the umbrella organizations Budget Monitoring Forum (FMO), Mozambique Debt Group (GMD) and Transparency and Fiscal Justice Coalition (CTJF), refuse to pay these illegal debts to private companies. They demand the Government to disclose in open, freely accessible sources all the information related to the Mozambican public debt and to provide a public, detailed explanation to Mozambicans about the real implications of the heavy debts.

They demand the Assembly of the Republic to prepare and approve a law of fiscal accountability for those who violate the budget law (especially when disregarding the limits of guarantees set out each financial year). Furthermore, they demand the Assembly to conduct a parliamentary inquiry into the debts contracted by private companies with state guarantees and to determine the civil and criminal liabilities that may exist.

This case is part of the report 
THE EU AND THE CORPORATE IMPUNITY NEXUS
BUILDING THE UNBINDING TREATY ON TRANSNATIONAL CORPORATIONS AND HUMAN RIGHTS

The full report can be downloaded at:
<https://multinationales.org/The-EU-and-the-Corporate-Impunity-Nexus>





They demand from the Administrative Court (TA) to conduct a thorough forensic audit of Mozambique’s public debt. Such an audit must provide information on the types of Mozambique’s debts (domestic, foreign, concessional, and commercial) including the total amount of State guarantees issued to private companies. It must include details on grant dates, creditors, debt terms, beneficiaries and repayment plans, and establish exemplary measures of Administrative accountability. The latter refers to the devolution of money received from unduly individuals or legal entities as well as to criminal liability of those who authorized operations and procedures that flagrantly violated the Budget Law and the Constitution of the Republic of Mozambique.

They demand the Central Office for the Fight against Corruption to conduct an investigation. It should determine criminal and civil liabilities in relation to processes during which private companies incur debt with State guarantees, including the acquisition of defence and security equipment by entities outside the State. The findings of such an investigation, including measures to adopt, must be made public and open for public scrutiny.

ENDNOTES

- 1 WOZ (9.6.2016): Der fischige Deal der Credit Suisse. URL: <https://www.woz.ch/1623/staatskrise-in-mocambique/der-fischige-deal-der-credit-suisse>
- 2 Welt (26.10.2015): „Wir suchen für Europa Alternativen zu russischem Gas“. URL: <https://www.welt.de/wirtschaft/article148022323/Wir-suchen-fuer-Europa-Alternativen-zu-russischem-Gas.html>
- 3 Infosperber (14.11.2017): Die Credit Suisse im Mosambik-Skandal. URL: <https://www.infosperber.ch/Wirtschaft/Korruption-Die-Credit-Suisse-im-Mosambik-Skandal>
- 4 Wallstreet Journal (6.11.2017): FBI Investigates European Banks for Allegedly Aiding Corruption in Mozambique. URL: <https://www.wsj.com/articles/u-s-investigates-credit-suisse-vtb-and-bnp-paribas-for-roles-in-selling-mozambique-debt-1509923961?mg=prod/accounts-wsj>
- 5 Position paper „It is unacceptable to pay illegal debts“. URL: <http://www.fmo.org.mz/documentos/Position-paper-Civil-Society-Moz.pdf>