

# Mozambique defaults on its debt

3 February by Jubilee Debt Campaign



Campaigners from Jubilee Debt Campaign protesting against Credit Suisse's secret loans to Mozambique, outside their office in Canary Wharf, London

Mozambique's secret loans crisis has entered a new phase after the government missed a payment on its debts. [Can you take action now in solidarity with campaigners in Mozambique?](#)

The country was thrown into crisis last year by the revelation that government officials had taken out \$1.1 billion of secret loans via the London offices of two international banks, Credit Suisse and VTB, without the required approval of Mozambique's parliament.

The President has since agreed to an external audit into the scandal, while the UK regulator is reportedly investigating the banks that arranged the loans. But campaigners in Mozambique now fear the [IMF](#) will give new loans to the country before those responsible have been held to account. If Mozambique uses the

new IMF loans to pay off the secret debts, rather than refusing to pay on the grounds they are illegal, the secret lenders will be bailed out.

The UK is one of the major voices on the IMF Board, so we have a chance to show our solidarity with campaigners in Mozambique and demand the banks are held to account. Can you join our call for the UK not to support a bailout for Mozambique's secret lenders?

The fall-out from the hidden loans scandal is already proving devastating for people in Mozambique. The debt crisis, on top of the sharp fall in commodity prices which has hit the country's income from exports hard, has led to rampant [inflation](#) in basic goods and cuts to essential public services. The burden of the crisis is falling on the poorest people in Mozambique.

Last year, when the scandal broke, we called on Credit Suisse and VTB to drop these secret debts. After many months of refusing to respond to our campaign, press reports now suggest that the banks have sold on some or all of the debts. And as the stand-off continues, the secret debts may be bought up by [vulture funds](#) - financial speculators who look to profiteer from countries in debt crisis.

We recently paid a visit to Canary Wharf, where the secret loans were issued. We called on Credit Suisse to come clean about their role in the scandal, including by revealing who now owns the debts, how much they were sold for, and by publishing the due diligence they conducted before agreeing to the loans. So far they have failed to do so.

As the crisis enters this new phase, the best way to hold the lenders to account for this scandal is for Mozambique to refuse to pay. The Mozambique parliament never agreed the loans, in breach of the country's constitution, so the government is well within its rights to refuse to pay - alongside prosecuting those responsible in Mozambique. Even The Economist has said that the country may be better off if it 'repudiates' the secret debts.

New IMF loans would make this less likely. They would change the [balance](#) of power in Mozambique's stand-off with creditors, and could let both Mozambican officials and the reckless lenders off the hook. Please tell the UK: No bailout for Mozambique's secret lenders.

<http://www.cadtm.org/Mozambique-defaults-on-its-debt>