

DROP IT!

Summer 2019

MOZAMBIQUE'S STAND FOR JUSTICE




**JUBILEE DEBT
CAMPAIGN**

MOZAMBIQUE AND THE FIGHT FOR JUSTICE

Still reeling from the economic collapse brought about by an ongoing secret debt scandal and then the devastation caused by Cyclone Idai in March, **in April Mozambique was hit by yet another devastating cyclone**, this one called Kenneth.

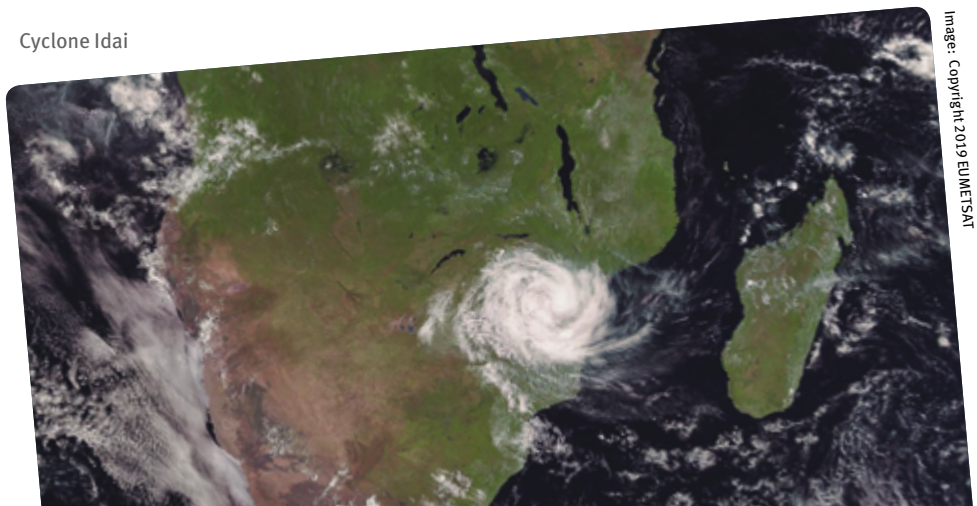
This Southern African nation, with over 1500 miles of Indian Ocean coastline, and 4 out of every 5 people living in poverty, is on the frontline of two phenomena that Jubilee Debt Campaign has been warning of for several years now: the boom in irresponsible lending to poor countries, and the **spiral of climate devastation and indebtedness** faced by many of the same countries.

We have been working with colleagues and partners in Mozambique since the secret, odious loans from London-based banks were first exposed in 2016, supporting their demand that **the people of Mozambique should not have to repay debts which they had no say over and no benefit from.**

In May we will be hosting Mozambican allies for a series of events with UK authorities and decision-makers, to up the pressure here for action on the London banks.

In this Drop-It, we bring you up to speed on **recent big developments in the secret debt scandal** including arrests in London and South Africa, investigations by US and Swiss authorities, and a contemptible decision by the IMF not to issue debt relief in response to Cyclone Idai. And we look at **Mozambican campaigners' strong stand for justice and their prospects of victory.**

Cyclone Idai





Tuna fishing fleet

THE BACK STORY: THE SECRET LOANS

This story will be familiar to some of you by now, but we'll go over it briefly again as it's key to understanding what's happened in recent months.

In 2013 and 2014 three loans, worth a total of \$2 billion, were given to three state-owned companies in Mozambique by the London branches of Credit Suisse and VTB. The loans were guaranteed by then Mozambique Finance Minister Manuel Chang. None of the loans were agreed by the Mozambique parliament and two were kept secret.

Some of the money was spent on a tuna fishing fleet and speed boats, which sit unused in Maputo harbour, along with associated equipment. However, an independent audit has revealed that at least \$700 million is unaccounted for. A US Department of Justice indictment claims that at least \$200 million of bribes and kickbacks were paid to bankers, suppliers and Mozambique government officials as part of the deals.

THE LIES REVEALED

In 2016, just after the only public loan was restructured, the existence of the other two loans was publicly revealed. The revelations have contributed to an economic crisis in the country, which was already facing high levels of poverty and the impacts of the crash in global commodity prices which took place in 2014.

Even though the three loans at the centre of the scandal have been defaulted on, Mozambique's debt payments have still shot up because of a crisis in confidence in the government and a fall in the value of the currency which has increased the relative size of debts owed in foreign currencies such as dollars.

Mozambique's foreign debt payments are now over 20% of the government's annual revenue, and the squeeze on public finances has meant cuts in public spending by a huge 30% per person between 2014 and 2019, impacting the wages of public sector workers and access to basic services like healthcare and education.

DON'T OWE, WON'T PAY

From the moment the secret debts were exposed they were denounced by members of the Mozambican Budget Monitoring Forum (FMO), a network of 21 Mozambican civil society organisations focused on ensuring that Mozambique's public funds are spent responsibly and in a way that benefits citizens. A statement issued in 2017 signed by 35 Mozambican organisations and 35 international organisations called for a forensic audit of the debt and for all those responsible in the Mozambican government and the London-based banks to be held to account.

Our allies in Mozambique have kept up this pressure for transparency and accountability for their government's role in the scandal in spite of some attempts by Mozambican authorities to silence them. Campaigners at the Public Integrity Centre (Centro de Integridade Publica) had their "I won't pay the secret debt" t-shirts seized by police and their supporters searched on the day their campaign was launched.



“We demand that Credit Suisse publicly declare that the Mozambican people should not pay a single cent on those debts.”

Extract from letter sent to Credit Suisse by Graça Machel and other Mozambican campaigners in February 2019

In February this year Mozambican politician, humanitarian and widow of Nelson Mandela Graça Machel added her voice to calls for debt justice and for Mozambique's debt to be written off. And with your help we have kept the pressure on here in the UK: highlighting that the debts were illegal and should be written off, pushing the Financial Conduct Authority (the UK's bank regulator) to explain why they dropped their criminal investigation into the case, and working with Parliamentarians to demand action by UK authorities on the London banks involved.



Image on the confiscated campaign t-shirts stating 'We won't pay the secret debt' in Portuguese

A GLIMMER OF JUSTICE

At the start of this year a dramatic series of developments suggested that all this campaigning had not been in vain. On Thursday 3 January three former Credit Suisse bankers were arrested in London as part of a US investigation into the secret loans, along with a former employee of the United Arab Emirates company which supplied the boats, Privinvest, and former Finance Minister Manuel Chang, who was arrested in South Africa.

The arrests prompted the Mozambique government, which had been dragging its feet, to finally take action. The Mozambique Attorney General has since indicted 18 people “on charges of abuse of power, abuse of trust, swindling and money laundering” and in February six were arrested, including the former Head of Intelligence, and the son of past President Guebuza who was in power at the time of the secret loans.

At the end of February, Mozambique filed a case against Credit Suisse at the High Court in London, seeking a judgement that the government has no requirement to pay one of the three loans, and seeking compensation from Credit Suisse. And finally, four years after the secret loans were first revealed, the UK government committed in March this year to investigate the role of UK banks in the scandal. In response to a question from Preet Gill, Shadow Minister for International Development, the Africa Minister Harriet Baldwin said: “I can commit to ensuring that there is an investigation”.

DISASTER STRIKES

Sadly, just as it looked like we might have a chance of securing real progress on debt justice for Mozambicans, in March 2019, Cyclone Idai tore through Mozambique, Zimbabwe and Malawi, shortly followed by another powerful tropical Cyclone, Kenneth. It is estimated that Idai affected 3 million people in Southern Africa, most of them in Mozambique. And the World Bank assessed that \$800 million of Mozambique’s assets were destroyed by Idai alone.

Appallingly, despite the devastation, the IMF has deemed Cyclone Idai not damaging enough to warrant debt relief. Instead of cancelling debt owed to it, the IMF, which is sitting on reserves of \$30 billion and made \$550 million profit in 2018, has added to Mozambique’s debt. It has issued a loan of \$118m to fund the rebuilding of infrastructure – money that Mozambicans will have to pay back. Mozambique should be receiving grants from the international community instead.

MOZAMBIQUE AND THE FIGHT FOR JUSTICE

Mozambique is yet another victim of the climate debt spiral which will only get worse unless there is a concerted effort by the international community to deliver debt justice to countries on the front line of climate chaos. Already burdened by a debt crisis caused by corrupt politicians and bankers, ordinary Mozambicans have had their lives turned upside down by not one cyclone but two in the space of as many months – extreme weather events that are causing increased destruction because of the climate crisis primarily caused by rich countries in the global North. And now they are being forced to take on more debt to recover and rebuild.

What we're fighting for

We are steadfast in our solidarity with the people of Mozambique. We're in this with them until there is justice and those involved in the secret debts are held to account. We are hosting a visit from our Mozambican allies in May so that UK politicians and officials can hear directly from them.

But we realise that, with worsening climate change, that is not enough. Countries like Mozambique cannot be forced to borrow to recover from climate disasters. So we're working with allies to demand an automatic mechanism for debt write-off for countries impacted by such disasters. You'll hear more about this campaign later this year. We very much hope you will lend it your support.

“The people of Mozambique should not have to pay for these odious loans. We are appalled that the UK has not done anything to hold the London banks to account for their role in this scandal. But we are thankful for all the UK and Mozambican citizens who have campaigned to expose the role of the banks and help the Mozambican people to get justice”



*Denise Namburete,
Budget Monitoring Forum*

Flooding caused by Cyclone Idai



(Photo Credit: Denis Onyodi IFRC DRK Climate Centre)

CRISIS DEEPENS AS GLOBAL SOUTH DEBT PAYMENTS INCREASE BY 85%

New figures we released in April, covered in The Guardian, show that external debt payments by governments in the global South grew by 85%, as a proportion of government revenue, between 2010 and 2018. This rapid increase in debt payments comes after a lending boom driven by low global interest rates. External loans to developing country governments more than doubled from \$191 billion per year in 2008 to \$424 billion in 2017 (the latest year with figures available).

We also calculated that for the countries with the highest payments, in two-thirds public spending is falling. The largest public spending cuts were in Egypt, Cameroon, Angola and Mongolia, all of which are on IMF loan programmes.

“There is now evidence of falling public spending in countries hit by high debt payments, further undermining progress towards the Sustainable Development Goals.”

– Tim Jones
Jubilee Debt Campaign

THE PUBLIC’S RIGHT TO KNOW ABOUT THEIR DEBTS

Over 40 organisations have joined our call for rules to make loans to governments transparent. Our campaign has been prompted by the secrecy of the loans in the Mozambique scandal. The 40 partner organisations, which include Christian Aid, Global Witness, the ONE Campaign, ActionAid International and Islamic Relief, as well as regional debt networks from

Africa, Asia, Latin America and Europe, have together produced a briefing “Transparency of loans to governments: The public’s right to know about their debts”.

In March, when asked publicly about our campaign, the UK’s International Development Secretary Penny Mordaunt said: “If we are the financial centre of the world, we have to be driving this agenda ... we’ll be doing more on this in the future ... There’s no point in aid and good lending if that is dwarfed by what leaves in illicit money flows and getting nations into debt. We need complete transparency on that front.” However, the government have yet to announce any new measures.

The Finance Ministers of the G20 group of large economies will be meeting in Japan from 8-9 June to discuss measures to increase transparency of loans. It is partly thanks to our campaign that this issue is on the international agenda.

Now we need to put pressure to make sure the UK plays its role in delivering better standards. We have produced a guide on how to lobby your MP on making loans transparent, which is available at jubileedebt.org.uk/MPguide or by using the materials order form in this Drop It magazine. Please let us know if you are arranging a meeting with your MP by emailing tim@jubileedebt.org.uk or calling 020 7324 4722.

➔ Read more:

You can read the briefing on transparency of loans at:
jubileedebt.org.uk/transparency

THE GREAT BRITISH DEBT TRAP

PROGRESS ON HOUSEHOLD DEBT

Britain faces a growing household debt trap, with millions of families up and down the country having to borrow to put food on the table. In March we calculated that unsecured household debt, including loans, overdrafts and credit card debt, has grown an incredible SIX TIMES faster than wages since 2013.

The bank regulator the Financial Conduct Authority is finally stirring into action. It has announced that it will cap the prices people pay for televisions, washing machines and other household goods bought on 'rent-to-own' credit from companies like Brighthouse.

This an important step forward and one which we have helped to bring about, alongside allies in the End the Debt Trap coalition and others. It will mean that people never pay more than twice the face value of the product they buy, and the FCA estimates this will mean savings of £23 million per year for people who buy rent-to-own products. But the cap doesn't apply to overdrafts, credit cards and doorstep lending, despite the overwhelming case that an overall cap on interest rates and charges is needed.

→ Take action:

Write to your MP asking them to write to Treasury Minister John Glen in support of a market-wide cost cap:
jubileedebt.org.uk/extendthecap

ABOUT US

The Jubilee Debt Campaign is a UK charity working to end poverty caused by unjust debt through education, research and campaigning.



Jubilee Debt Campaign

dropthedebt

SIERRA LEONE'S DEBT CRISIS - LEGACY OF EBOLA CONTINUES

In 2014 and 2015 the Ebola crisis had a devastating impact on Sierra Leone's economy. In 2015 following our campaign, the IMF agreed to cancel \$29 million of debt payments by the country in 2015 and 2016. However, it also lent almost ten times more - \$254 million - between 2015 and 2017. We warned at the time this would lead to a debt crisis in the future. Unfortunately, that warning is now coming true.

The loans given during the Ebola crisis are due to be repaid over coming years. Government debt payments on foreign debt will reach 19% of government revenue by 2022. At the same time, public spending is projected to fall by 15% per person. This hinders the ability of Sierra Leone to reduce poverty and maternal mortality and risks another disease outbreak through poor quality health systems.

We are campaigning with Christian Aid to get the UK government to support a debt write-off and a fresh start for Sierra Leone.



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Registered charity no. 1055675

HELP US STAND WITH MOZAMBIQUE

Can you help us keep the pressure on to secure debt justice for the people of Mozambique?

Regular donations from supporters give us the security we need to focus on our central purpose - **campaigning to tackle unjust debt, in solidarity with the people and countries worst affected.**



Free book with Direct Debits over £5/month

Using this form, you can

1. Set up a direct debit to support our work
2. Make a one-off donation
3. Order FREE materials to help spread the word, and
4. Ask to receive updates on our work by email or post

And if you can commit to regular giving of £5 per month or more today, you can receive a **free copy of 'The Human Planet: How We Created the Anthropocene' by Simon L. Lewis and Mark A. Maslin.**

The Direct Debit Guarantee

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Written confirmation may be required.

Please also notify us.


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CAMPAIGN**

1. MY DETAILS

First name _____ Last name _____

Address _____

Postcode _____

Email _____

2. DONATE BY DIRECT DEBIT AND RECEIVE A FREE BOOK!



I would like to support Jubilee Debt Campaign with a regular donation by Direct Debit:

☐ £5 ☐ £10 ☐ £20 ☐ Other: £ _____ per month

Account Number

Sort Code

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☐ I will be donating £5/month or more, and I would like to claim my complimentary copy of *The Human Planet: How we created the Anthropocene*.

Please note that our Direct Debit instructions are processed by Charities Aid Foundation, service user number 691213. Donations to Jubilee Debt Campaign will appear on your bank statement as 'Charity Donation'.

Instruction to your Bank or Building Society: Please pay Charities Aid Foundation Direct Debits from the account detailed on this instruction subject to the safeguards assured by the Direct Debit Guarantee overleaf. I understand that this instruction may remain with Charities Aid Foundation and, if so, details will be passed electronically to my Bank/Building Society.

Signature _____

Date _____

3. MAKE A ONE-OFF DONATION TO SUPPORT DEBT JUSTICE

Single donation: I enclose a single donation of £ _____

(Please make cheques out to 'Jubilee Debt Campaign')



4. ORDER MATERIALS

Please send me:

- ☐ more copies of this booklet
- ☐ Briefing: 'Don't owe, shouldn't pay: The impact of climate change on debt in vulnerable countries' (16 pages)
- ☐ Guide: How to lobby your MP on making loans transparent (4 pages)
- ☐ Drop It! Household debt – the poverty trap (Summer 2018)

4. STAY IN TOUCH

Tick if you would like to hear about Jubilee Debt Campaign's work:

☐ by post ☐ by email (make sure you've given us your email above!)

Jubilee Debt Campaign will process the information you provide for the purposes of collecting your donation(s) and/or contacting you with campaign news in line with your preferences. You can unsubscribe at any time and your details will never be shared with any other organisations for their own marketing purposes. For more information please see: www.jubileedebt.org.uk/privacy.

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If you're a UK taxpayer, we can reclaim an extra 25% in tax on your donations. Please tick the box and date.

☐ I would like Jubilee Debt Campaign (Registered Charity no. 1055675) to treat this and any future donations as Gift Aid donations. I am a UK taxpayer and understand that if I pay less Income Tax and / or Capital Gains Tax in the current tax year than the amount of Gift Aid claimed on all my donations it is my responsibility to pay any difference.

Date _____

Please tear off, fold and return to: Jubilee Debt Campaign, The Grayston Centre, 28 Charles Square, London N1 6HT

You can also order materials by email: info@jubileedebt.org.uk or phone: 020 7324 4722, and donate online at www.jubileedebt.org.uk/donate