

MEDIA STATEMENT

25 October 2021

Hollow Victory

Credit Suisse agreement with US and UK authorities to settle corruption charges

We, the Budget Monitoring Forum, note the recent announcements by the US Department of Justice, US Securities Exchange Commission and UK Financial Conduct Authority (FCA) that Credit Suisse has agreed to pay \$475 million (as well as an amount that is yet to be determined as restitution to the victims) to the authorities to resolve bribery and fraud charges relating to a \$2-billion corruption scandal in Mozambique.

The latest development is an important step towards restoring Mozambique's economic and social development trajectory. It is also a confirmation that our pursuit for justice for the people of Mozambique in this matter and concerted efforts across multiple jurisdictions over the past five years are now yielding results. But, we believe that the current offer is simply inadequate and does not meet the expectations of millions of Mozambican people.

We welcome this coordinated global action by the authorities, as well as their commitment to working together with domestic and foreign authorities to use all tools to hold corporate wrongdoers accountable. We expect that the precedent set in this case will change how international investors conduct business in low income developing countries and other emerging markets. We remain committed to working with international banks and development partners to contribute towards improving transparency and accountability in private sector lending to low income, developing countries.

Mozambique has been in debt distress since 2016 and has struggled to pay about \$10 billion in external debt as a result of collusion between international creditors, contractors and corrupt officials in Maputo. According to Centro De Integridade Pública (CIP), the direct costs of the debt is more than \$4 Billion, with indirect costs exceeding \$11 Billion. This is a significant cost, equivalent to more than 10 years of public health expenditure. There is a need to compensate Mozambicans for these economic, social and development costs.

The weak fiscal position significantly hindered the country's ability to provide humanitarian assistance in response to natural disasters, such as Cyclone Idai, that killed more than 1 400 people in Southern Africa, caused extensive damage to physical infrastructure and displaced hundreds of thousands of people. More recently, the constrained fiscal space meant that the country's response to the Covid-19 pandemic was inadequate and could not effectively protect lives and livelihoods of the most vulnerable. The proposed settlement does not create the necessary fiscal space for post-pandemic economic recovery.

We continue to call for an urgent resolution to Mozambique's debt crisis. The recognition by the Group of 20 (G20) that Mozambique needed debt relief to support its Covid-19 response is important. The decision to offer Mozambique temporal debt service suspension under the G20 Debt Service Suspension Initiative (DSSI) was important yet has not removed the

underlying debt challenges. A meaningful settlement would be one that contributes towards restoring Mozambican debt sustainability, and long term economic prospects.

Our view is that all the fines paid by Credit Suisse to various agencies should immediately be channelled towards resolving Mozambique's debt. There is no moral justification for any development partner to retain the fines, when Mozambican people continue to suffer economic and social harm. The \$475-million in fines, though wholly inadequate, must be channelled towards debt relief for Mozambique and/or be used towards transformational projects in the country.

The Mozambican case demonstrated weaknesses in the global financial architecture and financial sector regulation. We share the assessment by all regulators in the Credit Suisse matter that internal controls failed. In 2019, our assessment was that the risk management culture within Credit Suisse at the time was inadequate. Addressing the Credit Suisse AGM, we cautioned investors that the poor internal controls and oversight would invariably erode shareholder value. This is confirmed by the recent experience with Greensill and other governance scandals within the bank.

We understand that Credit Suisse has committed to a restitution process for Mozambicans – we would like to see this process accelerated to ensure that further damage to the Mozambican economy is minimised. We are going to invest resources to engage with Credit Suisse, and other investors to get a just outcome for Mozambicans.

We are also concerned that Prinvest and other creditors are yet to provide a clear path towards restitution. We will, over the next few weeks, engage with various regulators and partners on how to accelerate progress with this group.

The following CSOs are part of the Budget Monitoring Forum: N'weti - Communication for Health, Center for Learning and Civil Society Capacity Building (CESC), Center for Democracy and Development (CDD), Center for Public Integrity (CIP), Foundation for Community Development (FDC), Forum of Children's Rights Organizations (ROSC), Helvetas Swiss Intercooperation, Action Aid Mozambique, Mozambican Debt Group (GMD), Education for All Movement (MEPT), Community Radio Forum (FORCOM), Mozambican Civil Society Platform for Social Protection (PSCM-PS), League of NGOs (JOINT), Women Law and Development (MULEIDE), Rural Environment Observatory (OMR), IESE, Namati-Mozambique, Citizen's Observatory for Health, WaterAid, WWF.