

Russia's VTB Bank Demands \$500M from Mozambique Government

Mozambique guaranteed \$500 million of loans from the Russian state-supported bank on defense and development projects which have been hit by a corruption scandal.

By Reuters

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VTB Bank reminded Mozambique that it has the right to sue the government if the loans are not paid back. **Pixabay**

An arm of Russia's state-backed lender VTB is hoping the Mozambique government will make it whole for losses on some \$500 million in loans it made to finance coastal defense and other development work there, after the projects derailed amid a corruption scandal, an executive said on Wednesday.

Cicely Leemhuis, the deputy head of the legal department at VTB Capital, told the U.S. federal court in Brooklyn, New York, that the loans "are considered to be significant exposure" for

the investment bank. The loans, made to three state-owned companies in Mozambique, were guaranteed by the government of Mozambique and VTB has a contractual option of suing to recover its losses, she said.

The loans are being restructured and VTB Capital still expects to be repaid, she added.

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Between 2013 and 2014, the three state-owned Mozambique companies awarded Abu Dhabi-based Privinvest Group contracts to build a coastal defense system, a tuna fishing fleet and a shipyard in the country. The projects were financed by nearly \$2 billion worth of loans issued by Credit Suisse and VTB Capital.

U.S. prosecutors have alleged that executives from the two banks and Privinvest, however, got involved in a \$200 million scheme to pay bribes and kickbacks to government officials and themselves to secure the contracts and loans.

Prosecutors have argued that Credit Suisse went on to sell parts of those loans to investors, including some in the United States, who were falsely told that all the money was being used for legitimate government projects.

Three former Credit Suisse bankers and Mozambique former finance minister Manuel Chang have been charged in the case.

VTB's Leemhuis told the court that the bank would not have issued the loans had it known that Privinvest was bribing officials. "It would have been illegal for VTB to do so," she said.

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Mozambique — one of the world's most indebted countries — admitted in 2016 to undisclosed lending, prompting the International Monetary Fund and foreign donors to cut off support, triggering a currency collapse and a default on its sovereign debt.

One of the world's poorest countries, Mozambique's economy was worth \$14.5 billion in 2018, according to World Bank data, and has seen its debt-to-gross-domestic-product ratio hit 113%, data from the IMF shows.

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