

The Role of Sakunda and the Reserve Bank of Zimbabwe in Command Agriculture

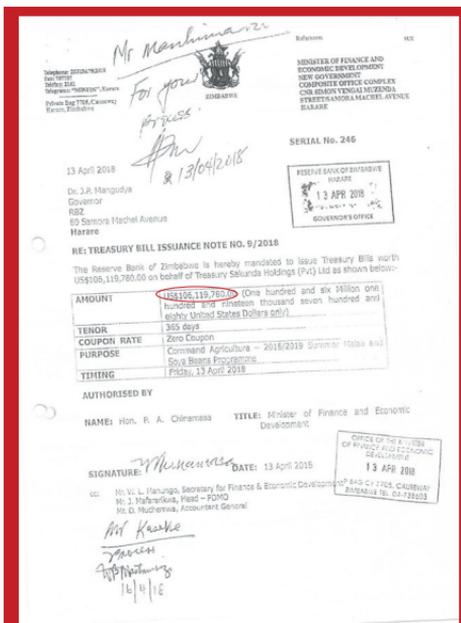


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Legal Tender?

The Role of Sakunda and the Reserve Bank of Zimbabwe in Command Agriculture

Possibly unlawful payments from the Reserve Bank of Zimbabwe (RBZ) to presidential advisor Kudakwashe Tagwirei's companies formed up to one-third of the US\$280 million his firms received while running Command Agriculture, according to new analysis by The Sentry.



Treasury Bill issuance letter for \$106,119,780 for Sakunda Holdings, dated April 13, 2018. Source: The Sentry.

Over the course of the 2016-19 programme, Tagwirei's Sakunda Holdings received US\$1.28 billion—US\$230 million in hard currency and over US\$1 billion in Treasury Bills—while providing agricultural inputs

worth US\$1 billion: an apparent surplus of US\$280 million.

One US\$366 million Treasury Bill (T-Bill), issued in January 2019, was used in part not for buying seeds or fertiliser but for paying the government and military for gold and platinum mines.

Part of this T-Bill was redeemed at a favourable exchange rate by the RBZ after a February 2019 law had reduced the US dollar value of such assets. Public records of domestic debt show that while others saw the US dollar value of their Treasury Bills fall, the RBZ protected Tagwirei's T-Bill from this reduction in value when it was cashed in. The central bank sent more Zimbabwean dollars to his firms than it was obliged to by the new law. This decision was worth at least US\$50 million, and perhaps up to US\$100 million, for Tagwirei's companies.

Landela Pays the ZDF

Sakunda, which denies any wrongdoing, testified to Parliament's Public Accounts Committee that the firm received the favourable rate so that it could repay foreign chemical suppliers in hard currency. However, leaked letters show that the T-Bill was apparently given a preferential exchange rate partly to allow another of Tagwirei's firms, Landela Investments, to pay the Zimbabwe Mining Development Corporation (ZMDC) for gold mines and Pen East Mining—a

Zimbabwe Defence Forces (ZDF) company—for its share of Great Dyke Investments (GDI), a platinum mining joint venture with a Russian conglomerate. In effect, the publicly owned RBZ was printing money for private companies to buy publicly owned assets. Landela, Pen East Mining, the RBZ, and the Ministry of Finance did not respond to requests for comment.

Landela was owned by Sotic International, a Mauritius-based company controlled by Tagwirei. In a leaked email sent in 2020, Christopher Fourie, a director of Landela and Sotic who became a whistleblower, wrote to Tagwirei, 'I know that it is your money, you call the shots and you are the boss'. Tagwirei also appointed other company directors, gave instructions to directors, made payments, and applied for loans on behalf of Sotic and Landela. In another 2019 email, Tagwirei possibly alludes to the close interest of His Excellency, President Mnangagwa, in Sotic's affairs:

'Chris I am paying money into Sotic for BNC. (30 million). Need to be done this week. That is your work. I am Still waiting for the cash flows for Our Zim Alloys. HE wants that money to be paid after I show him the directors, owners of Sotic-Documents.'



One of the letters from Landela Investments to the Reserve Bank of Zimbabwe, requesting payment in RTGS dollars through the liquidation of a Treasury Bill converted at the favourable interbank rate for the purchase of buses, mines, fertiliser, and a chemical company. The mention of GDI refers to a payment to a military-controlled company, Pen East Mining, for purchase of its 50% shareholding in Great Dyke Investments, a platinum mining joint venture with a Russian firm. Source: The Sentry.

RBZ Pays US\$50m Extra

In two letters sent in June 2019, Landela asked the RBZ to exchange \$60.7million from their US dollar Treasury Bill into RTGS\$334.7 million using the interbank rate of 1:5.5. However, it appears that the lawful rate was 1:1, and Landela should have received just RTGS\$60.7 million. The RBZ paid an extra RTGS\$274 million to Landela—equivalent to US\$49.7 million using the same interbank rate.

On February 22, 2019, Statutory Instrument 33 (SI 33), had changed the law:

'for accounting and other purposes, all assets and liabilities that were, immediately before the effective date, valued

Sakunda Holdings told The Sentry that the US\$366m Treasury Bill (numbered ZTB365 20190109B) was given to Sakunda for Command Agriculture. Sakunda said US\$110 million went to one bank. It appears that US\$256 million was transferred to Landela Investments.

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 ZIMBABWE
 TELEPHONE:263 (4) 884517 884569
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SAKUNDA HOLDINGS
 PO BOX CY2827
 CAUSEWAY
 HARARE

Statement Date
 23-AUG-2019
 Statement Number
 Ad-Hoc Statement

Account Number
 [REDACTED]
 Account Type
 FCANON

Statement Period: 23-Aug-2019 to 23-Aug-2019

Account Currency ZWL

Posting Date	Value Date	Transaction Description	Debits	Credits	Balance
23/08/19	23/08/19	EX RBZ RFB ZTBS SAKUNDA HOLDINGS		498,682,191.08	499,865,754.40

Summary Of Statement

Opening Balance	Debits		Credits		Closing Balance
	No.	Total Amount	No.	Total Amount	
1,183,563.32	0	0.00	1	498,682,191.08	499,865,754.40

Sakunda Holdings bank statement. Sakunda appears to have received a RTGS\$500 million payment from the RBZ from a Treasury Bill on August 23, 2019. Source: The Sentry.

and expressed in United States dollars (other than assets and liabilities referred to in section 44C(2) of the principal Act) shall on and after the effective date be deemed to be values in RTGS dollars at a rate of one-to-one to the United States dollar’.

This law appears to apply to this Treasury Bill. The T-Bill was a US dollar-denominated asset, and it was issued before the effective date of February 22, 2019. The ‘section 44C(2) exceptions’ referred to in SI 33 do not seem to apply: they refer to funds held in foreign currency NOSTRO FCA accounts, and foreign loans and obligations paid in foreign currencies. The T-Bill was not money held in a foreign currency account. Furthermore, while some of the T-Bill was to be used to pay foreign suppliers, other payments were domestic transactions between Tagwirei’s firms, registered in Zimbabwe, and government entities or a ZDF-controlled company.

Sakunda Was Also Helped

Tagwirei’s other company, Sakunda Holdings, may also have benefited from a preferential rate.

A leaked August 23, 2019, bank statement refers to a RTGS\$500 million payment from the RBZ to Sakunda, described as ‘EX RBZ RFB ZTBS’. This amount is unlikely to have derived from a 1:1 exchange rate, as that would imply the existence of a US\$500 million T-Bill, for which there is no evidence. If that day’s 1:10.3 interbank rate had been used, the payment would imply the cashing in of a US\$48.5 million portion of a Treasury Bill. This is more speculative but could imply that the RBZ paid RTGS\$450 million more to Sakunda than was required by law—equivalent on that day to US\$43.7 million.

Combining this figure with the RBZ’s additional payments to Landela worth US\$49.7 million means that Tagwirei’s firms may have received extra Zimbabwean dollars worth a total of US\$93.5 million at the time of the transactions.

The International Monetary Fund reportedly blamed the Reserve Bank's treatment of this \$366 million Treasury Bill for bloating the money supply and contributing to inflation and the rapid decline in the value of Zimbabwe's new currency from mid-2019—a charge denied by Sakunda.

These preferential payments by the RBZ formed a significant portion of the apparent surplus Sakunda made from Command Agriculture. Sakunda provided inputs worth \$1 billion, while records show the firm received cash and T-Bills worth \$1.28 billion. Sakunda, which had commented previously on other allegations, was unable to respond in time for this publication.

Updates, extra source material, and a fully referenced long-form report is available at: <https://thesentry.org/reports/zimbabwe-command-agriculture>

A report about the relationship between Tagwirei, Sotic, and Landela is available at: <https://thesentry.org/reports/shadows-shell-games/>

Command Agriculture: Treasury Bills and Cash Payments to Sakunda Holdings, 2016-2019

Date of issue	Treasury Bill No.	Purpose if known	Treasury Bill USD	Interest	Total
31-Aug-16	N/A		10,226,275.00	511,314.00	10,737,589.00
31-Aug-16	ZTB1095 20160831B		10,226,274.61	511,314.00	10,737,588.61
7-Oct-16	N/A		20,347,329.00	1,268,224.00	21,615,553.00
7-Oct-16	N/A		20,347,329.00	1,519,081.00	21,866,410.00
28-Dec-16	N/A		31,800,000.00	1,960,274.00	33,760,274.00
9-Jan-17	ZTB365 201701098B	Command Agriculture	31,800,000.00	1,590,000.00	33,390,000.00
9-Jan-17	ZTB438 20170109C	Command Agriculture	8,831,719.75	529,903.00	9,361,622.75
19-Apr-17	ZTB357 20170419A	Presidential Inputs Scheme	26,253,750.00	1,283,916.00	27,537,666.00
15-May-17	ZTB365 201701515C	Facility Fee - Presidential Inputs Scheme	756,731.25	30,629.00	787,360.25
15-May-17	ZTB365 20170515A	Presidential Inputs Scheme	24,195,000.00	2.00	24,195,002.00
28-Jul-17	ZTB500 20170728G	Command Agriculture	16,738,000.00	2.00	16,738,002.00
28-Jul-17	ZTB465 20170728H	Command Agriculture	16,738,000.00	2.00	16,738,002.00
28-Jul-17	ZTB444 20170728I	Command Agriculture	16,738,000.00	2.00	16,738,002.00
28-Jul-17	ZTB410 20170728J	Command Agriculture	16,738,000.00	2.00	16,738,002.00
28-Jul-17	ZTB375 20170728K	Command Agriculture	16,738,000.00	2.00	16,738,002.00
31-Jul-17	ZTB365 20170731	Facility Fee - Command Agriculture	3,347,600.00	133,904.00	3,481,504.00
31-Aug-17	ZTB365 201700831B	Command Agriculture	83,690,000.00	8.00	83,690,008.00
15-Sep-17	ZTB364 201700915C	Command Agriculture	83,690,000.00	8.00	83,690,008.00
21-Dec-17	ZTB365 20171221B	Command Agriculture	83,690,000.00	0.00	83,690,000.00
14-Mar-18	ZTB364 20180314A	Command Agriculture - includes \$4,123,151 Facility Fee	127,817,681.00	12.75	127,817,693.75
16-Apr-18	ZTB365 20180416B	Command Agriculture	106,119,780.00	0.00	106,119,780.00
27-Jun-18	ZTB365 20180627A		40,000,000.00	2,000,000.00	42,000,000.00
27-Jun-18	ZTB548 20180627E		40,000,000.00	3,002,739.73	43,002,739.73
27-Jun-18	ZTB733 20180627C		47,501,154.00	4,796,636.00	52,297,790.00
25-Jul-18	N/A		2,016,682.85		2,016,682.85
9-Jan-19	ZTB365 20190109B	Command Agriculture	366,000,000.00		366,000,000.00
Sub total			1,252,347,306.46	19,137,975.48	

Of which...

Command Agriculture	1,201,141,825.21
Presidential Inputs Scheme	51,205,481.25

Cash payments		Cash US\$	
Feb-17	Cash: NOCZIM Debt Fund	47,666,667.00	
2019	Cash advance	182,500,790.00	
Sub total		230,167,457.00	

Cash and Treasury Bills		1,482,514,763.46	
	\$204m of Jan 2019 \$366m TB returned	-204,000,000.00	
Total		1,278,514,763.46	

Source: RBZ and Treasury evidence to the Public Accounts Committee; Annual budget documents from the Ministry of Finance.