$1.6 Billion Paid to Mystery Shareholders by Zimbabwe Sovereign Wealth Fund

Zimbabwe's new sovereign wealth fund reportedly paid $1.6 billion—5% of GDP— for shares in a mining conglomerate with recent links to Kudakwashe Tagwirei, a presidential advisor and ruling party donor accused of corruption.[1, 2, 3, 4, 5, 6]

Sources confirm that the county's debt has leapt by $3 billion—from $18 billion to $21 billion—in just a few months, as Treasury Bills worth almost 10% of GDP have been issued since November 2023.[7, 8] Of that new debt, $1.9 billion is to "recapitalize" the Mutapa Investment Fund, Zimbabwe's new sovereign wealth fund, while $900 million has been allocated to the Reserve Bank of Zimbabwe.[9]

Mutapa, named after an ancient kingdom, has taken over the shares of more than 20 state-owned enterprises (SOEs).[10, 11] The jewel in Mutapa's crown is Kuvimba Mining House, which owns around a dozen gold, lithium, nickel, and platinum mines.[12, 13]

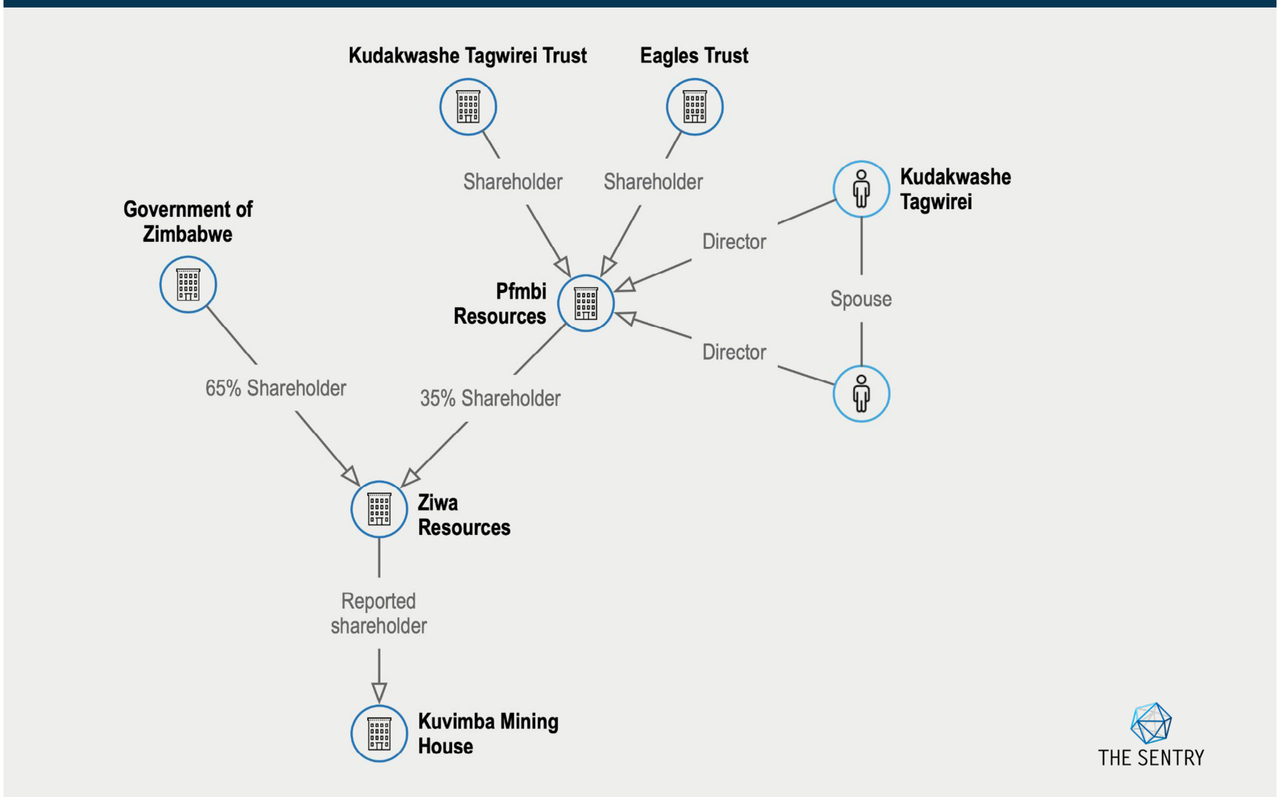
Until recently, the state owned 65% of Kuvimba, and private investors held 35% of the shares.[14] In April 2024, however, the NewsHawks revealed that Mutapa bought out the private investors for $1.6 billion using a Treasury Bill—a form of short-term government debt akin to an IOU.[15, 16] If this figure is accurate, then about four fifths of the $1.9 billion debt incurred to allow Mutapa to revive failing SOEs has been used to pay a few private individuals. A $1.6 billion price tag for a 35% stake would value Kuvimba at $4.6 billion overall—triple the $1.5 billion valuation given to Kuvimba by the government in 2022. This would raise serious questions about whether Mutapa has grossly overvalued the shares.

Who Got Paid?

In 2021, The Sentry revealed that Kuvimba's private investors included Pfimbi Resources, a company controlled by Tagwirei.[17] Pfimbi was a shareholder of Ziwa Resources, which in turn held shares in Kuvimba.[18, 19, 20] This analysis was later updated to show that Pfimbi—a Shona word that carries connotations of "secret stash"—was owned by two trusts: the Kudakwashe Tagwirei Trust, whose beneficiaries were his family, and the Eagles Trust, whose beneficiaries were unknown.[21, 22, 23, 24] Pfimbi's corporate documents list a lawyer regularly used by Tagwirei as the point of contact for both trusts.[25] Tagwirei denies any link to Kuvimba, but well-informed sources say that he was making key decisions at the firm as late as September 2023, just before Mutapa's purchase of the Kuvimba shares.[26, 27]

Mutapa frames the $1.6 billion buyout as an opportunity to end speculation about Kuvimba's ownership.[28, 29] A cheaper way to lay the matter to rest would have been to publish the records for Kuvimba, Ziwa, and the Eagles Trust, which are missing from official registries. Given their absence—itself a red flag, considering that other companies with missing records include politically sensitive firms such as the president's farm and military entities—it is impossible to be certain who the ultimate beneficiaries of the Mutapa payment were.[30]

Kuvimba's Corporate Structure in 2021



Did Mutapa Overpay?

If the report that Mutapa paid $1.6 billion for 35% of Kuvimba is accurate, then the whole firm would be valued at $4.6 billion.[31] This is three times the government's previous $1.5 billion valuation in 2022 and much more than the amount—likely to be in the low hundreds of millions of dollars—that Tagwirei's firms spent in 2019 when acquiring the mines, before they transferred the assets to Kuvimba in 2020 (see box).

Soaring gold prices since 2020 might explain some of the increase in value: The group's present gold production might bring in about $250 million a year, before costs and taxes.[32] However, a $4.6 billion valuation seems distinctly frothy given that Kuvimba's other mines have had mixed fortunes: Declining lithium prices have caused stockpiling, and the firm's platinum and nickel projects are either inactive or loss making.[33, 34, 35]

Valuing Kuvimba

Most of Kuvimba's mines were previously bought in 2019 by Tagwirei's firm Sotic International and its subsidiary Landela, and they were then transferred into Kuvimba in 2020.[36] Leaked documents from a Sotic insider therefore provide insight into the prices paid for most of Kuvimba's constituent parts. The information is incomplete, but the total US dollar price paid for the assets appears to be in the below half a billion:

- Bindura Nickel (71%) and Freda Rebecca gold mine were bought for 23 million British pounds (approximately $29 million).[37]
- 60% of the shares of Zimbabwe Alloys, a chrome outfit, was bought for 89 million Zimbabwean dollars (ZWL) (approximately $8.5 million).[38, 39] Tagwirei's firms obtained another 25% for an unknown sum.[40]
- Half of the shares of Great Dyke Investments, a platinum project, cost $220 million.[41] The amount was to be paid to a military controlled company over 10 years. The first payment of $11 million was made in 2019, but after the project failed to get off the ground, it is unclear how many further payments were made. Later, Kuvimba acquired the remaining shares from a departing Russian joint venture partner for an unknown sum.[42]
- Sotic made an offer of $40 million for the Shamva gold mine, which Tagwirei's firms succeeded in obtaining, although it isn't clear whether this was the final price.[43, 44]
- In order to obtain 85% of four mines—Sandawana, Elvington, Jena, and Golden Kopje—from the state-owned Zimbabwe Mining Development Corporation (ZMDC), Tagwirei's firms paid ZWL$150 million (approximately $14 million) to clear related debts.[45, 46, 47, 48] It is not clear whether additional funds were paid to ZMDC to buy the shares.
- After the transfer of Sotic and Landela's mining assets to Kuvimba in 2020, Kuvimba increased its portfolio with one deal to obtain some dormant gold mines and another to sell iron ore stockpiles. First, Kuvimba obtained the Globe and Phoenix, Club, Tiger Reef, and Primrose mines.[49] Then, Kuvimba made an arrangement with the state-owned Zimbabwe Iron and Steel Company to sell iron ore found on its properties.[50, 51] The prices paid in these two deals are not publicly available, and therefore it is unclear how these acquisitions might affect the valuation of Kuvimba.

In June 2021, Zimbabwe's finance minister, Mthuli Ncube, announced that the 65% of Kuvimba's shares owned by the state would be given to several government entities or to certain groups as compensation.[52] The government valued the 12.5% stake allocated towards compensating former farm owners at $250 million.[53] This valued Kuvimba as a whole at $2 billion. In January 2022, Ncube announced that pensioners who had been negatively impacted by a currency reform had been allocated Kuvimba shares worth $75 million as compensation.[54] The 2021 announcement that 5% of Kuvimba had been allocated for the purpose of compensating pensioners, together with the 2022 valuation of that stake at $75 million, reveals that government valued Kuvimba overall at $1.5 billion.[55, 56, 57]

Kuvimba Mining House Valuations 2021-2024, USD

Shareholders	**Shareholding**	Valuations		
	2021	2021	2022	2024
	Dividend announcement	Farmer announcement	Pensioner announcement	Mutapa purchase
Former Farmers Compensation	12.5%	***250,000,000***	187,500,000	
National Venture Fund	7.5%	150,000,000	112,500,000	
Insurance & Pensions Commission	5.0%	100,000,000	***75,000,000***	
Deposit Protection Corporation	5.0%	100,000,000	75,000,000	
Public Service Pension Fund	7.0%	140,000,000	105,000,000	
Sovereign Wealth Fund	6.5%	130,000,000	97,500,000	
Central Government	21.5%	430,000,000	322,500,000	
Private Investors	35.0%	700,000,000	525,000,000	1,600,000,000
TOTAL	**100.0%**	**2,000,000,000**	**1,500,000,000**	**4,571,428,571**

Note: Italicized valuations in 2021 and 2022 stem from government announcements, which The Sentry has then used to extrapolate the values held by different government entities using the 2021 shareholding allocation announced by the finance minister.

Public Debt, Private Wealth?

Zimbabwe is currently in debt distress, unable to access cheap loans from development banks because of past defaults and substantial arrears.[58, 59, 60] The African Development Bank (AfDB) is attempting to herd Zimbabwe and its creditors towards a debt restructuring process.[61] Achieving sustainable levels of borrowing that can be serviced by domestic taxes requires bilateral government and commercial creditors to reduce the amounts owed to them—this is known as "taking a haircut."[62] More borrowing makes sustainable debt agreements harder to reach because it increases the sacrifice required by existing creditors.[63]

Clarity over Zimbabwe's level of debt—and whom it is owed to—is important to keep the AfDB debt restructuring process going, and creditors have been asking pointed questions after hearing conflicting accounts about how much Zimbabwe owes.[64] Lenders may not be comforted that debt has leapt to $21 billion and that new debt amounting to 5% of GDP appears to have been issued for the purpose of paying shareholders in Kuvimba with possible links to a crony businessman.

The point of sovereign wealth funds is to preserve and grow wealth to benefit Zimbabwean citizens. If the report of $1.6 billion paid to Kuvimba's private investors is true, Zimbabwean taxpayers—who will have to repay this debt—should be angry that one of the first acts of their new sovereign wealth fund may have been to allocate wealth from the many to the few.

Recommendations

Zimbabwe

Zimbabwe's independent Auditor General has the remit to audit public expenditure, including by state-owned entities such as the Mutapa Investment Fund.[65] Auditor General reports frequently trigger hearings by the parliamentary Public Accounts Committee (PAC).[66] Both the Auditor General and the PAC should urgently open inquiries into Mutapa's acquisition of shares in Kuvimba. The PAC hearings should be held in public. These five questions should underpin any inquiry:

- What was the purchase price?
- How was the valuation carried out?
- What was the full ownership structure of Kuvimba at the time of payment?
- Who got paid?
- What happened to the Treasury Bill after it was issued?

If any wrongdoing is found, the Auditor General and the PAC should refer the matter to the police and the Zimbabwe Anti Corruption Commission.

Banks and commercial counterparties

Banks and other financial institutions should conduct enhanced due diligence into any entity seeking to sell ("discount") the Treasury Bill described in this report. In the past, when Sakunda, a Tagwirei-controlled company, was given a $366 million Treasury Bill for its role in running an agricultural program, it sold parts of the debt instrument to banks at a discount in order to get access to hard currency.[67] The banks would then hold that Treasury Bill until it matured, when they could go to the central bank and redeem it for its face value plus interest.

Multilateral development banks

Issues raised by the new debt issuance should be discussed in the AfDB-led structured dialogues on debt clearance, including those working groups that include civil society representatives, so that the government of Zimbabwe can explain the thinking behind the purchase of the Kuvimba shares.[68]

The AfDB should push the government of Zimbabwe to publish a list of the entities and financial institutions holding the domestic debt, including this particular Treasury Bill.

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