

Fronts, False Invoices, and Offshore Financial Façades Raise Questions About Tagwirei Mine Purchase

Flows of Suspect Money Travelled Through Zimbabwe, South Africa, and Mauritius to United Kingdom

JULY 6, 2023 (Washington, DC and Cape Town) — A joint investigative report by The Sentry and Open Secrets exposes how Zimbabwean presidential advisor and business tycoon Kudakwashe Tagwirei, the subject of numerous corruption allegations, was able to move suspect funds from the Reserve Bank of Zimbabwe to the City of London using a combination of fronts, apparently false invoices, and offshore financial façades.

The report, [“Fronts, Fakes, and Façades: How South African and Mauritian Enablers Helped Move Millions from Zimbabwe to Britain”](#) focuses on three payments that secured Tagwirei’s purchase of two Zimbabwean mines—Bindura Nickel and Freda Rebecca Gold Mine. Tagwirei, already surrounded by corruption allegations at the time of the deal, sought to create an offshore empire built on Zimbabwean mining.

Tagwirei’s deal may not have been possible without enablers—South African company directors, a Mauritian management company agent, a Cayman Islands investment fund, banks in numerous jurisdictions, and the company administrators in the United Kingdom—that, wittingly or unwittingly, facilitated Tagwirei’s purchase of the two mines. Many of these actors knew that Tagwirei was behind the deal. Some designed structures that had the effect of obscuring his involvement. Others had enough information that they should have suspected he was involved and asked appropriate questions.

Nick Donovan, Senior Investigator at The Sentry, said: “By the time of these transactions, Tagwirei had been embroiled in two alleged corruption scandals in Zimbabwe. Stopping potentially illicit financial flows depends upon professionals asking the right questions. This report shows that many don’t.”

Michael Marchant, Head of Investigations at Open Secrets, said: “The role of professionals around the globe in facilitating dubious money flows, whether knowingly or unknowingly, is a key contributor to the outflow of resources from poor countries like Zimbabwe to rich ones like the United Kingdom. It is essential that we see swift and effective action by regulators to hold these enablers to account.”

Estimates suggest that Zimbabwe loses between \$500 million and \$1 billion every year to illicit cross-border transactions. The documents reviewed in connection with this investigation suggest that the transactions to buy the mines are a textbook example of how money moves from some of the poorest countries on earth into some of the richest via enablers and a lax legal framework in the offshore world.

The investigative report reveals how Tagwirei used Sotic International, a Mauritian company that documents suggest was his front, to buy the mines for \$29.5 million (R431 million, £23

million) from ASA Resource Group (ASA), a bankrupt firm that was being run by British company administrators Duff & Phelps (now known as Kroll). These purchases were made in three payments with each stage involving behavior that raises questions:

- Sotic's Zimbabwean subsidiary, Landela Investments, obtained hard currency from the Reserve Bank of Zimbabwe (RBZ) at a favorable exchange rate when cashing in a \$60 million portion of a large Treasury Bill given to Tagwirei's company, Sakunda Holdings, with Landela telling the RBZ that some of the funds were needed to buy Bindura Nickel.
- To get money into Mauritius from Zimbabwe for Sotic's second £12 million payment, South African directors created invoices for exports that could not be found in Zimbabwe's official customs records, raising questions as to whether trade misinvoicing, a technique commonly used in trade-based money laundering, had occurred.
- For the final £8.7 million payment, Tagwirei moved his money into Sotic via a complex offshore façade that had the effect of disguising the source of funds.

After Tagwirei was sanctioned and accused of corruption by the US government in 2020, control of the two mines shifted from Sotic to Kuvimba Mining, which in 2021 was 65% owned by the Zimbabwean state and 35% owned by companies and trusts linked to Tagwirei.

The illicit activities revealed in this report have grave consequences for people in Zimbabwe, one of the poorest countries in the world. In 2022, the World Bank estimated that the proportion of people in Zimbabwe living on less than \$1.80 per day rose from 23% in 2011 to around 50% in 2019.

Michael Marchant, Head of Investigations at Open Secrets, said: "As corruption has deepened in Zimbabwe and illicit financial outflows have gathered pace, extreme poverty and hunger has grown. In a story like this one of complicated and opaque money flows, we must not lose sight of the real human cost of these activities. Challenging the networks that enable the status quo is vital for social justice in Zimbabwe."

Dr. Charles Cater, Director of Investigations at The Sentry, said: "This investigation points a bright spotlight on the role of legal and financial professionals who enable illicit financial flows. Policy action, such as establishing beneficial ownership registries and targeting enablers with anti-money laundering legislation, is urgently needed in countries both rich and poor."

This report relies heavily on primary sources, including financial records and correspondence, provided by Christopher Fourie, an active participant in the ASA deal. Fourie later became a whistleblower and handed information over to authorities in 2021. The Sentry and Open Secrets reviewed almost 2,000 emails and documents and obtained further information from interviews, public records, and other sources.

Key recommendations

Recommendations are targeted towards regulating the activities of legitimate businesses that, wittingly or unwittingly, enable questionable funds to flow out of one of the poorest countries in the world to one of the richest, at significant human cost. A complete list of recommendations is included in the full report.

Open Beneficial Ownership Registries:

- An online public registry of beneficial ownership should replace Zimbabwe's difficult-to-access, paper-based system, in which up-to-date information is often missing.
- South Africa must urgently create a publicly accessible registry of beneficial ownership.
- Mauritius should implement a centralized, publicly available beneficial ownership register.

Investigations

- Authorities should investigate further the cases in which this report has revealed certain behavior that may have fallen short of professional standards or that may not have met regulatory or legal requirements.

Regulation and Legislation

- Governments and regional bodies should issue alerts or advisories focused on professional enablers that include real-world examples of how questionable funds can be moved from high-risk jurisdictions, as highlighted in this report.
- Regulated professions—for example, lawyers and accountants—should, through appropriate bar and accountancy associations, launch initiatives to work with and train members on the red flags associated with questionable funds.
- Government and regional bodies should prioritize and, when possible, fast-track the passage and adoption of anti-money laundering legislation and regulatory action that targets the role of professional enablers, educates professional associations on their obligations and best practices, and holds enablers accountable, where appropriate. Regulatory bodies and law enforcement agencies must be adequately resourced to take on this complex work.

Read the full report: <https://www.opensecrets.org.za/fronts-fakes-facades/>

For media inquiries or interview requests, please contact: Greg Hittelman, Director of Communications, gh@thesentry.org

or Mamello Mosiana, Head of Campaigns, advocacy@opensecrets.org.za

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