



THIRD REPORT

OF THE PUBLIC ACCOUNTS COMMITTEE

ON THE SPECIAL MAIZE PROGRAMME/COMMAND AGRICULTURE

THIRD SESSION – NINTH PARLIAMENT

Presented to Parliament in August., 2021.

Note by Veritas: In fact this report was presented
to the National Assembly on Thursday 3rd March 2022.

[S. C. 24, 2021]

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On Tuesday, 27 October 2020, Mr. Speaker announced that all Committees of the Second Session would continue to operate as previously constituted until such time that new Committees are appointed by the Committee on Standing Rules and Orders. The Public Accounts Committee constituted the following Members at the time of inquiry:

1. Hon. L. T. Biti
2. Hon. B. Bushu
3. Hon. O. Bvute
4. Hon. B. Chikwama
5. Hon. P. Dutiro
6. Hon. R. Maboyi
7. Hon. W. Madzimure
8. Hon. A. Markham
9. Hon. E. Masuku
10. Hon. N. Matsikenyere
11. Hon. M. Mbondiah
12. Hon. F. Mhona
13. Hon. T. Mliswa
14. Hon. P. Mpariwa
15. Hon. E. Mushoriwa
16. Hon. E. Mutodi
17. Hon. D. Nduna
18. Hon. A. Nkani
19. Hon. Dr. M. Nyashanu
20. Hon. J. Nyokanhete
21. Hon. M. Raidza
22. Hon. B. Rwodzi
23. Hon. T. W. Sansole
24. Hon. C. Sanyatwe
25. Hon. Z. Sibanda
26. Hon. G. Sithole
27. Hon. S. Sithole
28. Hon. P. Togarepi
29. Hon B. Dube

Hon. L. T. Biti to be Chairperson

On the 13th April 2021, Mr. Speaker announced that Hon B. Dube to be Chairperson.

Terms of Reference of the Public Accounts Committee -

Standing Order No. 16:

“There must be a Committee on Public Accounts, for the examination of the sums granted by Parliament to meet the public expenditure and of such other accounts laid before Parliament as the committee may think fit.”

INTRODUCTION

- 1.1 Section 119 of the Constitution, gives Parliament power to ensure that provisions of the Constitution are *“upheld and that the State and all institutions and agencies of government at every level act constitutionally and in the national interest.”*
- 1.2 Section 299 of the Constitution confers the Public Accounts Committee with unlimited oversight powers over all State revenues and expenditure. It states that
 - (a) *“Parliament must monitor and oversee expenditure by the State and all Commissions and institutions and agencies of Government at every level, including statutory bodies, government-controlled entities, provincial and metropolitan councils and local authorities...”*
- 1.3 Accordingly, Parliament in general and the Public Accounts Committee in particular has the responsibility to ensure accountability and openness of the State through oversight of activities of the executive and its auxiliary bodies.
- 1.4 The Public Accounts Committee is constituted in terms of Standing Order No. 16 of the Standing Rules and Orders of the National Assembly, which reads:

“There must be a Committee on Public Accounts, for the examination of the sums granted by Parliament to meet the public expenditure and of such other accounts laid before Parliament as the committee may think fit.”
- 1.5 In doing its work, not only does the Committee measure compliance arising from reports of the Auditor General or other reports but the Committee also looks at constitutional and statutory compliance in so far as it relates to financial and audit matters.
- 1.6 In short, the Committee exercises its oversight function by examining both the technical accounting issues as identified in audit report as well as technical legal compliance issues.
2. **Background to the Inquiry**
- 2.1 This Report is a by-product of the Committee’s examination of the Ministry of Lands, Agriculture, Water and Rural Resettlement’s Audited Accounts for the years 2017 and 2018.
- 2.2 What started off as a normal routine audit examination of the Public Accounts Committee quickly imploded into a major inquiry when the Committee noted a huge amount of an Unallocated Reserve amounting to US\$1 559 713 867.

- 2.3 In the process of receiving oral evidence, it became clear to the Committee that Command Agriculture on its own was a huge entity, much bigger than amounts appropriated originally to Vote 8 in both 2017 and 2018.
- 2.4 That being so, the Committee found itself conducting two separate enquiries, the routine inquiry on Vote 8 and the separate inquiry on Command Agriculture.
- 2.5 As a result the Committee compiled ended up compiling two Reports, one on Vote 8, which is the Committee's Second Report and the other one on Command Agriculture, which is the Committee's Third Report.
- 2.6 In preparing both parts of the report, the Committee received oral evidence from officials in the Ministry of Lands, Agriculture, Water and Rural Resettlement, the Ministry of Finance and Economic Development, the Reserve Bank Governor Dr. John Panonetsa Mangundya his deputy Dr. Khuphukile Mlambo and senior officials from the Reserve Bank. The Committee also received evidence from the Grain Marketing Board and from selected private companies that were involved with Command Agriculture that included Croco Motors, Solution Motors, Valley Seeds, Pedstock, Ferts, Seed and Grain and Sakunda.
- 2.7 The Committee also received extensive documentation particularly from the Ministry of Finance and the Reserve Bank. The Committee expresses its indebtedness for these documents which were invaluable in its work.

Challenges with the enquiry

- 2.8 The Committee commenced its work in May 2019 but only completed receiving oral evidence in March 2020. The Committee met several challenges which included the refusal of witnesses and companies to come and testify.
- 2.9 The Committee also faced challenges with the Reserve Bank of Zimbabwe. First were delays experienced due to the absence of the Governor, Dr. John Panonetsa Mangundya who at one stage in October 2019 was said to be attending annual meetings of the World Bank and IMF in Washington DC.
- 2.10 Second was the Bank's refusal to provide the Committee with information particularly correspondence between the Reserve Bank Governor, Dr Mangundya and the Minister of Finance and Economic Development, Hon P. Chinamasa relating to Treasury Bills.
- 2.11 Third was the Bank's delay and refusal to answer material questions arising out of discrepancies in respect of Treasury Bills. As the Committee's report on Command

Agriculture will show, those discrepancies were never properly addressed up to the present moment in time.

- 2.12 The Covid-19 pandemic paralysed the operations of Parliament for at least four months. This naturally delayed production of this report on Vote 8.

COMMITTEE'S FINDINGS

1.0. Context.

- 1.1. The 2017 Auditor General's Report on the Ministry of Lands, Agriculture, Water and Rural Resettlement established a variance of US\$1 559 713 867 between the Unallocated Reserve figure disclosed in the Ministry's accounts and Treasury records the Committee received.
- 1.2. According to a schedule received from the Auditor General, the Ministry of Agriculture was supposed to have received US\$ 1 633 617 652 from Treasury. However as at 10 May 2018, the Ministry of Agriculture confirmed having received only 73 903 785¹.
- 1.3. A similar observation was made in 2018. The Ministry was allocated through the budget the sum of US\$ 497 381 000. However, there were no supporting documents for a sum of US\$ 847 954 752² directly paid by the Ministry of Finance and Economic Development to various service providers.
- 1.4. Although the Auditor General's Reports relate the figures to the 'Unallocated Reserve', the amounts referred to above were in fact unbudgeted for expenditure spent outside Parliament's approved budget as shown in the figures in the Appropriation Account, the Budget and the Blue Book.
- 1.5. The Public Accounts Committee was gravely concerned with these huge amounts spent outside the Appropriation Act, in breach of the Constitution of Zimbabwe and the Public Finance Management Act. The Committee, therefore, summoned before it the Ministry of Lands, Agriculture, Water and Rural Resettlement.

2.0. Oral evidence from the Ministry of Agriculture, Lands, Water and Rural Resettlement

- 2.1.1 The Committee received oral evidence from the Ministry of Lands, Agriculture, Water and Rural Resettlement which was represented by its Permanent Secretary and Accounting Officer, Mr. Chitsiko and its Finance Director, Mr. P. Mudzamiri, Mr. M. Nyamangara the Director of Mechanisation, Mr. Gumbo, Director of Mechanisation, Mr. Zawe, Director Irrigation, Mr. A. B. Mudzinganyama Chief Accountant, Mr. A. Chirinjani Chief Accountant, Dr. P. Makaya, Acting Director of Veterinary Services and other officers Mr. R. Muzamhindo and Mrs. R. Manzou.
- 2.1.2 Through Mr. Ringford Chitsiko, the Permanent Secretary and Mr. P. Mudzamiri, the Finance Director in the Ministry of Lands, Agriculture, Water and Rural Resettlement explained to the Committee that they had no knowledge nor any idea about the huge amounts captured as an Unallocated Reserve from the Auditor General's statements.

¹ See 2017 AG report paragraph 1.2 page 125

² See the 2018 AG's Report on Appropriation Accounts page 145

- 2.1.3 They explained that the Ministry of Finance and Economic Development was in charge of Command Agriculture and dealt directly with contractors, suppliers and beneficiaries.
- 2.1.4 They further explained that the Ministry of Finance and Economic Development only wrote to them in May 2019 asking the same to account for the expenditure in their books.
- 2.1.5 The following are three critical passages from the testimony of the Ministry officials:

The Finance Director defined the Unallocated Reserve as the Contingent Reserve. He stated that the Ministry writes to Treasury seeking an extra budgetary allocation under the control and management of the Ministry of Finance and Economic Development. He explained that if Treasury allocates the amount to the Ministry, Treasury is supposed to write a letter to the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement and the Ministry should enter the amount into its books. The Finance Director highlighted that the difference in figures arose when Treasury released funds but did not notify the Ministry. He informed the Committee that letters from Treasury had come after the returns had been prepared. The Permanent Secretary admitted that the variance was huge. He pointed out that there was need for an improvement in the movement of documents between Treasury and the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement.”

The Finance Director, informed the Committee that payment to parastatals can be in two parts. He indicated that payment can be through the Ministry which in turn pays the parastatals. He explained that in the case of the \$ 1 559 713 867, Treasury paid directly to the beneficiaries and nothing about the payment had been communicated to the Ministry by 28 February by which date returns should have been submitted. He informed the Committee that letters of communication were received by the Ministry in May 2019. He argued that since the money was not loaded into the Ministry’s accounts, the amount could not be put into the system and that the supporting evidence has to be with Treasury.”

The Finance Director indicated that Treasury initiates agreed budgets and uploads the figures in the computers at which point the Ministry can spend the money. He informed the Committee that a total amount of \$847 954 752 did not pass through the Ministry. The Ministry had only received letters from Treasury requesting the Ministry to adopt the disbursement without supporting evidence. He suggested that the issue of direct payments be revisited. The Finance Director submitted that he had made a number of follow ups, some in writing to the Director Budgets requesting for supporting evidence but nothing had been availed. The Ministry had adopted the amount under protest.”

- 2.1.6 In their evidence the Ministry of Lands, Agriculture, Water and Rural Resettlement repeatedly made the point that although theoretically they were being made to account for Command Agriculture, they had no knowledge of the same. In simple terms they disowned Command Agriculture.

2.1.7 When asked specifically who was responsible for Command Agriculture, more specifically who was the Accounting Officer for Command Agriculture, Mr. Ringford Chitsiko accepted that legally (*de jure*) he was but de facto he was not. The PAC minutes of the 19th July 2019 record the following statement:

“The Permanent Secretary indicated that he was supposed to be the accounting officer but he was accounting officer for the support to officers in terms of money. He added that at the end of the year figures are submitted to the Ministry for accounting purposes. He argued that the Ministry of Finance and Economic Development was in control in terms of operations and for day to day activities there was a Command Centre which was replicated at provincial level.”

2.1.8 The Ministry of Lands, Agriculture, Water and Rural Resettlement officials then produced letters from the Ministry of Finance and Economic Development, one letter dated 20 March 2017, four separate letters dated 29 December 2017 and one dated 1 March 2018 (but received by the Ministry on 18 May 2018), wherein the Ministry of Finance and Economic Development directed that the Ministry of Lands, Agriculture, Water and Rural Resettlement should retrospectively account for Command Agriculture expenditure already incurred.

2.2 These letters are marked Annexures A1 to A6, in the bundle of documents that support this report (herein referred to as ‘the bundle’). The minutes of the 9th and 15th July 2019 are Annexures B1 and B2 of the Bundle, respectively.

2.3 The Committee requested the necessary vouchers and documents to support the over expenditure in the sum of for \$2 703 597 368 for 2017 and \$ 3 356 315 865 for 2018.

2.4 The Ministry of Lands, Agriculture, Water and Rural Resettlement officials were categorical that they would not be able to obtain any vouchers for the year 2018 but would endeavor to get vouchers for 2017.

2.5 Subsequently they wrote to the Committee that they were unable to secure any voucher even for 2017.

Committee’s Observations

2.13. The Ministry of Agriculture indicated to the Committee that they had no knowledge of the funding of Command Agriculture. However, the Committee noted that in the Auditor General report, they had acknowledged transactions with Sakunda under the Special Maize Production Programme (\$16 302 201) and Loans under the Pedstock Facility (\$16 815 940), under Command Agriculture.

- 2.14. Only \$94 753 was recovered under Pedstock, and no recovery was made under Sakunda.
- 2.15. The Ministry of Agriculture was not proactive and should have played a meaningful role in their operations by interrogating their role in the whole maize production matrix.

Recommendations

- 2.16. The Ministry of Agriculture should ensure that loans issued to beneficiaries are recovered so that the State is able to service the debt.
- 2.17. The Ministry of Agriculture should be proactive and play a meaningful role in its operations by interrogating the whole maize production matrix in the country from now and in future programmes.

3.0 Oral Evidence by the Ministry of Finance and Economic Development

- 3.1. The Committee received evidence from the Ministry of Finance and Economic Development officials represented by Mr. Z. Churu, Principal Director Budgets, the late Mr. Daniel Muchemwa, then Accountant General, Mr. A. N. Bvumbe, Head Public Debt Management Office, Mr. Fidelis Ngorora, Director Capital Expenditure, Mrs. Mugwenhi and Mrs. Tirivanhu.
- 3.2. The Ministry officials were candid in their acceptance that there had been unauthorized expenditure through Command Agriculture for the year 2017 and 2018 as captured in the Auditor General's Statements for 2017 and 2018.
- 3.3. They also accepted that they acted outside the law in incurring excess expenditure without Parliamentary approval and outside the Budget.
- 3.4. The Ministry officials acknowledged that they erred in making direct payments to suppliers and contractors outside the line Ministry, which is the Ministry of Lands, Agriculture, Water and Rural Resettlement.
- 3.5. They however insisted that all payments made had been made at the special instance and direction of the Ministry of Lands, Agriculture, Water and Rural Resettlement.
- 3.6. The following passages from the minutes of the 5th of August 2019 are critical:
Mr. Churu indicated that there was no legal basis for the Ministry of Finance and Economic Development to make such payments and for that reason the Ministry had erred. He went on to explain that for all payments Treasury desires to make which are outside the budget, the Ministry should first consult Parliament. He also indicated that in the event of failing to consult Parliament, the Ministry must approach Parliament for condonation within 60 days.”

Mr. Churu submitted that the Minister of Finance and Economic Development would be regularising the payments by seeking condonation.

Mr. Churu explained that there are many reasons upon which the Ministry had to spend outside its budget. He pointed out that one of the reasons was that the salary bill had increased from 24% to 80% of the Country's revenue in years 2012 to 2014. He indicated that the other reason had been the realization that certain areas required large payments for example in agriculture, and the payments could not be made from within the budget.

He went on to explain that in a dollarized economy it was not easy for the Ministry of Finance and Economic Development to borrow. As such, payments had been made from money raised by Reserve Bank of Zimbabwe from the market. He explained that the money had to be accounted for at the end of the reporting period.

Mr. Ngorora pointed out that the budget for 2017, which was presented end of 2016 did not provide for the poor harvest which was recognized in March 2017. He also pointed out that there was need to capacitate farmers to enable them to produce food in the coming season hence the payment was done under Command Agriculture.

Mr. Churu indicated that there was no political pressure and the payments had nothing to do with elections. He stated that the driver was Government and the money was for agriculture. He argued that agriculture generated demand and the money had been used to purchase inputs with extension officers being involved in the programme.

Mr. Churu explained that Government did not have fiscal space as it is the case in a dollarized economy and the Ministry had to ask the RBZ to secure funds. He indicated that some of the funds were secured late. He acknowledged that the laws of the country must be conformed to and highlighted that the Ministry of Finance and Economic Development at the same time had a duty to see to it that there was enough food for the people.

- 3.7. When pressed further the Ministry of Finance and Economic Development officials testified that Treasury had no money in 2017 and 2018 and therefore asked the RBZ to make payments on its behalf.
- 3.8. As a result of fiscal challenges, the Ministry officials testified that Command Agriculture suppliers were appointed without going to tender and without respect of the Public Procurement Act with those companies such as Sakunda who had indicated that they had their own foreign currency and thus were able to supply Government on credit.
- 3.9. When it was put to them that in fact all Command Agriculture suppliers had received huge amounts of foreign currency from the RBZ contrary to their indication that they would source forex on their own, the Ministry officials had no satisfactory response.

- 3.10. The Ministry Officials acknowledged that whilst they had some documents, only the Reserve Bank could answer on specific beneficiaries of the amounts met under Command Agriculture.
- 3.11. The Ministry Officials however availed to the Committee important documents which included the following:
- i. Agreements it had entered into with Sakunda.
 - ii) Agreements with the following suppliers Pedstock, FSG, Croco Motors, Valley Seeds
 - iii) A schedule with payments for over expenditure made in 2017 in the total sum of \$ 2 703 597 368.
 - iv) A schedule with payments for over expenditure made in 2018 in the total sum of \$ 3 356 315 865.

Committee's Observations

- 3.12 The Ministry of Finance admitted that they incurred unauthorized expenditure through Command Agriculture for the year 2017 and 2018 as captured in the Auditor General's Statements for 2017 and 2018. They further accepted that they acted outside the law in incurring excess expenditure without Parliamentary approval and outside the Budget.
- 3.13 The Ministry officials acknowledged that they erred in making direct payments to suppliers and contractors outside the line Ministry, which is the Ministry of Lands, Agriculture, Water and Rural Resettlement.
- 3.14 The Ministry of Agriculture officials appointed Command Agriculture suppliers without going to tender in contravention of the Public Procurement Act with companies such as Sakunda.

Recommendations

- 3.15. The Ministry of Finance should adhere to the provisions of the Constitution, Public Finance Management Act and the Public Procurement and Disposal of Public Assets Act, with immediate effect.
- 3.16. The Ministry of Finance must desist from making direct payments to suppliers. All disbursements should be made to line Ministries to avoid improper accounting of disbursements, with immediate effect.

4.0 Oral Evidence from the Reserve Bank of Zimbabwe

- 4.1. Faced with a situation where the Ministry of Lands, Agriculture, Water and Rural Resettlement had passed the buck to the Ministry of Finance and Economic Development which then passed the buck to the RBZ, the Committee then summoned the RBZ.
- 4.2. The RBZ was represented by the Deputy Governor Dr. K. Mlambo, Ms. T. G. Hungwe Director of Finance and Administration, Mr. F. Shavanhi Deputy Director Finance and Mr. Manhimanzi, Deputy Director Financial and Capital Markets.
- 4.3. On the second occasion, the RBZ was represented by Governor, Dr. John Panonetsa Mangudya, Deputy Governor Dr. K. Mlambo, Mr A. Gumbo the Deputy Director Finance and one Mr. E Matiza, who features prominently in Treasury Bill letters the Committee discusses below.
- 4.4. Through the RBZ Governor and Dr. K. Mlambo, the RBZ agreed that it had made direct payments to contractors and suppliers involved in Command Agriculture but only did so at the special instance and request of the Ministry of Finance and Economic Development.
- 4.5. Furthermore, the RBZ through Dr. Mlambo, testified that it financed all payments through Treasury Bills which were issued and directed by the Ministry of Finance and Economic Development.
- 4.6. The RBZ further denied any agency on its part but insisted that it was a mere vehicle acting for and on behalf of the Ministry of Finance and Economic Development.
- 4.7. As to why it dealt with companies such as Sakunda whose contracts had been awarded without going to tender, the RBZ testified that the issue of contracting was the sole responsibility of the Ministry of Finance and Economic Development.
- 4.8. On being questioned why the RBZ ran a parallel government through Treasury Bills that exceeded amounts approved in the Budget, the RBZ insisted that it only acted on instructions.
- 4.9. As to why it did not provide resources to the relevant line Ministry, the Ministry of Lands, Agriculture, Water and Rural Resettlement for implementation and execution of Command Agriculture, once again the RBZ insisted that it only acted on instructions from the Ministry of Finance and Economic Development.
- 4.10. The RBZ, through the Deputy Governor Dr. Mlambo insisted that the sole role of the RBZ in Command Agriculture was to finance purchases. He further testified that it was the role of the GMB to ensure that suppliers and contractors supplied the contracted volumes and that they fulfilled all the material conditions of their contracts.
- 4.11. In relation to its control of Command Agriculture, the RBZ officials maintained that demand was generated by the Ministry of Finance and Economic Development with the

RBZ only providing the finance and the GMB involved in all demand side issues, including logistics, deliveries by contractors and distribution to beneficiaries.

- 4.12. Dr. Mlambo explained that Command Agriculture as a programme fully was paid by the Government through issuance of Treasury Bills as directed by the Government.
- 4.13. The RBZ supplied the following documents:
A letter dated 29 September 2019 containing information on foreign currency inflows for the period 2017 and 2018.
 - i) A revised schedule showing all Sakunda TBs issued under Command Agriculture.
 - ii) A schedule showing Treasury Bills issued by the RBZ for 2017 and 2018 amounting to US\$2 162 149 492 and US\$ 1 539 740 080
 - iii) Figures for the Government Fuel Supply Subsidy amounting to \$ 1 514 767 300,86
 - iv) Letters between the RBZ and Ministry of Finance and Economic Development in connection with requests and approvals for the issuance of Treasury Bills.
- 4.14. The essence of the Governor's evidence was that the RBZ, could engage in quasi-fiscal activities and in any expenditure as a result of Sections 6 and 8 of the RBZ Act.
- 4.15. As far as the RBZ quasi-fiscal activities are concerned, the Bank's involvement in Command Agriculture and the issue of running a budget deficit outside Parliament, was according to the Governor the Ministry of Finance and Economic Development's problem.
- 4.16. The Governor felt that the issues of compliance with the Constitution and the law were not his problem but were the Ministry of Finance and Economic Development's problem.
- 4.17. The Governor did not seem to accept that Treasury Bills could only be issued by the Ministry of Finance and Economic Development and not the RBZ as was the case during the period under discussion. (this issue is exhausted below)
- 4.18. The following evidence from the Governor portrayed a disturbing reflection of impunity and lack of respect for the country's laws:
- 4.19. The Governor submitted that RBZ is banker to Government and other banks and that the Central Bank acts as advisor to Government. The Governor argued that the mandate to spend money came from the Minister of Finance and Economic Development and the Governor is bound by the Act to follow the instructions.
- 4.20. The Committee is however aware now that there was additional over expenditure which the Government has now acknowledged through the Financial Adjustment Bill, [H.B. 19, 2019].
- 5.0. Payments Made to Suppliers for Command Agriculture and the Presidential Support Scheme through Treasury Bills in 2017 and 2018**

- 5.1. The Ministry of Finance and Economic Development provided the Committee with a schedule of payment made for Command Agriculture and the Presidential Input Scheme in 2017 and 2018 to suppliers.
- 5.2 This schedule shows a total amount of US\$573 392 877.
- 5.3. The Committee reproduces the Ministry’s schedule 2 indicated in Table 3 below:

Table 3 – Payments made to Suppliers in 2017

Creditor	Date of Instruction - Memo	Rate	Amount Issued	Payment Date	Amount Paid
Command Agriculture					
2017					
Sakunda	12/21/2016	5pc	31,800,000.00	1/9/2018	31,800,000.00
Sakunda	12/21/2016	5pc	8,831,719.75	3/23/2018	8,831,719.75
Sakunda	07/20/2017	0.00001pc	16,738,000.00	12/10/2018	16,738,000.00
Sakunda	07/20/2017	0.00001pc	16,738,000.00	11/5/2018	16,738,000.00
Sakunda	07/20/2017	0.00001pc	16,738,000.00	10/15/2018	16,738,000.00
Sakunda	07/20/2017	0.00001pc	16,738,000.00	9/11/2018	16,738,000.00
Sakunda	07/20/2017	0.00001pc	16,738,000.00	8/7/2018	16,738,000.00
Sakunda	07/20/2017	4pc	3,347,600.00	7/31/2018	3,347,600.00
Sakunda	08/25/2017	0.00001pc	83,690,000.00	8/31/2018	83,690,000.00
Sakunda	08/28/2017	0.00001pc	83,690,000.00	9/14/2018	83,690,000.00
Sakunda	12/19/2017	0.00001pc	83,690,000.00	12/21/2018	83,690,000.00
					378,739,319.75

Payments made to Suppliers in 2018

Sakunda		0.00001pc	127,817,681.00	3/13/2019	127,817,681.00
Sakunda	3/9/2018	0pc	106,119,780.00	4/16/2019	106,119,780.00
Sakunda	7/25/2018		2,016,682.85	8/7/2020	2,016,682.85
					235,954,143.85

Table 3 can be summarized as follows:

Total payments to Sakunda for 2017 was \$378 739 319,75 and for 2018 it was \$235 954 143,85

Total payments in 2017 and 2018 for Presidential Scheme is \$ 573 392 887, 33, broken down as follows:

Creditor	Amount Issued	Amount Paid
FSG	\$ 392,853,180.22	\$ 392,853,180.22
Quton	\$ 19,753,638.00	\$ 19,753,638.00

Pedstock	\$ 7,538,441.69	\$ 7,538,441.69
Cottco	\$ 30,898,812.65	\$ 30,898,812.65
Sakunda	\$ 51,205,481.25	\$ 51,205,481.25
Sable Chemicals	\$ 4,900,000.00	\$ 4,900,000.00
Seedco	\$ 40,150,000.00	\$ 40,150,000.00
Valley Seeds	\$ 8,700,000.00	\$ 8,700,000.00
Windmill	\$ 17,800,000.00	\$ 17,800,000.00
ZFC	\$ 17,750,000.00	\$ 17,750,000.00

5.4. Under separate cover, the RBZ also provided us with its own breakdown of the same figures for 2017 and 2018. Table 4 herein, is a summary of TBs paid to Sakunda for 2017 and 2018

Table 4

2017	TB. No.	Date Issued	Payment Date	Amount Paid	Programme
	ZTB365 201701098B at 5pc	9 Jan 2017	9 Jan 2018	31,800,000.00	Command Agriculture
	ZTB438 20170109C at 5pc	9 Jan 2018	23 Mar 2018	8,831,719.75	Command Agriculture
	ZTB357 20170419A at 0pc	19 Jan 2017	11 Nov 2018	26,253.750.00	Command Agriculture
	ZTB365 201701515C at 4pc	15 May 2017	15 May 2018	756,731.25	Command Agriculture
	ZTB365 20170515A at 0,00001pc	15 May 2017	15 May 2018	24,195,000.00	Command Agriculture
	ZTB500 20170728G at 0,00001pc	28 July 2017	10 Dec 2018	16,738,000.00	Command Agriculture
	Z465 20170728H at 0,00001pc	28 July 2017	5 Nov 2018	16,738,000.00	Command Agriculture

	ZTB444 20170728I at 0,00001pc	28 July 2017	15 Oct 2018	16,738,000.00	Command Agriculture
	ZTB410 20170728J at 0,00001pc	28 July 2017	11 Sep 2018	16,738,000.00	Command Agriculture
	ZTB375 201700728K at 0,00001pc	28 July 2017	7 Aug 2018	16,738,000.00	Command Agriculture
	ZTB365 20170731 at 4pc	31 July 2017	31 July 2018	3,347,600.00	Command Agriculture
	ZTB365 201700831B at 0,00001pc	31 Aug 2017	31 Aug 2018	83,690,000.00	Command Agriculture
	ZTB364 201700915C at 0,00001pc	15 Sep 2017	14 Sep 2018	83,690,000.00	Command Agriculture
	ZTB365 20171221B at 0,00001pc	21 Dec 2017	21 Dec 2018	83,690,000.00	Command Agriculture
				429,944,801.00	
2018	T. B. No.	Issue Date	Payment Date	Amount Paid	Programme
	ZTB364 20180314A at 0,00001pc	14 Mar 2018	13 Mar 2019	127,817,681.00	Command Agriculture
	ZTB365 20180416B at 0pc	16 Apr 2018	16 Apr 2019	106,119,80.00	Command Agriculture
				233,937,461.00	
TOTAL				663,882,262.00	

- 5.5. According to the RBZ and as reflected in Table 4 Sakunda was paid \$ 429 944 801 in 2017 and \$ 233 937 461 in 2018 which comes to a total of \$ 663 882 262, 00.
- 5.6. Table 5 below is the RBZ's schedule outlining Treasury Bills paid for the Presidential Support Scheme paid in 2017 and 2018.
- 5.7. Table 5 shows that a total of US\$258 362 845, was paid to suppliers in 2017 and US\$ 263 824 560,69 was paid in 2018.

5.8. The figures provided by the RBZ and Ministry of Finance and Economic Development seem to tally and the RBZ in Table 5 provides the following reconciliation:

Table 5

Creditor	Rate	Date Issued	Payment Date	Amount
2017				
FSG	5pc	22 Feb 2017	22 Feb 2018	3,613,500.00
FSG	5pc	23 Feb 2017	23 Feb 2018	6,000,000.00
FSG	5pc	29 May 2017	8 Aug 2018	2,101,628.50
FSG	5pc	2 Aug 2017	31 Jul 2018	7,033,280.00
FSG	5pc	2 Aug 2017	3 Aug 2018	7,033,280.00
FSG	5pc	2 Aug 2017	6 Aug 2018	7,033,280.00
FSG	5pc	2 Aug 2017	8 Aug 2018	7,033,280.00
FSG	5pc	2 Aug 2017	10 Aug 2018	7,033,280.00
FSG	5pc	2 Aug 2017	15 Aug 2018	8,791,600.00
FSG	5pc	22 Aug 2017	2 Jan 2019	9,303,333.33
FSG	5pc	22 Aug 2017	4 Jan 2019	9,303,333.33
FSG	5pc	22 Aug 2017	4 Feb 2019	9,303,333.33
FSG	5pc	22 Aug 2017	9 Aug 2019	9,303,333.34
FSG	5pc	22 Aug 2017	2 Nov 2019	9,303,333.34
FSG	5pc	22 Aug 2017	4 April 2019	9,303,333.34
Quton	5pc	12 Sep 2017	3 Jan 2019	8,160,000.00
ZFC & Windmill (RBZ)	5pc	3 Oct 2017	28 Jun 2019	8,890,000.00
Seedco	5pc	4 Oct 2017	4 Oct 2018	32,120,000.00
Windmill	5pc	4 Oct 2017	4 Oct 2018	12,460,000.00
ZFC	5pc	4 Oct 2017	4 Oct 2018	14,200,000.00
Sable Chemicals	5pc	4 Oct 2017	4 Oct 2018	3,920,000.00
Seedco and Sable Chemicals	5pc	9 Oct 2017	20 May 2019	9,010,000.00
Cottco	5pc	29 Dec 2017	3 Feb 2021	29,898,812.65
Pedstock	5pc	29 Dec 2017	1 Apr 2021	7,613,881.00
Cottco	5pc	29 Dec 2017	1 Apr 2021	1,000,000.00
FSG	5pc	29 Dec 2017	1 Apr 2021	19,597,023.20
2017 Total				258,362,845.36

Treasury Bills paid for the Presidential Support Scheme paid in 2018

FSG	5pc	20 Jun 2018	20 Jun 2019	48,406,362.00
Quiton	5pc	20 Jun 2018	18 Mar 2019	11,593,638.00
FSC & RBZ-FSG	5pc	20 Jun 2018	20 Jun 2019	194,750,000.00
Valley Seeds	5pc	25 Jul 2018	25 Jul 2019	8,700,000.00
Pedstock	5pc	12 Sep 2018	12 Sep 2020	374,560.69

2018 Total				263,284,560,69
Grand Total				522,187.406.05

RECONCILLIATION

Ministry of Finance Balance			573,392,750.33	
Less				
SAKUNDA	ZTB357 20170419 at Opc	26,253,750.00		rbz classified under command agriculture
SAKUNDA	ZTB365 20170525A AT 1PC	24,195,000.00		rbz classified under command agriculture
SAKUNDA	ZTB365 20170515C AT 4PC	756,731.25		rbz classified under command agriculture
RBZ Balance			522,187,406.08	

Treasury Bills

5.9.1. The RBZ provided the Committee with schedules of payments it made through Treasury Bill it issued during the relevant period 2017/2018.

5.10 Table 4 and 5 above show that a total of USD 809 347 030. 18 was issued for payments to Sakunda and Presidential Input Support Scheme.

5.11 The Committee was further supplied with a schedule totaling US\$ 2 193 607 782, 47 .

6.0 Authorization of the Treasury Bills

6.1 The RBZ furnished the Committee with a correspondence in respect of which they argued was the source of authority for issuance of Treasury Bills. Most of the letters submitted were in fact letters from the Ministry of Finance and Economic Development signed by Minister Chinamasa. The RBZ failed to supply the Committee with letters of origination from it to the Ministry of Finance and Economic Development.

6.2 These are some of the letters which were supplied to the Committee:

NO	DATE	SOURCE	SUBJECT	AMOUNT
1	28 October 2016	RBZ	Presidential Cotton Input Scheme	US \$ 42 000 000
2	31 October 2016	Minister of Finance	Presidential Agricultural Input Support Scheme	US30 000000

3	27 March 2017	RBZ	Presidential Cotton Input Scheme	US \$70 000 000
4	30 April 2018	RBZ	Presidential Agricultural Input Scheme	US\$ 258 072 000
NO	DATE	SOURCE	SUBJECT	AMOUNT
5	18 May 2018	Minister of Finance (responding to RBZ request dated 30 April 2018)	Presidential Agriculture Input Scheme	US\$ 258 072 000
6	13 July 2018	RBZ	Presidential Agriculture Input Scheme: Valley Seeds	US \$8 700 000
7	16 July 2018	Minister of Finance (responding to RBZ request of 13 July 2018)	Presidential Agricultural Input Scheme: Valley Seeds	US\$ 8 700 000
8	24 July 2018	RBZ	Centre pivots from Pedstock	US 16 000 000
9	25 July 2018	Minister of Finance (responding to RBZ request of 24 July 2018)	Centre pivots from Pedstock	US \$ 16 000 000
10	21/12/16	Minister of Finance in response to RBZ's letter dated 21/12/16	US\$ 52.8 million to fund Government "Special Projects"	US\$ 52.8 million
11	09/11/16	Minister of Finance in response to RBZ letter dated 28/10/16	US\$42 million for procurement of cotton inputs for the 2016/2017 agricultural season	US\$ 42 million
12	13/02/17	Minister of Finance responding to RBZ letter dated 13/02/17	US\$ 6 million for additional inputs under the Presidential Agricultural Input Scheme payable to FSG	US\$ 6 million
13	18/05/17	Minister of Finance responding to RBZ letter dated 17/05/17	US\$2 101 628.50 payment to FSG for supply of additional 10 000	US\$2 101 628,50

			metric tonnes under the Presidential Inputs Programme for the 2016/2017 summer season	
NO	DATE	SOURCE	SUBJECT	AMOUNT
14	10/07/17	Minister of Finance requesting the RBZ Governor to issue Treasury Bills.	US\$ 60 million to support 2017/18 Presidential Cotton Production Input Scheme targeting 400 000 households	US\$ 60 million
15	05/04/17	Minister of Finance responding to RBZ letter of 28/03/17	Open ended standing authority given to the RBZ for the procurement of maize, small grains and wheat by the GMB for the 2017 intake	Open ended (blank cheque)
16	31/12/16	Treasury Bill Issuance note number 50/2016 issued by Deputy Accountant General E. Zvandasara. Being properly issued with amount, tenure, interest rate, timing, purpose and features.	US\$ 40 631 719,73 issued to Sakunda Holdings for Command Agriculture	US\$ 40 631 719,73
17	19/04/17	Treasury Bill Issuance note number 20/2017 issued by the Accountant General Mr. D. Muchemwa. Being a properly issued Treasury Bill note by the Ministry of Finance with amount, tenure, interest rate,	US\$ 26 253 750 issued to Sakunda Holdings in respect of funding of Agricultural Inputs	US\$ 26 253 750

		timing, purpose and features.		
NO	DATE	SOURCE	SUBJECT	AMOUNT
18	12/05/17	Treasury Bill Issuance note number 21/2017 issued by the Accountant General Mr. D. Muchemwa. Being a properly issued Treasury Bill note by Ministry of Finance with amount, tenure, interest rate, timing, purpose and features.	US\$ 756 731, 25 issued to Sakunda Holding for financing of Agricultural Inputs	US\$ 756 731, 25
19	12/05/17	Treasury Bill Issuance note number 21/2017 issued by the Accountant General D. Muchemwa. Being properly issued Treasury Bill note by the Ministry of Finance with amount, tenure, interest rate, timing, purpose and features.	US\$ 24 195 000 issued to Sakunda Holdings for Agricultural Inputs	US\$ 24 195 000
20	20/07/17	TB issuance note number 35/2017 issued by Minister P. A. Chinamasa.	US\$ 83 690 000 issued to Sakunda Holdings Pvt Ltd for Command Agriculture financing.	US\$ 83 690 000
21	20/07/17	TB issued by Hon Chinamasa. Being properly issued TB note by Minister of Finance with amount, tenure, interest rate,	US\$ 3 347 600 issued to Sakunda Holdings for Command Agric inputs	US\$ 3 347 600

NO	DATE	SOURCE	SUBJECT	AMOUNT
22	25/08/17	Treasury Bill Issuance note number 40/2017 issued by Min Chinamasa. Being properly issued Treasury Bill note by the Minister of Finance with amount, tenure, interest rate, timing, purpose and features.	US\$ 83 690 000 issued to Sakunda Holdings for Command Agriculture financing	US\$ 83 690 000
23	28/08/17	Treasury Bill Issuance note number 41/2017 issued by the Minister of Finance (Hon. P. A. Chinamasa)	US\$ 83 690 000 for Command Agriculture financing	US\$ 83 690 000
24	19/12/17	Treasury Bill Issuance note number 57/2017 by the Minister of Finance (Hon. P.A Chinamasa)	US\$ 83 690 000 issued to Sakunda Holdings for Command Agriculture Financing	US\$ 83 690 000

Legal Status of the Treasury Bills

- 6.3. In terms of Section 52 of the Public Finance Management Act [*Chapter 22:19*], the President may authorize the Minister of Finance to borrow.
- 6.4 Section 53 allows the Minister of Finance to borrow for the following purposes only:
- (a) to refinance a maturing debt or a loan paid before the redemption date; or
 - (b) to finance national budget deficits; or
 - (c) to obtain foreign currency for any Government undertaking; or
 - (d) to maintain credit balances on a bank account of the Consolidated Revenue Fund; or
 - (e) to regulate internal monetary conditions should the necessity arise; or
 - (f) any other purpose approved by the House of Assembly by special resolution.
- 6.5. The power of the Minister of Finance to contract debt at the pleasure of the President is thus codified in the PFMA. No other person, including the RBZ has no such power or

authority. In term of Section 54 (3) of the Public Finance Management Act, the Minister of Finance may borrow money by way of:

- (a) the issue of bonds or stock; or
- (b) the issue of Treasury bills; or
- (c) an advance or bank overdraft.

- 6.6. A Treasury Bill, is thus a negotiable debt instrument issued by the Government through the Minister of Finance and Economic Development with specific features that include the following
- (a) the TB number;
 - (b) the amount;
 - (c) tenure;
 - (d) coupon;
 - (e) rate;
 - (f) purpose;
 - (g) duration;
 - (h) features; and
 - (i) status.
- 6.7. Both the Minister of Finance and RBZ Governor were well aware of what a proper Treasury Bill is.
- 6.8. Treasury Bills were properly issued to Sakunda Holdings as shown above in Table 6.
- 6.9. Save on these occasions and these instruments, there were no proper and legitimate TBs that were issued by the Minister of Finance and Economic Development.
- 6.10. Both the Minister of Finance and Economic Development and the RBZ, breached the provisions of the PFMA in purporting to issue Treasury Bills that were not in compliance the law.
- 6.11. A careful perusal of all the correspondence dealing with Treasury Bills as captured in Table 6 above, shows that it was the RBZ which asked the Minister of Finance and Economic Development to approve its (RBZ) issuance of Treasury Bills.
- 6.12. In other words, the party that was dominant and created demand was not the Ministry of Finance and Economic Development, but rather the RBZ.
- 6.13. But this over-zealousness and exuberance to embark on what were clearly quasi-fiscal activities is not supported by the law, both the PFMA and RBZ Act.
- 6.14. To show that the RBZ was the dominant part the Committee produces three (3) sample letters by the Minister of Finance and Economic Development and a sample letter by the RBZ.
- 6.15. On the 10th of August 2018 in response to a letter written to him by the RBZ Governor, the

Minister of Finance and Economic Development wrote:

“I write to approve the request to issue Treasury Bills to the tune of US\$ 737 904 758”

6.16. On 16 July 2018, the then Minister of Finance and Economic Development, Mr. Chinamasa wrote back to the RBZ Governor in the following terms:

“I write to approve the request to issue Treasury Bills to the tune of US\$ 8.7 million”

6.17. On the very same letter that came from the Ministry, the Governor J P Mangudya in long hand gave an instruction to Mr Manhimanzi to urgently process TB on 24 July 2018. On 25 July 2018, Mr Manhimanzi instructed Mr Kaseke to process the Bill at the tenure of one year at 5%.

6.18. On 24 July 2018 the Governor of the RBZ wrote to Minister Chinamasa requesting US\$ 16 million for centre pivots.

6.19. His letter read as follows:

“We write to advise that the centre pivots procured by the Ministry of Lands, Agriculture and Rural Resettlement under a financial structure arranged by Stanbic Bank in an amount of US\$ 16 has not been paid for by Government.

Under these circumstances, it is imperative, Hon. Minister, that authority be granted to the Bank to settle this outstanding amount under the credit finance structure put in place by Stanbic by way of a two year Treasury Bills at a coupon rate of 5% per annum.

We are advised, Hon. Minister, that the pivots have already been distributed to various farmers under the Command Agriculture Scheme.”

6.20. On 25 July 2018 Minister Chinamasa wrote back to Governor Mangudya “approving his request to issue Treasury Bills to the tune of \$16 million”.

6.21. On the very same letter the Governor gave Mr. Saburi an instruction for the RBZ to act. He gave this instruction on the 6th August 2018.

6.22. On 6th August 2018 Mr. Saburi gave an instruction to Mr. Matiza to act. His instruction is on the very same letter from the Ministry.

6.23. On 7th August 2018 at 1053hrs Mr. Matiza acted. He gave the following instructions *“process US\$2 016 682,82 at 5% for 2 years.”*

6.24. The Minister’s letter of 25 July 2018 and the handwritten inscriptions by officials from the Ministry of Finance and Economic Development is as shocking as it is revealing

- 6.25. Firstly, it is clear that it was RBZ officials, in particular, on Mr. W. Manhimhanzi, the Deputy Director for Capital Markets who was defining the terms of the Treasury Bills particularly the coupon rate.
- 6.26. In the majority of these letters from the Minister of Finance, where he gave his “approval” to the RBZ to issue Treasury Bills it was Mr. Manhimhanzi who defined the tenure of the debt instrument, Treasury Bills. Yet in terms of the law, only the Minister of Finance and Economic Development can do this.
- 6.27. Thus, the RBZ usurped the powers of the Minister of Finance and Economic Development defined in Part VI of the PFMA.
- 6.28. As the Committee pointed out to the Governor during his testimony of 24 July 2019, once the Minister of Finance and Economic Development has ‘approved’ a Treasury Bill the RBZ ought to write back to the same, requesting for a Treasury Bill note as is reflected in the Treasury Bill of Sakunda as reflected above in Table 6.
- 6.29. The conduct of Hon. Minister Chinamasa raises eyebrows. The Minister himself, a former Attorney General knew the law. After all he had properly issued Treasury Bill notes in favor of Sakunda Holdings as shown above in Table 6.
- 6.30. He is accountable for manipulating the Central Bank.
- 6.31. Another concern arises from the splitting of Treasury Bills as shown in Mr. Matiza’s inscription on the Minister’s letter of 25th July 2018.
- 6.32. As shown above, approval had been given to issue a Treasury Bill to Stanbic for US\$ 16 million in respect of pivots for Command Agriculture. Yet Mr. Matiza directed a Treasury Bill of \$ 2 016 682, 85 at the rate of 5% for 2 years be issued.
- 6.33. A Treasury Bill is an indivisible debt instrument.
- 6.34. Like a cheque, it cannot be split.
- 6.35. This was not the only time the RBZ split Treasury Bills. The RBZ did so with regards to the following:
- i) Treasury Bills of US \$60 million and US \$43 958 000 processed (for Presidential Cotton Production Input Scheme);
 - ii) Treasury Bills of US \$42 million and US \$3 613 500 processed (for the procurement of cotton inputs for the 2016/2017 agricultural season;
 - iii) Treasury Bills of US \$258.72 million and processed batches of US \$9 681 272 – RBZ portfolio, US \$38 725 090 – FSG and US \$11 593 638 – Quinton (for the Presidential Input Scheme); and
 - iv) Treasury Bills of US \$40 631 719. 75 and processed \$31.8 million (for Sakunda Holdings).

- 6.36. The actions of the RBZ of splitting Treasury Bills is illegal and dangerous. One of the questions that arises is what did the RBZ do with the remainder of the monies in respect of which there is no record of issuance of Treasury Bills. What stops the RBZ from having issued Treasury Bills for other purposes other than those defined by the Minister in his letter of “approval”
- 6.37. The situation is made extremely tenuous and vulnerable considering that Treasury Instruments are instruments which cannot be and are not accounted for in the books of the Central bank, but in the Ministry of Finance and Economic Development. That means they are beyond the scrutiny of the auditors of the RBZ.
- 6.38. A risk was created and a risk which can only be partially mitigated by the conducting of a forensic audit for all Treasury Bills issued between 2015 and 2018.
- 6.39. A further concern to the Committee is the Treasury Bill approval made by the Minister of Finance 05/04/17 in respect of purchases of grain and wheat to the GMB for the 2017 season.
- 6.40. The said Treasury Bill was open ended and a blank cheque. That instruction from the Minister of Finance and Economic Development was irresponsible. He created conditions for vulnerability and abuse.
- 6.41. Further concern is the evidence that the RBZ was discounting Treasury Bills to itself and for its own benefit. The RBZ only acts as an agent of the state in processing these loans as defined in the RBZ Act. It cannot be the holder of the debt instrument.
- 6.42. On the Minister’s letter dated 13 June 2017 but incorrectly dated 13th June 2013 where he approved TBs worth US\$20 to the Women’s Microfinance Bank, Mr Manhimanzi wrote:
“Approved to disburse \$ 5 million to the Women’s Bank for RBZ Holding of TB.”
- 6.43. The Committee saw the mention of this RBZ portfolio once more on 18th May 2017.
- 6.44. On 20 May 2017. Minister Chinamasa wrote approving the issuance of a Treasury Bill in the sum of US\$2 101 628, 50 due to FSG for the supply of an additional 10 000 metric tonnes of urea under the Presidential Input Programme.
- 6.45. On 29 May 2017, Mr. Manhimanzi inscribed on the Minister’s letter the following
“TBs for RBZ portfolio cash already paid to FSG”
- 6.46. Similarly on 18 May 2018, the Minister approved a Treasury Bill of US\$ 258, 72 million for the Presidential Input Scheme. In the process of processing the same, on 20 June 2018 Mr. Manhimanzi wrote on the Minister’s letter that US\$ 9 681 272 was for the RBZ portfolio against cash payments.
- 6.47. The question that arises is what is this **RBZ Portfolio? What is its legal basis? How are amounts deposited into the same, accounted for in the balance sheet of the Bank if at**

all? What withdrawals were made from the same and for what purposes and who were the beneficiaries?

- 6.48. A further concern is the approval provided for by Hon. Minister Chinamasa on the 10th August 2018 of a huge Treasury Bill in the sum of US\$ 737 904 758. 00.
- 6.49. The 2018 election was held on the 30th July 2018, therefore Hon. Minister Chinamasa’s term of office expired on the 29th July 2018. His position was that of a caretaker for emergency purposes only until the President was sworn in.
- 6.50. The Committee finds it totally remiss that an individual without power would create indebtedness to the State to the tune of almost a billion United States dollars. This was unacceptable conduct.
- 6.51. Also questionable was the action of the RBZ Governor in trying to clear the RBZ’s mess by asking an individual without power to approve huge amounts of payments for its own external indebtedness acquired without Parliament approval as required by section 327 of the Constitution before a new Minister comes in.
- 6.52. In the Committee’s report to Parliament on the RBZ, the Committee accused the Bank of rogue behavior. Nothing can be more roguish than the Bank asking for a powerless Minister to approve an indebtedness of almost a billion dollars without Parliament’s approval.

7.0 AUDIT AND ACCOUNTING CHALLENGES PERTAINING TO TREASURY BILLS

- 7.1. Apart from the legal issues the Committee has dealt with above, the TBs issued by the RBZ had many other auditing and accounting challenges which can only be remedied by a proper forensic audit of the entire process.
- 7.2. These challenges include the following matters which the Committee will now examine in detail below:
 - i) the existence of Treasury Bills without supporting documentation from the Minister of Finance and Economic Development as reflected in Table 7 below;
 - ii) differences and lack of reconciliation between RBZ and Ministry of Finance and Economic Development as reflected in Table 8 below:
- 7.3. Table 7: Treasury Bills without supporting letters on file.

Table 7: TBs without supporting authorising letters on file

DATE	PAYABLE TO/FOR	AMOUNT (USD)
2017/18	Presidential Input Scheme	397 814 277.52
2017/18	Command Agriculture	3 347 600.00
	PURCHASE OF LAND AND USER RIGHTS	6 112 703.00

7.4.1. Since September 2019, the Public Accounts Committee has sought explanations and reconciliations from the RBZ on the above discrepancies and differences. The Committee has not received any reconciliations to date.

7.4.2. The Committee now provides detail on the above two issues.

SUPPORT TO AGRICULTURE

7.5.TREASURY BILLS ISSUED FOR PRESIDENTIAL INPUT SCHEME 2017/18

Table 9: Treasury Bills without Treasury Bills Issuance Notes (no tenure, no rate, no duration, no status)

DATE	PAYABLE TO	AMOUNT (USD)
22/2/17	NOT DISCLOSED	3 613 500.00
23/2/17	FSG	6 000 000.00
5/4/17	NOT DISCLOSED	70 000 000.00
29/05/17	FSG	2 101 628.50
2/8/17	FSG	43 958 000.00
20/06/18	NOT DISCLOSED	60 000 000.00
25/7/18	VALLEY SEEDS	8 700 000.00
		US\$194 373 128.50

7.7 Table 10: List of TBs issued in 2017 for Presidential Input Scheme with no supporting authorising letters from the Ministry of Finance and Economic Development on file:-

Supplier	T. B. No.	Date Issued	Payment Date	Amount in USD
FSG	ZTB498 20170822A at 5pc	22 Aug 17	02 Jan 19	9 303 333.33
FSG	ZTB500 20170822B at 5pc	22 Aug 17	04 Jan 19	9 303 333.33
FSG	ZTB531 20170822C at 5pc	22 Aug 17	04 Feb 19	9 303 333.33
FSG	ZTB717 20170822E at 5pc	22 Aug 17	09 Aug 19	9 303 333.33
FSG	ZTB802 20170822F at 5pc	22 Aug 17	02 Nov 19	9 303 333.33
FSG	ZTB902017170822D at 5pc	22 Aug 17	04 Apr 19	9 303 333.33
QUTON	ZTB478 20170912B at 5pc	12 Sep 17	03 Jan 19	8 160 000.00
ZFC and Windmill (RBZ)	ZTB633 20171993A at 5pc	03 Oct 17	28 Jun 19	8 890 000.00
Seedco	ZTB365 20171004U at 5pc	04 Oct 17	04 Oct 18	32 120 000.00
Windmill	ZTB365 20171994U at 5pc	04 Oct 17	04 Oct 18	12 460 000.00
ZFC	ZTB365 20171994U at 5pc	04 Oct 17	04 Oct 18	14 200 000.00

SABLE Chemicals	ZTB365 20171004U at 5pc	04 Oct 17	04 Oct 18	3 920 000.00
Seedco and Sable Chem	ZTB588 20171009A at 5pc	09 Oct 17	20 May 19	9 010 000.00
Cottco	ZTB1132 20171229C at 5pc	29 Dec 17	03 Feb 21	29 898 812.65
Pedsock	ZTB1189 20171229F at 5pc	29 Dec 17	01 Apr 21	7 613 881.00
Cottco	ZTB1189B 20171229F at 5pc	29 Dec 17	01 Apr 21	1 000 000.00
FSG	ZTB1189 20171229F at 5pc	29 Dec 17	01 Apr 21	19 597 023.20
Total				US\$202 689 716.83
2018				
FSG and RBZ-FSG	ZTB365 20180620C at 5pc	20 Jun 18	20 Jun 19	194 750 000.00
Pedstock	ZTB731 20180912A at 5pc	12 Sep 18	12 Sep 20	374 560.69
Total				US\$195 124 560.69
Grand Total				US\$397 814 277.52

TREASURY BILLS ISSUED FOR COMMAND AGRICULTURE 2017/18

Table 11: Treasury Bills not supported by Treasury Bill Issuance Note, (No TB number, Amount, Tenor, Coupon, rate, Purpose, Timing and Features). *(Also for table 10)*

DATE	PAYABLE TO/FOR	AMOUNT (USD)
09/01/17	SAKUNDA	31 800 000.00
07/08/18	NOT DISCLOSED	2 101 682.50
		US\$33 901 682.50

Table 12: Treasury Bills issued in 2017 for Command Agriculture with no supporting letters from Ministry of Finance and Economic Development

Supplier	T. B. No.	Date Issued	Payment Date	Amount in USD	Programme
SAKUNDA	ZTB365 20170731B at 4pc	7/31/2017	7/31/2018	3,347,600,00	COMMAND AGRICULTURE

Committee's Observations

7.8.The RBZ issued Treasury Bills unprocedurally in violation Section 54 (3) of the Public Finance Management Act.

7.9.The RBZ violated the RBZ Act by failing to play its advisory role to Government.

- 7.10. The RBZ split Treasury Bills between different suppliers.
- 7.11. There were Treasury Bills issued without supporting documentation from the Minister of Finance and Economic Development. Some TBs were undisclosed, had no amount, no tenure, no interest rate, no timing, purpose and features.
- 7.12. There was lack of reconciliation of TBs between RBZ and Ministry of Finance and Economic Development.
- 7.13. The Ministry of Agriculture is the one which was supposed to generate demand for Treasury Bills, rather than RBZ and Treasury.

Recommendations

- 7.14. A forensic audit should be conducted on TBs issued by the RBZ during 2017/18 for the Special Maize Programme/ Command Agriculture, within 90 days.
- 7.15. The RBZ should abide by the Constitution, the PFMA, RBZ Act as well as the Public Procurement and Disposal of Assets Act, with immediate effect.

8.0. Oral Evidence from the GMB

- 8.1 The Committee received oral evidence from the GMB represented by Mr. C. Guta Chief Operating Officer and Mrs C. Dzenga the Acting Financial Controller. The officials submitted the following:
- GMB had no role other than that of merely storing inputs for Command Agriculture and recording the quantities delivered to it;
 - GMB had no supervisory role and did not run Command Agriculture; and
 - That Command Agriculture was run by Sakunda.
- 8.5. The Operations Director indicated that the \$847 million might not be the correct amount. He explained that the role of the Grain Marketing Board in Command Agriculture was to receive inputs and distribute to beneficiaries since the parastatal was not the procuring authority. Mr. Guta also explained that the parastatal had signed a contract with the suppliers as a receiving agent and the Reserve Bank of Zimbabwe was responsible for payments. He submitted that in 2017 the Reserve Bank of Zimbabwe had paid for the inputs. He explained that farmers would get vouchers which they redeemed. He stated that the beneficiaries of the inputs were identified by the local leadership.

Inputs received by the GMB for Command Agriculture in 2017/2018 season

- 8.6. The Operations Director indicated that GMB had received Compound D and Ammonium Nitrate fertilisers, maize seed and sorghum from suppliers such as FSG, PHI Seeds and Pioneer. He stated that the following quantities had been received against the corresponding targets:
- | | |
|------------------|-------------------------------------|
| Compound D | 88 319 tonnes against 90 000 tonnes |
| Ammonium Nitrate | 93 438 tonnes against 98 000 tonnes |
| Maize seed | 17 342 tonnes against 18 000 tonnes |

Committee's Observation

- 8.7. The GMB received the inputs as per the contract but recoveries were not made due to non-processing of stop orders by the Ministry of Lands, Agriculture, Water and Rural Resettlement.

Recommendation

- 8.8. The Ministry of Lands, Agriculture, Water and Rural Resettlement must come up with clear instructions as to how the stop orders would be made to enable the GMB to effect stop orders to make recoveries within 90 days of tabling of this Report.

9.0 Oral Evidence from Suppliers

Sakunda Holdings

- 9.1 Mr. Chitambo led the delegation in responding to the Committee's questions. He indicated that in 2016, His Excellency the President, Hon. Mnangagwa, then Vice President invited about 40 businesses to a meeting to discuss how the private sector could assist Government in an import substitution programme for soya beans, wheat and maize production. He stated that Sakunda Holdings submitted a proposal to finance maize and wheat production and was advised to work out the terms with the Ministry of Finance and Economic Development.
- 9.2 He also indicated that the Ministry of Lands, Agriculture, Water and Rural Resettlement would advise Sakunda Holdings on the seed, fuel and fertilizer requirements for the summer and winter seasons. Mr. Chitambo highlighted that the money would cost four and half percent but other companies had proposed twelve percent. He also informed the Committee that Sakunda Holdings had been asked to buy inputs, protective wear and cars from selected suppliers. He emphasized that Sakunda also applied its rigorous selection criteria when procuring the inputs. Mr. Chitambo submitted that it was agreed with Ministries of Finance and Economic Development and Lands, Agriculture, Water, Climate and Rural Resettlement that Government would provide foreign currency required on a weekly basis.
- 9.3 Mr. Chitambo indicated that Sakunda Holdings supplied eight land cruisers, ten twin cabs and twenty motor cycles. He also indicated that ten vehicles were provided for ten monitoring and evaluation teams comprising of three government officials and one from Sakunda Holdings. He informed the Committee that some payments made to Sakunda had been in United States dollars and some in Zimbabwean dollars
- 9.4 Mr. Chitambo revealed that inputs were delivered to Grain Marketing Board (GMB) depots as directed by the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement. For all inputs delivered, Mr. Chitambo reported that there would be a goods received voucher (GRV). He explained that the Ministry of Finance and Economic Development was the borrower of funds made available by Sakunda.

- 9.5 Mr. Chitambo indicated that the parties agreed to a facility fee. He revealed that, since the farmers did not have security, Ministry of Finance and Economic Development offered Sakunda Holdings security in the form of a ring-fenced account of the NOIC Debt Redemption Fund and Treasury Bills. He indicated that in the first season (2016 -2017), Sakunda had provided \$85 million for the irrigated facility, \$75 million for the non-irrigated facility and \$30 million for the Presidential Input Scheme. He stated that the financing of the Presidential Input Scheme had soon after been scrapped by Sakunda.
- 9.6 Mr. Chitambo stated that Sakunda had attended the first meeting with the intention of securing a contract for the supply of fuel since there was a requirement of thirty-six million litres. He stated that Sakunda had then submitted its proposal after an invitation had been extended to all the companies to structure a financing programme.
- 9.7 The Chief Operating Officer indicated that from October 2016 to February 2017, Sakunda Holdings had used its balance sheet to finance the programme. The Chief Operating Officer indicated that the amount paid to Sakunda totaled US \$ 1.1 billion.
- 9.8 The Chief Operating Officer informed the Committee that what was normal was to deliver the inputs to GMB depots. He explained that in some cases Government would direct that a delivery should be taken to a certain farmer in order to decongest the depots and to avoid the impression that chefs were getting the inputs. The Chief Operating Officer indicated that the accounting process was the same as the one for deliveries made to GMB depots, where the farmer would sign for the delivery made.
- 9.9 Mr. Chitambo indicated that the Company had prepared a dossier on what could have been done differently. He submitted that the programme could do better by identifying paying farmers and also putting in place measures that ensure that farmers have the inputs. Mr. Chitambo highlighted that contrary to public perception he did not think that Sakunda Holdings had captured the State. He submitted that Sakunda had used the best skill it had to help Government and had worked within the price limits set by the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement. He argued that the Company had helped the Government to achieve maize import substitution.
- 9.10 The Chief Operating Officer indicated that Sakunda Holdings was 100% indigenous. He indicated that they worked hard and tried to seize opportunities available. Mr. Chitambo stated that there were no politicians in Sakunda. He identified the shareholders as Mrs. S. Mupunga with 44% shareholding and Mr. K. Tagwirei with 56%.

Pedstock Investments

- 10.1 Mr. Jackson stated that Pedstock Investments supplied centre-pivots to farmers in Zimbabwe. He indicated that he needed to verify the figure of USD12 396 367.74 on the schedule of payments as they did not tally with his figures. He submitted that in general, the amounts were paid for centre-pivots and that the Company had supplied all the equipment paid for. He indicated that his total payment was \$ 6 911 138, 75. Mr. Jackson indicated that payments to Pedstock were made through bank transfers and highlighted that the company did not receive any payment through Treasury Bills.
- 10.2 Mr. Jackson submitted that the contracts were signed with the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement and payment came from the Ministry. He professed ignorance on the initiator of the payments.
- 10.3 Mr. Jackson stated that the specific contract was an unsolicited bid which had been awarded to Pedstock Investments. He stated that there was another contract where five machines were supplied and another contract which was an ongoing contract.
- 10.4 Mr. Jackson indicated that in the past, the Ministry of Finance and Economic Development had assisted the company but the company had been using commercial banks to secure foreign currency.

FSG

- 11.1 Mr. Morland, Managing Director for FSG, submitted that the transactions with Government were based on contracts for the supply of inputs. He explained that FSG had a structure involving stock in Zimbabwe held under collateral management agreement, where stocks are released when payment has been made.
- 11.2 He indicated that payment for the supplies had been made in local currency. Mr. Morland indicated that the first contract had been signed in 2016 followed by contracts in 2017 and 2018. He stated that FSG was asked to indicate what the company was able to supply in each of those years.
- 11.3 He submitted that he had never received any tender document apart from the offer of a contract and he was not aware of the legal requirements. He also submitted that he believed that because of the turmoil with regards to unavailability of foreign currency, Government had power to contract FSG and he believed that FSG was compliant. Mr. Morland indicated that the company had supplied seeds and fertilizers. Mr. Morland confirmed receipt of about 95 million.
- 11.4 Mr. Morland submitted that supplies were made to GMB and the Cotton Company of Zimbabwe (Cottco). Mr. Morland indicated that all payments were made in TBs and RTGS. He argued that although the ratio of RTGS to US \$ was 1:1, FSG could not transfer the amounts outside the country. Mr. Morland explained that all the foreign currency FSG got was through the 180 days letters of credit. Mr. Morland insisted that Government paid FSG in RTGS and through issuance of Treasury Bills. He stated that the point of reference was in US dollars but payments were made in RTGS.

- 11.5 Mr. Morland pointed out that FSG's holding group and headquarters was in Mauritius. He stated that they had other companies in Malawi, Mozambique and Zambia. He insisted that there were contracts and FSG had supplied inputs for which payments had been made. He highlighted that payments were sometimes made well after delivery and he was not too sure how Government managed its payments. Mr. Morland informed the Committee that FSG charged its products supplied to Government in US dollars but invoiced the products in RTGS. He argued that those who charged in RTGS would get their payments promptly or even in advance of delivery. Mr. Morland advised the Committee that FSG had one contract with a total value of US\$ 140 million. Mr. Morland informed the Committee that the Company paid the Commercial Bank at a rate of about 8 percent but when the situation deteriorated, the rate would be between 20 and 40 percent.

Committee's Observations

- 12.1 Sakunda Holdings, Pedstock and FSG entered into contracts with Government without going to tender in violation of the Public Procurement and Disposal of Public Assets Act.
- 12.2 The above-mentioned companies were awarded a 'Special Cabinet Authority' to supply agricultural inputs and equipment.

Recommendations

- 12.3 Government should implement programmes through the responsible Government Ministries or Departments to ensure implementation is done through laid down rules and procedures and ensure transparency and accountability.
- 12.4 Government should always adhere to the requirements of the Public Procurement and Disposal of Public Assets Act in order to get competitive prices and value for money.
- 12.5 The provisions of the Public Procurement and Disposal of Public Assets should be applied even where there is Cabinet Authority.

CONCLUSION

- 13.0 In conclusion, the Committee is very concerned with the Ministry of Finance's recurring habit of making direct payments to service providers without providing relevant documentation to line Ministries. The Committee trusts that the Executive shall react with urgency to the findings of this Report, especially that the Ministry of Finance desists from making any direct payments to suppliers. All public institutions should act in accordance with the Constitution, Public Finance Management Act, the Public Procurement and Disposal of Assets Act, and adhere to principles of good governance transparency, openness and accountability as spelt out in Chapter 9 of the Constitution of Zimbabwe.