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Zondo Commission – no due diligence or feasibility study done before Estina deal drawn up

Former head of the Free State agriculture department Peter Thabethe has conceded that he went into an agreement with Gupta-linked Estina in 2012 to run the provincial government's multi-million-rand dairy farm project in Vrede with no feasibility study in hand, nor approval from the local municipality to use its land. Estina's India-based partner in the agreement, Paras, wanted to invest R228-million in the project, and was to do this through Estina as the conduit, the commission heard. But Estina had only R16 in its business account on the eve of the first payment from the department of R30-million soon after the agreement was signed.

Thabethe agreed to go into business on the strength of a mere proposal from Estina, which also had the Paras logo on it. At the time, however, the company had no background in agriculture, nor was it a business in good standing, financially. Its business profile was altered only in October 2012, several months after the agreement, to reflect a background in agriculture. Thabethe conceded in response to a question by commission chairperson Deputy Chief Justice Raymond Zondo if he'd done a due diligence check on Estina, that he had not as it was Paras's job to do so. Zondo further asked him if he agreed that he put the department at risk by not doing his homework on the company, to which Thabethe conceded.

Zondo insisted that since it was taxpayers' money that would be used by Thabethe's department in the project, it was important to vet the private business with which it was going into this venture. Thabethe said his position at the time was that this was a unique arrangement that the department had not previously undertaken before, and that their main partner, Paras, was cleared as he had checked its books during a "fact-finding mission" on its facilities earlier in the year.

By the time he made the now-famous presentation to a council meeting of Phumelela municipality on 12 June 2012, Estina had secured a place in the project, the proposal for which asked national government for a R100-million-per-annum cash injection over a period of five years. The presentation received no objection, and a council resolution was made to support it. Three days later the R30-million was paid to Estina.

Thabethe maintained though during his third day of testimony on Tuesday that his department's obligation to the project was shared with Paras, and not Estina.

The department, he said, had asked Paras to find a South African company to partner with, so as to avoid a situation where the provincial government ended up doing direct business with a foreign company. Asked by evidence leader Leah Gcabashe if the inclusion of Paras was not an extreme move, since there are local dairy companies, Thabethe said during Friday's proceedings his team had unsuccessfully engaged large companies such as Nestle, Dairybelle, Clover and Parmalat to get their buy-in. These companies, he said, were not interested in getting involved in the project, despite the beneficial prospects involved. He then set out to research the best international candidates, and settled on Paras.

What made Paras so special? asked Zondo. Thabethe said their business model provided for not only collection of milk from the facilities under their watch, but also the business support to farmers. The department wanted to emulate this, he explained, as the Vrede project catered for the development of a number of small-scale farmers from the area.

With Paras indicating their interest, the department invoked a bilateral agreement between South Africa and India, as a supporting document to go into negotiations. The problem with this action, according to Gcabashe, was that the document in question was never finalised, and therefore should not have been relied on, a fact that Thabethe should have known as he had previously worked in the national Department of Agriculture and Fisheries prior to moving to the Free State in 2011. Thabethe eventually conceded once more to this oversight, but not before some debate on the validity of the document's legal standing.

Once Phumelela Municipality approved the use of the land on which the farm would be operated, it was all systems go, but only for a while. Soon the cattle that had been procured and placed on the farm started going hungry and dying – not due to neglect, Thabethe said, but because the funding that had started coming through from the national department was halted in the wake of media reports on the alleged corruption in the project.

National Treasury then launched an investigation into the project, commissioning ENS Attorneys. Gcabashe pointed Thabethe to findings of the report that investigators produced, that cited a lack of co-operation on his part, which he challenged, stating that it was the ENS officials' interpretation of events and not fact, that is in the report.

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