



24 May 2021

Zondo commission – R50bn state capture bonanza for the Guptas

The cost to the South African government of state capture by the Guptas was on Monday placed at R49-billion by forensic investigator Paul Holden, a director at London-based Shadow World Investigations. He appeared before the state capture commission to give evidence related to the money flows stream.

The biggest contributor to this amount is Transnet, through which 81% of the cost, or R40-billion of the total, was lost, mostly through contracts arising from its procurement projects for locomotives, the last of which was in 2014 for 1 064 units. Eskom's figure is a fraction of that, at R6.9-billion, accounting for 14% of the total.

Out of the R49-billion, said Holden – who has produced a report detailing his findings – the Guptas managed to walk away with just under R16-billion, which he explained was a conservative figure, given that it captures only the amounts that could be officially accounted for. He attributes a lot of his findings to information he assembled through the GuptaLeaks, the trove of documents released in 2017, and which allegedly contains secrets of the inner workings of the Gupta enterprise.

Beneficiaries of state capture included the family's well-known business interests such as TNA Media, Tegeta Exploration and Resources, and Sahara Computers, as well as local and international companies that sub-contracted entities linked to them, like Regiments Capital and Trillian Capital, as their supplier development partners in major contracts. The end goal for most of the transactions entered into, it appears, was money laundering, which was done through no less than 14 entities identified by Holden. The "legitimate" entities, once paid, forwarded money to the 14 companies, and these in turn did the same to the next level of companies belonging to an international network.

Holden explained his findings of monies paid to Gupta-linked companies either directly, or through entities with which their companies sub-contracted to get lucrative state contracts. The true picture of how much the Guptas earned during their years in South Africa, through contracts designed around state capture, may never be known.

"I do not attempt to quantify the losses suffered by the state in relation to Gupta enterprises ... but I think I can say with an extremely high level of confidence that that amount far exceeds the just under R16-billion that was paid to the Gupta enterprise by state capture," Holden said.

Holden's exercise was meant to give commission chairperson Deputy Chief Justice Raymond Zondo some insight on the numbers related to the capture alleged so far, insofar as the Guptas are concerned. Beyond that, he looked into companies he described as "first-level" laundry companies. These are entities through which various methods are adopted to move money around laundry networks locally and internationally, so as to grow the amounts legitimately received.

Trillian alone has made over R935-million through contracts with Eskom and Transnet, while TNA Media's benefit stood at over R254-million from the same state-owned entities, as well as the Department of Water and Sanitation, and the premiers' offices in the North West, Mpumalanga and Free State. The latter's provincial treasury department was also a contributor to TNA.

VR Laser, about which the commission has heard evidence related to several alleged irregular contracts with Denel, made R242-million between 2014 and 2017, when payments were stopped by the arms manufacturer. VR was majority-owned by Salim Essa when it began benefiting from Denel contracts for industry defence supplies. Essa has emerged across a number of evidence streams as a representative of the Gupta enterprise in state contract negotiations.

Sahara Computers, said Holden, made R41-million through an entity called Cutting Edge, in which it acquired a 51% stake in 2014. "On 17 October 2014 Transnet issued a letter of intent to conclude a two-year contract with Cutting Edge to provide Transnet with a 'Solution for a System Analytical Tool and capability to Report on key Procurement Metrics' on a confinement basis," reads Holden's report. Sahara's purchase of Cutting Edge was recorded in July of that year.

"These are companies that were identified by the Gupta enterprise to receive success fees or supplier development payments. That was the first payment made from a state contractor to the Gupta enterprise. It was the first step in the laundry process."

The most common players in the design and influence of contracts are no strangers to the commission, such as Salim Essa and Ashok Narayan, who was apparently employed by former Free State premier Ace Magashule as an advisor in his office. He also emerged as the apparent deal maker in the troubled Estina farming project in that province.

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