

1 FILE: Interview Dlamini – CFO

2 Present: Suad Jacobs – ENS, Trevor Barnard – ENS, [Dipatle] Dlamini – Department of Agriculture  
3 and Rural Development.

4  
5 JACOBS: CFO, thank you very much for meeting with us this morning. As we discussed  
6 yesterday, we would like to chat to you about the Vrede Dairy Project. Overnight you  
7 prepared some documentation for us and we started with the pack that you indicated  
8 addresses, bullet point 1, 2, 6, 7 and 8 in the letter that we sent you last week requesting  
9 documentation. We were just talking about the documents. You were taking us through the  
10 documents so effectively this presentation that I'm having a look at now, titled "Proposal to the  
11 Department of Agriculture and Rural Development from Integrated Dairy Project in Vrede, Free  
12 State. You say this presentation was made by Estina on 24 May 2012 and this presentation was  
13 made of the senior employees in the Department that visited India.

14 DLAMINI: Yes.

15 JACOBS: All right and you mentioned that the senior members of the Department that had  
16 visited India was the HOD for the Department as well as the MEC.

17 DLAMINI: I'm not sure [inaudible 0:01:30.4] yet the memo from the Premier that [normally] the  
18 Premier faxed. [Inaudible 0:01:36.0] I'm not 100% sure of the MEC but I'm 100% sure that should  
19 he attended was part of the delegation that went there but the office will then before you  
20 leave, would have given you the memo that was approved by the Premier for people to go to  
21 India.

22 JACOBS: And when was the trip to India? Do you know more or less? We can see the exact  
23 dates from the memos and the motivations that would be attached but

24 DLAMINI: I remember of relying the fact that I still remember what date was it.

25 JACOBS: But it was after, you say this presentation was after that visit.

26 DLAMINI: Ja this presentation was after that visit.

1 JACOBS: Ok so Estina came here and they did the presentation. You say senior management  
2 was present.

3 DLAMINI: Yes.

4 JACOBS: Who is that?

5 DLAMINI: It was two Directors and I was also there. [HOD] was also there but unfortunately,  
6 that's what I'm thinking, I'm still struggling to locate from the secretary, the person who was  
7 taking the minutes has both resigned, so I'm not able to, I'm still trying to trace the attendance  
8 register for that particular day and the attendance register and the minutes of that particular  
9 day but few people, I'm not sure maybe you must also advise me because I can also get  
10 people who can confirm that I was in that meeting. I can give you, I can make a list and say  
11 people must confirm because if I can give you the list that you confirm to say that they were in  
12 that meeting.

13 JACOBS: The HOD was in the meeting and you were in the meeting.

14 DLAMINI: Yes.

15 JACOBS: You're clear on that?

16 DLAMINI: Yes.

17 JACOBS: Mr Masikeng, was he there?

18 DLAMINI: I'm not sure whether Dr Masikeng.

19 JACOBS: But we'll check with him.

20 DLAMINI: Was there but you will check with him whether he was part of the meeting.

21 JACOBS: And the MEC was she there?

22 DLAMINI: MEC was not there. It was a he then, not she.

23 JACOBS: Oh.

24 DLAMINI: The she is no.

25 JACOBS: So the MEC wasn't present?

26 DLAMINI: No, the MEC wasn't present.

1 JACOBS: And who is the MEC at that stage?

2 DLAMINI: MEC Zwane.

3 JACOBS: And the new MEC is?

4 DLAMINI: MEC Qabathe.

5 JACOBS: How do you spell it?

6 DLAMINI: Qabathe.

7 JACOBS: And when was she appointed?

8 DLAMINI: Qabathe, March.

9 JACOBS: 2013?

10 DLAMINI: 2013.

11 JACOBS: So effectively Estina came to speak to you and to do a presentation on the project.

12 DLAMINI: Yeah.

13 JACOBS: Ok and what was the presentation about?

14 DLAMINI: If you look at that presentation that presentation was basically about setting up a  
15 dairy project right? The location and everything, it was identified by us, by the Department.  
16 Myself could only be when the delegation was India, this was some of the things that were  
17 discussed and then they had to come up and then make a follow up to say where is the  
18 location and all that so ja. Basically the presentation was about setting up and partnering with  
19 us in terms of doing the dairy in different states.

20 JACOBS: Ok.

21 DLAMINI: And they also, I think at the heart of the whole thing is to [inaudible 0:05:41.0] they  
22 want to come and invest in terms of putting up a profiting land and the Department must  
23 [inaudible 0:05:54.4] about the farmers in terms of setting up the dairies which the dairy would  
24 produce the milk and the processing plant will assist in terms of the beneficiation of the milk.

25 JACOBS: Ok. We are going to go through this with you but I can see some of the  
26 documentation looks familiar already.

1 DLAMINI: Yeah we gave some of the documentation of it to, that was the memorandum of  
2 argument which also regulate the country to country but it's the broad one is sent by the  
3 Minister. Those are the minutes is the extras because that was another meeting with the DG,  
4 who took place with the DG, the MEC, Treasury, the HOD Treasury, the [inaudible 0:06:45.9]. The  
5 reason why I'm giving you the extras is because the meeting was called, the meeting show you  
6 the results of the, if you look at the Exco resolution, that's the results of the Exco resolution right  
7 but it was called in the Premier's office by the DG right but unfortunately I'm also not able to  
8 locate the Minister of the meeting but the extras is from one of the advocates who is a State  
9 Law advisor in the Premier's office because when I was trying to say to them "Can you give me  
10 the minute and the tender [Inaudible 0:07:17.8] for that particular day nobody could give me. I  
11 could not locate that but the advocate said "I can give you the extras that my own [Inaudible  
12 0:07:27.9] that I was making for that particular day".

13 JACOBS: Ok. Fine. We're going to take you through all of the documentation. We have a  
14 couple of questions we would like to ask you obviously but let's just have a look so these you  
15 can go through again, have some idea and then the others?

16 DLAMINI: This are the payments I give you, I give National Treasury already copies of this  
17 payments. The unfortunate part now is the time when I did them I did not know that my  
18 [inaudible 0:08:03.2] in finance gave me the copies. My problem now is that we have just,  
19 Finance has just moved from the from Town to here so some of their documents are still in boxes  
20 and it's a lot of documents so we could only trace two of those documents but I believe that  
21 majority of documents or all of the documents I may have given them to National Treasury  
22 already but this ones there I did tell you because this ones without the sheet of the copy that  
23 shows who approved what but this one has got all the information in it. So this relates to the  
24 payments [inaudible 0:08:46.5] with that [inaudible 9:08:52.7] and then this pack here are  
25 [inaudible 0:09:15.9] communication between us, Estina and the communication within our  
26 [inaudible 0:09:21.0] and the consultation that we did with the farmer. This pack here addresses

1 the budget issues. We also asked about documents relating to the budget, this addresses the  
2 budget issues. My only dilemma, I need to agree with you because this could [be business] are  
3 the only copies that we are having but there is a lot of information in this. It's not only relating to  
4 the Vrede deal it relates to all the grants right, the CASP grants but in it you'll find that Vrede is  
5 here so I'm not sure whether you'll allow me to copy this cover page that shows this particular  
6 document was approved and also make you a copy of the extras that shows that Vrede did  
7 was budgeted and the grant was approved. The business plan for, this is what you call the  
8 business plan for that [inaudible 0:10:45.9].

9 JACOBS: Not familiar with the document. Let's have a look. We have got copies or you  
10 provided copies of the 2013/2014.

11 DLAMINI: This is 2013/2014 one. This is 2012.

12 JACOBS: 2012/2013

13 DLAMINI: Because the [Inaudible 0:11:06.2] has started last year mos.

14 JACOBS: If someone could copy this for us today that would be great. What I'll do is we'll have  
15 a look through our file but I think we have a copy of the 2012 2013/2014. If that is the case then  
16 I'm not going to take another copy.

17 DLAMINI: Ok.

18 JACOBS: Because then we'll just mark it that you've given us this copy and it's the same.

19 DLAMINI: All right. So in the meantime while, when we are finished while you'll be seeing HOD I  
20 will then make a copy so that before you leave you get a copy or unless you want to take it to  
21 HOD then I can make it overnight and then tomorrow night

22 JACOBS: Dr Masiteng drafts this, Dr Masiteng so we wanted to chat to Dr Masiteng about this  
23 document.

24 DLAMINI: It's a CASP co-ordinate, one there.

25 JACOBS: Does he not have copies of.

26 DLAMINI: That's the one I [inaudible 0:11:58.7] from you.

1 JACOBS: Ok that's fine. We leave that for now.

2 DLAMINI: These are all the allocation letters from Treasury. The allocation letters is relative, that  
3 comes and says this is what we are dealing for agriculture and this is housing and all those  
4 things that is specific that indicates.

5 DLAMINI: Can I have signed versions of these documents please? These are not signed, none  
6 of these so I need the original.

7 DLAMINI: I'll have to check with the office of the HOD if they have originals because normally  
8 Provincial Treasury would have sent it via the emails. That one is signed. That one is not.

9 JACOBS: This is Mr Thabethe

10 DLAMINI: Those are final allocations. Let me see no then this one is [inaudible 0:12:52.6] tender  
11 basically you can work from this. This one is [faulty]. This is a final, it's the same document  
12 [inaudible 0:13:17.0] this one, you can take this two copies [inaudible 0:13:22.0]. I will then try  
13 project the signed copies of 2014/20

14 JACOBS: This one is signed and one of the others are also signed.

15 DLAMINI: [inaudible 0:13:34.6] told me this project I can. This one is [inaudible]

16 JACOBS: Is this the same one?

17 DLAMINI: No this one is

18 JACOBS: Let's take the preliminary allocation its ok. Then I'll just mark it and you could have  
19 that one because I think that one is also

20 DLAMINI: No this one and that one is the same. At the back of that one there's another one of  
21 2013/2014, that one is not signed, that's the one I must get the signed copy for you.

22 JACOBS: No I think that one is signed.

23 DLAMINI: No this one is 12/13 to 14/15. It's the same as this one. Look at the one that is signed.  
24 These two are the same.

25 JACOBS: No, they're addressed to different people.

26 DLAMINI: Oh they're those two different people because we had two different departments.

1 That's fine.

2 JACOBS: We've got these two and the preliminaries that are fine. Have we got every page of  
3 it?

4 BARNARD: Ah.

5 JACOBS: Is it the same?

6 BARNARD: I've gone right through this it's the same. I'll check the front and middle of that so  
7 that I can check every pack.

8 JACOBS: Have we got that from. I think the back one will be the right one, that one was the  
9 one that we submitted. Is that the one we picked up in Pretoria?

10 BARNARD: Hm.

11 JACOBS: That's fine. So we've got the 2013/2014.

12 DLAMINI: Ok then I'll [inaudible 0:15:07.9] make copies for this you.

13 JACOBS: It's fine let's just check that it's the signed off ones so that we know we're dealing with  
14 the [inaudible 0:15:13.3] ones. The signed off would be [inaudible 0:15:17.5]

15 BARNARD: Here.

16 BARNARD: [Inaudible 0:16:11.0] is at the back.

17 JACOBS: Ok. I want to check if it's all signed. [Mahala] want us to arrange this quick before  
18 trial that evening. I think that's probably best [inaudible 0:16:27.1] so it may not be exactly the  
19 same. Can we have a copy of both please?

20 DLAMINI: [inaudible 0:16:33.7]

21 JACOBS: There were many that were made afterwards. I was concerned that we may have a  
22 [unrendered] version then. Maybe we may react and, we may be [expecting] him accurately.

23 DLAMINI: It's fine. I'll just copy it like this.

24 JACOBS: All right.

25 BARNARD: This is [inaudible 0:16:56.5]. There's a signed copy that's never [inaudible]

26 JACOBS: It is?

1 BARNARD: Yeah. Let me show you. This one is not signed ne?

2 JACOBS: Ja but let us for the sake of being safe let's just get the proper one.

3 BARNARD: [Inaudible 0:17:14.9] copy.

4 DLAMINI: Ok. This address is [inaudible 0:17:18.8 progresses]

5 JACOBS: Also page 50?

6 BARNARD: Ja there's two copies, one blank.

7 JACOBS: Two copies of the same page but I don't want to take the risk that we

8 BARNARD: It will be safer to make a copy.

9 JACOBS: Because there, you see there was submissions related to [Lima Letsema] that was  
10 rejected and then they were finalised.

11 DLAMINI: Madima Mobeni

12 JACOBS: [Inaudible 0:17:41.6] progress report. Is there only one progress report?

13 DLAMINI: No there are many there.

14 JACOBS: Oh are these all of them?

15 DLAMINI: Ja it's all of them.

16 JACOBS: Ok these are all of the progress reports to date?

17 DLAMINI: It is all the progress reports to date.

18 JACOBS: That's perfect.

19 DLAMINI: This address is [Inaudible 0:18:05.0] which point 14 are saying Identity and contact  
20 details of all the directors and shareholders or beneficiaries of the Agri BEE entity. What I'm  
21 giving you is only the list of the beneficiaries. I still to get other information in terms of

22 JACOBS: So that I do the list, ok its 80 people

23 DLAMINI: Yes and I also still to confirm with the last time I checked the Agri BEE entity was still  
24 work in progress but they're subsequently been informed that is the set up so I'll have just to get  
25 that confirmation and then before you leave I will tell you whether the documents are there or  
26 not and that would mean if the document is not there in terms of the Agri BEE entity, we give

1 you the beneficiary then we still to finalize the entity and the shareholders and all that but those  
2 beneficiaries are the ones that have been [perform] trust and all that and then they become  
3 the shareholder in the entity.

4 JACOBS: Ok.

5 DLAMINI: Yes.

6 JACOBS: All right.

7 DLAMINI: What I have not given you or the point that I have not addressed is the issue of the  
8 feasibility. We [delft] the feasibility and that's the only feasibilities party that we are having that  
9 we provided to National Treasury and I'm sure you are in the possession of that feasibility  
10 [inaudible 0:19:35.2]

11 JACOBS: [Ja we are]

12 DLAMINI: The trip relating to India, I'm still waiting for those documentation from the office of  
13 the HOD. Maybe by the time you see him he will be having those documents. The office can  
14 provide you with that. There was also payment information. The payment information in terms  
15 of [Nuvendo] I also I don't know what happened. That's why I'm saying some of our documents  
16 are still in the boxes that make the [having] a [inaudible 0:20:14.3] for this company that we are  
17 still busy looking for that [inaudible 0:20:20.6]

18 JACOBS: And then you still need to give us payment documents.

19 DLAMINI: No, payment documents I gave you I must give only the vendor information.

20 JACOBS: No no but it's only the two.

21 DLAMINI: That's why I'm saying the payments documents there's a reason I gave you that  
22 because that one has got the supporting documents but the supporting documents would  
23 understand even if I gave you one payment they will be the same throughout.

24 JACOBS: But surely there are different work being completed for different payments. It can't  
25 be the same work completed for different payments.

26 DLAMINI: It's because the payments were done as a transfer not as pay the invoice.

1 JACOBS: Ok we can chat about that you can

2 DLAMINI: We will talk about that

3 JACOBS: [Inaudible 0:21:01.7] you get there.

4 DLAMINI: Ok fine.

5 JACOBS: Ok payment documents. Then you mentioned, sorry, the CK documents for the legal  
6 entity. Do you have the name and the registration number of the legal entity because we can  
7 check up whether it's registered or [inaudible 0:21:21.9]

8 DLAMINI: The legal entity, that's why I want to understand. You mean Estina or you mean the  
9 Agri BEE entity.

10 JACOBS: No, the Agri BEE.

11 DLAMINI: No the Agri BEE entity that's why I'm saying I'm waiting for the documentation that's  
12 why I did not your point 13 also.

13 JACOBS: So there's no

14 DLAMINI: No currently the money is paid into Estina's account.

15 JACOBS: And the vendor information? The payment, the vendor payments, the bank account  
16 details and all of that where's that?

17 DLAMINI: I thought you wanted from the [inaudible 0:21:51.9] maybe that is another off search  
18 for myself. I will get you the banking details [inaudible 0:21:56.9].

19 JACOBS: We want all of the details that you have, the [statute].

20 DLAMINI: And the first [statute].

21 JACOBS: The first [statute] to get Estina ja.

22 DLAMINI: Ok no it's fine. I will get it for you.

23 JACOBS: So Estina financials ok.

24 DLAMINI: [Inaudible 0:22:32.6]

25 JACOBS: So all the internal documents relating to discussing or accepting the proposal, that's  
26 the first batch of documents you gave us corresponds between the Department and Estina.

1 The feasibility study that gave rise to the need for the project. All documentation related to the  
2 trip to India. All supply and chain management documents related to this project including the  
3 bid specification. So there are no supply chain management documents.

4 DLAMINI: No there are not because there was a deviation. I give you the deviation admission.

5 JACOBS: Ok. All documents relied on by Mr Masiteng Ms Dlamini and Mr Thabethe in proving  
6 that deviation, all documents relied on Mr Masiteng, Ms Dlamini approving and accepting the  
7 proposal. Where are those documents?

8 DLAMINI: I'd give you that's why I said some of the documents they go through [inaudible  
9 0:23:59.5]. If you look at the first one that's top of the deviation, it's two in one. It tops off  
10 accepting the proposal and it's also saying it's a request for deviation also.

11 JACOBS: Ok.

12 DLAMINI: So that submission is in [inaudible 0:24:14:.3]

13 JACOBS: All documents relating to budgeting for the project. All documents related to the  
14 payments effected on the project. All project progress [inaudible 0:24:24.2] performance  
15 report which you have given payment information for the legal entity. All documentation and  
16 details related to the Agri BEE entity that was established to being [hurled] from this project and  
17 the identity of the directors and shareholders. Ok so that's still outstanding. The feasibility study  
18 you say there is none.

19 DLAMINI: [Inaudible 0:24:44.9]

20 JACOBS: You're still waiting for the HOD's office so that we can still get today. Planning  
21 documentation we will discuss when we get to it. The CK for the legal entity for the Agri BEE  
22 entity, do you think you will be able to get us that today? We'll be back next week anyway so if  
23 you don't have it today then we can chat about it again next week.

24 DLAMINI: That's fine.

25 JACOBS: Estina financial documents for payments. All right we are gonna get that information  
26 as well. Thanks very much for preparing all of the documentation. I know that considering that

1 according to the HOD, our [directive] was only received yesterday. It must have been quite a  
2 mission to get all of the documentation as much as you did together.

3 DLAMINI: But [inaudible 0:25:43.3] do you remember the correct address because you still was  
4 looking from me the electronic copy of this.

5 JACOBS: [Inaudible 0:25:52.8] It's the same address that I [inaudible 0:25:53.3]

6 DLAMINI: It's the same address, I wondered why you [inaudible 0:25:56.1]

7 JACOBS: I [kept] it to the PA, we faxed it, we emailed it to what 3 different addresses but from  
8 now onwards I copy you on any [inaudible 0:26:04.7] this because. Did you receive my email  
9 yesterday?

10 DLAMINI: Yes I did receive it.

11 JACOBS: Ja then I copy you on this.

12 DLAMINI: Yes please.

13 JACOBS: But then what I'll do is if I send correspondence I'll just sms you to say did you get it  
14 then I know until I get a response from you you may not have received it.

15 DLAMINI: That will help. That will help [Inaudible 0:26:23.7]

16 JACOBS: I don't expect that there will be a huge amount of correspondence but should there  
17 be I'll send it directly to you as well. I'll copy the CFO; I'll send it to both you and the HOD and  
18 then send you both an SMS so you can just confirm that you received it. Sometimes I think your  
19 server there may be a little bit of traffic on your server.

20 DLAMINI: It's a big problem.

21 JACOBS: Sometimes I think with more than one department we've picked up that the server  
22 traffic can be.

23 DLAMINI: Don't talk to our IT [Inaudible 0:26:53.8] so our address is not the same as others so.

24 JACOBS: I went into your website as well and we struggled to get details for you guys off the  
25 website because the one website says it's no longer the active website, there's gonna be a  
26 new website and it says click the link and you click the link and you don't go anywhere and ja.

1 DLAMINI: The [Polesa] website?

2 JACOBS: No but even for the Departments, more for the Departments because [inaudible  
3 0:27:19.1]

4 DLAMINI: That's why I am saying you must first get into the Free State Provincial and then click  
5 Agriculture ja. No we are fine here, they will move to. You know what? Go and check with the  
6 office of the HOD. If the office of the HOD's boardroom is not busy so that if they see HOD they  
7 can see HOD in this boardroom and the rest of the people. I don't like this boardroom, it  
8 doesn't have privacy. Yes. [Inaudible 0:27:57.7] HOD I'm saying or you must request HOD that  
9 it's their turn to use this boardroom than to use this one because this one does not have  
10 privacy. That door does not even close in this one.

11 JACOBS: Oh really.

12 DLAMINI: You can only pull it; it doesn't close like this one is closed.

13 JACOBS: Ok. How long have you been with the Free State Department?

14 DLAMINI: First date? I have been first date since 2007 December.

15 JACOBS: As?

16 DLAMINI: Chief Financial Officer, Department of Housing and Local Government then.

17 JACOBS: When did you move to Agriculture?

18 DLAMINI: 2010 December.

19 JACOBS: So you've moved to a CFO position here at the Department.

20 DLAMINI: Yes.

21 JACOBS: What is your role as CFO?

22 DLAMINI: Financial Management in general. I'm responsible for the financial accounting which  
23 your [Inaudible 0:29:24.9] of creditors, your initial statements preparation, your revenue, your  
24 [Inaudible 0:29:32.3]. I'm responsible for management accounting which is budget and  
25 reporting on financials and also responsible for supply chain management and in supply chain  
26 management I'm also the chairperson of the [Bid and] registration committee. Risk

1 management is also part of my responsibility. You must not come again. In the meantime  
2 please ask Thato to get me the, find allocation letter for 2013/2014, current financial year find  
3 allocation letter [Inaudible 0:30:41.4]

4 JACOBS: What are your qualifications?

5 DLAMINI: I have a B.Com.

6 JACOBS: CA (SA)?

7 DLAMINI: No.

8 JACOBS: Previous to be in the Free State you were employed by National Treasury.

9 DLAMINI: Not National Treasury, Provincial Treasury.

10 JACOBS: In?

11 DLAMINI: I started my career in the Provincial Treasury here in Free State and then I moved to  
12 the Municipality for two years, then I moved to Provincial Treasury of Limpopo in 2001 up to 2007  
13 I have been in the Provincial Treasury.

14 JACOBS: In what capacity?

15 DLAMINI: In the Limpopo from 2001 and 2007 I went there as a Deputy Director: Budget  
16 Management and I then got promoted to [Inaudible 0:31:59.3] and I became the Director  
17 within the same department [Inaudible 0:32:04.3] management and then I moved in the same  
18 department Chief Director. I was general manager. They call it Project Director/General  
19 Manager its one thing. Cash management and assets. No in fact the title is Assets and Liability  
20 which is Asset Management, [Inaudible 0:32:41.3] and cash management together. From that  
21 Provincial Treasury I moved to 2007 April I moved to the Provincial Treasury of Northern Cape.

22 TREVOR BARNARD: Northern Cape?

23 DLAMINI: Yes. As the Chief Financial Officer but I did not stay long there because the same  
24 year I moved to Local Government and Housing as the Chief Financial [Inaudible 0:33:16.6]

25 JACOBS: What process was followed in authorizing this project? Talk to us about the earliest  
26 recollection of when this project started and how it had come to your attention and how the

1 department identified Estina.

2 DLAMINI: How the process came to my attention for the first time is when the office of the HOD  
3 made us aware that there will be a presentation that is coming from a company that is going  
4 to deal with, but we did not know this obviously, was to dealing with the company that was  
5 going to. That presentation is on the date [Inaudible 0:34:33.6]. So that process it's in the  
6 normal course of the running of the department. When there is somebody either, that person  
7 met with the MEC or the HOD or whoever one of us who's had – I have this idea or I have this  
8 proposal that I want to share we normally say come and present at the Executive  
9 Management meeting. If there is no Executive Management meeting [Inaudible 0:35:07.7] of  
10 the HOD will write a date for that particular company or any person to come and make a  
11 presentation on

12 JACOBS: Present to, sorry? The Executive Committee.

13 DLAMINI: Executive Management Committee yes.

14 JACOBS: Of the Department?

15 DLAMINI: Of the Department. So that is the process normally in the running so the same  
16 [audience] started that we were the company chain Estina to make a presentation but  
17 depending on the current of the presentation we then invite other people that we feel might  
18 be of help in the department. The technical people now because the Executive Management  
19 we may not necessarily [Inaudible 0:35:58.0] all the technical issues. So hence I mentioned to  
20 say one of the, some of the people who attended when this company chain was [Inaudible  
21 0:36:08.7] in the department and also ... people attended.

22 JACOBS: All right. So the HOD was the person who thanked you and said there is a  
23 presentation, there's a service provider who wants to make a presentation on this.

24 DLAMINI: Not necessarily the HOD. Normally it will be the invite from the office of the HOD to  
25 say

26 JACOBS: So was it an invitation or was it, what was it? Was it a email or was it the HOD that

1 came to say because you said the HOD said the company is coming to do a presentation.

2 DLAMINI: That I want to correct to say not necessarily because HOD can not talk to individuals.

3 Normally they will send an email to say on this particular date the presentation from a particular

4 company. You are requested to come and attend there.

5 JACOBS: So did the HOD send an email to that effect?

6 DLAMINI: It may have come to the office of the HOD. I may not say whether it was from his

7 email but normally the email will come from the desk of the office manager or the PA.

8 JACOBS: Ok. Do you have the email or did you receive the e-mail?

9 DLAMINI: Unfortunately my computer has since been stolen, I don't have. This one I'm using

10 [Inaudible 0:37:41.9] I had a housebreak during December so [Inaudible 0:37:44.7] documents

11 that were in the laptop is missing.

12 JACOBS: Are you clear that the HOD or the HOD office sent out an invitation or could it have

13 come from someone else?

14 DLAMINI: [Inaudible 0:38:37.3]

15 JACOBS: It would come from the HOD?

16 DLAMINI: Sorry?

17 JACOBS: It did come from the HOD's office?

18 DLAMINI: Yeah.

19 JACOBS: Ok. So the HOD invite you to this new thing, because of the nature of the meeting

20 you can remember that logistics was, sorry you said specialists, you invited specialists to attend

21 it, you invited the economist and the research division.

22 DLAMINI: The research division was [Inaudible 0:39:32.3]

23 JACOBS: And to listen to the presentation and this was the first that you heard of.

24 DLAMINI: That was the first.

25 JACOBS: Ok and what was so that was the first that you heard of the project and then you

26 were invited to the presentation and you attended the presentation?

1 DLAMINI: Yes.

2 JACOBS: At the presentation, what took place? Who came to present?

3 DLAMINI: I can't remember that guy's name that's why I was really looking for the attendance  
4 register. It was the guy from Estina.

5 JACOBS: If I mention his name to you would you recollect?

6 DLAMINI: I don't think so.

7 JACOBS: If I showed you a picture would you remember?

8 DLAMINI: Most probably.

9 JACOBS: Have you ever dealt with him again?

10 DLAMINI: [Inaudible 0:40:48.2]

11 JACOBS: [Inaudible 0:40:48.5] you came through the presentation have you ever seen him  
12 again? I mean this is the premier project for the Province?

13 DLAMINI: This guy I have dealt with but I can't remember whether, was he with two people or  
14 one person which had to do the presentation?

15 JACOBS: So you say you not [Inaudible 0:41:17.1].

16 DLAMINI: I would not want to give conflicting statements because I may not make a  
17 thoroughly now, that's why I'm saying if the attendance register was here I would generally  
18 collect and remember exactly how many people came from the Estina side and whether that's  
19 their side but it seems as if they [will] represented that day, Was [Inaudible 0:41:36.1] I don't  
20 remember.

21 BARNARD: Was the presentation here at this office?

22 DLAMINI: The presentation was in the board room down there but that board room was [things].

23 BARNARD: I mean this building?

24 DLAMINI: Oh yes it was in this building.

25 JACOBS: So we've shown the picture of Kamal Vasram who is the Director of Estina, you say it  
26 wasn't Kamal that presented. You seem someone that was taller.

1 DLAMINI: I remember someone who was a bit taller but I must say I stand to be corrected.

2 Maybe my, I'm not really recollecting properly.

3 JACOBS: Ok. So what happens at the presentation?

4 DLAMINI: Normally the person will come and present and that was.

5 JACOBS: Ms Dlamini, I'm not interested in what normally [Inaudible 0:42:29.8]

6 DLAMINI: Ok.

7 JACOBS: I'm interested in what would specifically happen, what specifically happened on this  
8 day so if you can't remember then you could just say because we need to be clear. I don't  
9 want to confuse and misquote you so please confine yourself to the facts of this particular  
10 matter.

11 DLAMINI: Ok.

12 JACOBS: In the presentation on that day you remember that they presented. What was the  
13 nature of the presentation? What did they come and say?

14 DLAMINI: The presentation was started with the contract of [Mohoma Mobung] right, which  
15 was the company, I can only explain to say they the partner to Paras [Inaudible 0:43:22.1]  
16 representing Paras and because of their [Mohoma Mobung] that was presented when the  
17 delegation went to India. This is a follow up on that one. It was they do now, the after the  
18 presentation of [Mohoma Mobung] the interests in partnering with us in doing some of the  
19 brochures in [Mohoma Mobung] of which one project was the Vrede Dairy.

20 JACOBS: So they said they are the partner of Paras?

21 DLAMINI: Yes.

22 JACOBS: The Indian dairy.

23 DLAMINI: Yes. Let me. Not specifically the partners, pardon my English, not really the partners  
24 but like presenting all the. They have a agreement while they put it in, they have agreement  
25 with Paras that Paras will support them in terms of technology and all that but we. I can't  
26 remember asking a lot of things in terms of really the relationship with Paras except that they

1 not in the relationship with Paras and they are here because of that collaboration between  
2 themselves and Paras.

3 JACOBS: So the mention they have collaboration with Paras, they partnered, they have an  
4 agreement with Paras that Paras will support them. You're not [Inaudible 0:45:20.7] by mention  
5 that they have a partnership with Paras.

6 DLAMINI: No I don't remember them saying they have a partnership. I can't remember.  
7 [Inaudible 0:45:32.2].

8 JACOBS: They mention they have a relationship with Paras and they have collaboration and  
9 that's why they are here because they are interested in pursuing. The presentation that was  
10 made on.

11 DLAMINI: Mobung.

12 JACOBS: Mobung to Paras in India?

13 DLAMINI: Yes.

14 JACOBS: Ok and what happened then?

15 DLAMINI: Then we took the [Inaudible: 0:46:11.0] to the presentation. After we have listened to  
16 the presentation [again] and then they left. We discussed, let me say that the presentation was  
17 in such a way that it's an interaction and we were asking different questions and all that  
18 [Inaudible 0:46:29.0] questions and comments and then after that the meeting adjourned. They  
19 left and then we left by [Inaudible 0:46:45.8] department now without Estina. Only the  
20 employees of the department and we discussed which I thought the discussion of which I will  
21 share with you through the minutes that unfortunately, like I said, I am unable to collect today.  
22 The documents from the [krat] for that particular day which were dictated which was a kind of  
23 the discussion.

24 JACOBS: Is this the employee that has resigned?

25 DLAMINI: Yes that employee has resigned.

26 JACOBS: Truly the minutes are kept in a central place and not with a specific person?

1 DLAMINI: You. That's right. Unfortunately I don't know what's happening in that unit that  
2 [Inaudible 0:47:31.9].

3 JACOBS: And which unit is that?

4 DLAMINI: Communication.

5 JACOBS: And the employee?

6 DLAMINI: The employee was Thlagane.

7 JACOBS: And her supervisor is?

8 DLAMINI: Modiehi Thlobelo.

9 JACOBS: All right. And you've asked her supervisor for these minutes that she can't find it?

10 DLAMINI: I asked her, could not find it [Inaudible 0:49:07.1] a pack of the attendance register  
11 and the minutes of this meeting. I checked, I did not find those.

12 JACOBS: Ok and the supervisor is Modiehi Thlobelo. All right. So you discussed the project and  
13 what happened then? Then after the discussion of the project so you start discussing the  
14 project and what happened thereafter?

15 DLAMINI: What happened thereafter was we tentively agreed one to say there should be a  
16 task team and you'll see the letter that talks to that amongst the pack that I give to you on the  
17 communications. There should be a task team constituted of the technical people and the  
18 director also. The director Thabo Mofutsanyane should also be part of that task team and we.

19 JACOBS: The task team should constitute of a technical team.

20 DLAMINI: Yeah.

21 JACOBS: And the?

22 DLAMINI: The director Thabo Mofutsanyane [Inaudible 0:51:00.7]. I'm sure it's the acting  
23 director.

24 JACOBS: And who's that?

25 DLAMINI: The acting director.

26 JACOBS: And who's that?

1 DLAMINI: Alta Meyer.

2 JACOBS: Ok.

3 DLAMINI: And further tentively we said yes we can accept the proposal but it must then go to  
4 Exco because the projects must all go via Exco. We then make a memorandum to the  
5 Executive Council.

6 JACOBS: When you mean the Exco you mean the Provincial Exco?

7 DLAMINI: Provincial Exco yes. Then we make a memorandum to the Provincial Exco to explain  
8 received today a presentation on a company so and so Estina which wants to do a project  
9 with us in terms of the dairy and then.

10 JACOBS: Where is that memo?

11 DLAMINI: I will request it [Inaudible 0:51:16.3] what I did then the decision of this [Inaudible  
12 0:52:20.6] of that memo.

13 JACOBS: No I've seen that but that is not very helpful. I mean that basically says that Exco is.

14 DLAMINI: You wanted [Inaudible 0:52:27.7].

15 JACOBS: Ja because we'd like to see on what basis you approached the Provincial Exco.

16 DLAMINI: All right.

17 JACOBS: Because I mean the Provincial Exco doesn't [cramp] the PMFA. You know what I  
18 mean?

19 DLAMINI: I'll give you that memo before you leave.

20 JACOBS: Ok. So this presentation takes place on 24 May here at the offices. You say there  
21 needs to be a task team. What was the task team going to do?

22 DLAMINI: Basically the task team was suppose to represent us in terms of a meeting with this  
23 people when they come, when the company comes and.

24 JACOBS: When Estina comes.

25 DLAMINI: When Estina comes and they go on site. There's task issues of land issues of [Inaudible  
26 0:53:36.8] discuss issues of land but advising one another. Assisting with in terms of advising

1 because they are the technical people and also advising us as a department.

2 JACOBS: All right so the task team was suppose to represent the department when Estina  
3 comes and they were gonna go to site. Was there a decision to proceed with this at this point  
4 already? Because that's what it sounds like. Were you going to be engaging with Estina or.

5 DLAMINI: I felt there wasn't really a decision because the decision was only a final decision, let  
6 me say there was tentively a decision to say we are buying in. Into the project.

7 JACOBS: Ok.

8 DLAMINI: There was. Let me say there was a buy in. Is that the correct English? There was a buy  
9 in into the project.

10 JACOBS: It was conceptual. You liked the concept of the project.

11 DLAMINI: We liked the concept of the project. We want to pursue this project.

12 JACOBS: Ok and then?

13 DLAMINI: Then there was a follow up in terms of the memo that went to Exco and then after  
14 the memo that went to.

15 JACOBS: When did the memo go to Exco?

16 DLAMINI: Can I have that document then I'll tell you exactly when it might have gone there.

17 JACOBS: Is it that pack? Because Exco signs off on the [Inaudible 0:55:49.9] on 13 June but  
18 there's no indication of when the memo.

19 DLAMINI: The memo might have gone then in June, during that particular. Is it not underneath  
20 there? I hope I attached it here. Isn't it [Inaudible 0:56:30.3].

21 JACOBS: Here, that's the Exco memo. Or that's the Exco approval but that's not the memo.

22 DLAMINI: The memo was sent probably the same date because you see its cabinet meeting  
23 13/06/12 so it was sent on 13 June 2012.

24 JACOBS: Did you ask the HOD for that memo? What was the task team suppose to do  
25 because basically you see them on 24 July. You say there wasn't a decision at that stage to  
26 approve the project but there is a, can you pass me that file please? There is a document from

1 the HOD that directly contradicts what you say and effectively the HOD sent a letter to Estina  
2 dated the 27<sup>th</sup> May, 4 days after the presentation, 3 days after the presentation stating that the  
3 department accepted the proposal.

4 DLAMINI: That is why I was saying their acceptance was not necessarily a binding. I know what  
5 you are talking about, it's fine. I gave you also in the pack. My understanding is the  
6 acceptance was just to say that we have accepted the proposal but we were still to further it  
7 and appoint the decision of Exco because most of the project needs to be approved by Exco.  
8 We don't approve projects.

9 JACOBS: But that's not the indication that you've given the service provider in writing. I mean  
10 effectively what it says is your project proposal for the Vrede Integrated Dairy [Inaudible  
11 0:58:58.5] Business and related presentation to the department refers and the assistant is [Sanjay  
12 Garkam]. The department hereby informs you that the proposal has been accepted subject to  
13 the signing of a partnership with you which will clearly indicate the terms and conditions of the  
14 relationship. The implementation date will be the date of our signature on the [Inaudible  
15 0:59:18.1] says this is subject to anything. This is an undertaking that we've accepted your  
16 proposal and that we are going to sign a partnership agreement and we'll [indicate] the terms  
17 and conditions in the contract that we're going to sign.

18 DLAMINI: But the partnership was not going to or the contract was not going to be signed until  
19 we received the Exco resolution.

20 JACOBS: Whether or not it was going to be received, that's an undertaking by the Head of  
21 Department who's the accounting officer, not so?

22 DLAMINI: Now I see what you are talking about. Maybe it's one of those things that we [abide]  
23 and.

24 JACOBS: That's binding because that's an undertaking by the [AUG] that we're gonna  
25 contract. [Inaudible 1:00:11.4]

26 DLAMINI: I hear what you are saying. I hear what you are saying; I can't [dispute] that.

1 JACOBS: What procurement process was followed? Before Exco had been approached,  
2 there's an undertaking that you're going to accept and on what basis is that undertaken? I  
3 mean the [PFMA] applies.

4 DLAMINI: Ja the PMFA applies. I think the procurement was was going to be obviously it's only  
5 one company which [chain] was their interest in what we're saying we want people to come  
6 and help and it's in line also with some of our projects which we've been doing in the Province  
7 where companies come. Especially [Inaudible1:00:56.4] where companies come and say we  
8 want to assist the Department in implementing a particular project and this is what we're going  
9 to offer. Mainly they come in terms of offering their skills more than any other thing and from our  
10 side we support the farmers. Such projects like if you go to where the project, we have a  
11 project of the chickens. The company which is [VTHB], I'm sure you know VAB has put up in  
12 [Abato] and we have partnered with them to say we're going to support the farmers. That  
13 we'll supply the chickens to your farm, to the other [tow] so what the agreement is in such a  
14 way that [VTHB], we're going to cast our money into [VTHB]. VTHB will assist in terms of putting  
15 up the structure in terms of ensuring that there's chickens for those farmers and all that. The  
16 main reason why we are doing that, especially with people who are saying, who are having  
17 processing plants. The main reason is we are sure of the [hatchet] for that particular farmer.  
18 Which is the biggest problem that we are facing with our farmers. To say that we have a lot of  
19 farmers but their produce are not taking anywhere, but anybody who comes and say: I'm  
20 putting a processing plant. I want someone who can supply me but these are the conditions for  
21 that farmers to supply me. I need to be involved in terms of putting up the structures or in terms  
22 of even getting animals that will supply. Or whatever produce we normally accept, we  
23 normally accept such thing and I think it was in line with that [procedure]. [Inaudible 1:03:00.1]

24 JACOBS: Coming back to Estina.

25 DLAMINI: Ja.

26 JACOBS: Your explanation for why there was no procurement process is that Estina was the

1 only service provider who showed interest.

2 DLAMINI: They are the only ones who shown interest in the whole thing.

3 JACOBS: In providing?

4 DLAMINI: In providing the processing plant. To say they're gonna put up a processing plant.  
5 That's the main thing. Otherwise if it wasn't of the fact that they want to put up the processing  
6 plant, we would not have partnered with them. They say: we're going to invest and put up a  
7 processing plant to put the milk, the cheese and all those dairy products. Then we say: Ok fine  
8 if you coming up with your processing plant we will support farmers in terms of coming up with  
9 the dairy that will supply the processing plant. Because the plant will not move without the  
10 input which is the milk. Mainly that is where we are coming from.

11 JACOBS: So they say they will put up a plant to process the milk, cheese and?

12 DLAMINI: Cheese, yogurt, a number of products. Yogurt, cheese, that's an example but all  
13 those.

14 JACOBS: How did you ascertain that there was no other service provider who was interested in  
15 providing the service?

16 DLAMINI: It's because when we started the whole thing of, when we started the whole thing of  
17 Mohoma Mobung we invited. Sorry?

18 JACOBS: When was Mohoma Mobung started?

19 DLAMINI: Mohoma Mobung was started around I think September/October 2011 but I stand to  
20 be corrected. What then we did, after we have [carted] the documents and agreed to say  
21 this was how we want to change. This is the strategy that we're going to use to try to [be  
22 support] and yes the agricultural development the Free State. We called a lot of stakeholders;  
23 we invited the Legislature to make a presentation to say: This is the Mohoma Mobung, this is the  
24 concept, this is what the concept is trying to do. In the main the concept is trying or the  
25 strategy is to complete the [dairy] chain in terms of our product and we invited all the. The  
26 Legislature we invited, the universities we invited, the farmers we invited, the agricultural

1 organisations which are your milking producers, your, what are they called the milking  
2 producers – I stand to be corrected – your BKB's, your [grainless inaudible 1:05:43.1]. We invited  
3 all those stakeholders that are in agriculture. So and in the main normally what we do, we invite  
4 the when we invite the stakeholders, the milk producers will come with all the companies. Or  
5 the CEO of the companies that represent particular companies in that industry right. So we  
6 took it that we did a thorough consultation in terms of that but nobody [loaned] an interest.

7 JACOBS: In September/October 2011.

8 DLAMINI: I think so, September/October 2011. That's why I'm saying I stand to be corrected in  
9 terms of the date right but that process was done and that is where [Dichaby] also showed an  
10 interest and say: Because we are bringing in the [Avato] bring in, you must bring in the farmers  
11 that are going to supply. So that was the process and after that then I know there is a number  
12 of times where HOD was also going to. We even went to the National Department of  
13 Agriculture and presented the same concept because it would need a lot of money to do.  
14 That it would need a lot of partners to.

15 JACOBS: To do what?

16 DLAMINI: To implement it, to implement the strategy. Mohoma Mobung right? So further then  
17 the International [Treat] that there be taken its one of the things that. Because normally when  
18 they go internationally they need to [see] the stuff. That's one of the strategy that has to be  
19 presented so to say in Agriculture in the Free State, this is what we do and this is where the  
20 whole thing comes from. And maybe I will also mention to say, as we get into these partners,  
21 the reason why we are not all of them, not signing a [TripleP] partnership also is because we are  
22 supporting farmers. We do not own those assets or we are not deriving any revenue from that.  
23 It's only us saying: here's our farmers, work with them, they produce this, we support the  
24 production and you take the produce. So basically what we do is we facilitate so that the  
25 value chain is completed in the factor.

26 JACOBS: So basically Government invests in this project R324m and gets nothing out of it.

1 DLAMINI: Yes, the farmers are the ones that are going to benefit. [Inaudible 1:08:42.8] because  
2 some beneficiaries that you put together and you form your co-op.

3 JACOBS: Ok.

4 DLAMINI: Yes.

5 JACOBS: So you don't sign a Triple P because Government is not going to benefit.

6 DLAMINI: Yes.

7 JACOBS: Out of this process. How does this make sense to the Department? I mean you  
8 spend R324m of taxpayer's money to invest in a project with a foreign company who gets 49%  
9 of the company. The Department gets nothing, making the bulk of the contribution. How does  
10 this process makes sense?

11 DLAMINI: It was suppose to be the Government goes to the beneficiary. Our interest is the  
12 beneficiary.

13 JACOBS: The beneficiaries were identified when?

14 DLAMINI: I think Dr Masiteng will be able to assist you in that.

15 JACOBS: My understanding is the beneficiaries were identified recently. Right after the  
16 National Agriculture asked about the beneficiaries and it is then found that there are no  
17 beneficiaries.

18 DLAMINI: If you read.

19 JACOBS: This is not signed and it's not, this document is not dated. It's signed but not dated.

20 DLAMINI: You will be able to verify that issue with.

21 JACOBS: Dr Masiteng.

22 DLAMINI: With Dr Masiteng but if you read, there's another letter that I give that I marked,  
23 number, this that yellow sticker that I marked part of number 3.

24 JACOBS: So say.

25 DLAMINI: [Inaudible 1:10:33.9] number 3. See that something the Minister where we are saying,  
26 did you look in that one? But there's somebody that looking at that I gave to you, where we

1 are preparing to say the Municipality where we are going to do this project were to assist in  
2 terms of identification of the beneficiaries.

3 JACOBS: So this, am I to understand if I understand correctly are you saying that Estina was  
4 appointed on the basis of being a sole provider?

5 DLAMINI: Yeah. No, not necessarily a sole provider because they are not the only one in the  
6 country. That's only because they came and say: We want to invest. On the basis that they  
7 are investing. Either they're investing R228m to put up a processing plant.

8 JACOBS: But if they're not the sole provider of the service and how do the Department know  
9 that there wouldn't be other people who would be prepared to invest if they knew that the  
10 Department wanted to engage.

11 DLAMINI: No that is why I explained to you to say we invited a lot of people to say: Here are the  
12 commodities.

13 JACOBS: No, that was in 2010. That's part of your commodity program. We raising a, you  
14 know "Saving the province from hunger project"

15 DLAMINI: No, that was 2011, when we come with Mohoma Mobung.

16 JACOBS: Ok. So what project are you talking about, when you went into the public and said  
17 to service providers: We're interested in getting someone who's prepared to partner with us on  
18 this process. Because on what basis do you identify Estina as the company that is only  
19 interested. Because that's what I'm hearing. Unless I'm not hearing you correctly. Because I  
20 agree with you. Estina is not the only service provider who's capable of delivering this. This is a  
21 very generic type of project because in South Africa alone, never mind internationally. I mean I  
22 could think of Clover who would be interested in South Africa. Dairy Belle another one. The IS  
23 Dairy Board, another huge milk and butter producer internationally. Nieu Zeeland also very big  
24 in the international butter and milk environment. On what basis did the Department decide  
25 that Estina was the only company that was interested in partnering with the Department?

26 DLAMINI: On the basis that, like I've explained that. When we started to implement Mohoma

1 Mobung [org], say the concept or the strategy of Mohoma Mobung right? We invited  
2 stakeholders in the agricultural field.

3 JACOBS: Was this in, this is according to you in September/October 2011.

4 DLAMINI: Yes but I don't want to dwell more on the September/October because I say it was in  
5 2011. I may not necessarily be 100% sure.

6 JACOBS: Ok.

7 DLAMINI: In terms of the month exactly but Mohoma Mobung started, the startage was  
8 finalised in 2011 let me put it that way.

9 JACOBS: Ok.

10 DLAMINI: Right, so we invited the stakeholders in the country right? Including the Milk Producer  
11 Association to say we would want, we want to complete a value chain in everything that we  
12 do. In the dairy, in the red meat, in the chicken industry. We want to complete the value  
13 chain, where we are looking for investors to come and invest in terms of processing plant in the  
14 main. Because from our side, we can only provide the produce. Our farmers we can only  
15 support our farmers to provide the produce but the problem in the market where we are taking  
16 the produce right? So as I'm saying is normally when we invite the stakeholders right? They will  
17 then go back and inform their members, right? So that process was done and nobody showed  
18 interest.

19 JACOBS: But how does Government normally procure? How does Government normally get  
20 involved in Tripple P's and big projects? You advertise don't you?

21 DLAMINI: Yes we do advertise.

22 JACOBS: In the form of tenders,

23 DLAMINI: In the form of tenders but at the same time and again Government receive proposals  
24 from.

25 JACOBS: Unsolicited goods that's what it's called yeah?

26 DLAMINI: We normally receive that.

1 JACOBS: Ok.

2 DLAMINI: Right.

3 JACOBS: And what's the process in dealing with unsolicited goods?

4 DLAMINI: That is what I'm saying in this case Ma'am. That's why we open to say whether we're  
5 right or wrong its fine but all what we are saying is in this case we are having already a model  
6 that has been run by this department for a long time in terms of assisting. You see if it was like if  
7 an unsolicited [bid] was saying: Come and build this building for Government, it's something  
8 but we are saying: Come and assist farmers. There was that what we could have done. We  
9 could have transferred, do a cooperative right? Transfer the money into the cooperatives  
10 which are the farmers and the farmer's then deal directly with the company that say: We want  
11 to provide this skill. Like in the case in Bethlehem. The Bethlehem [Pass] we are doing with Agri.

12 JACOBS: No. Ms Dlamini I don't think it's going to be helpful if you mention all the other  
13 projects. Let's confine ourselves to this project. Right, so there's this presentation where you  
14 engage stakeholders. Everybody understands it, then Government procures. I mean that's well  
15 legislated since the PMFA was you know promulgated in 1999. It's now a piece of legislation  
16 that's been around for 13 years. We all understand that Government, Provincial and National  
17 Government engages on it's strategies, it follows a procurement process. Now I mean, you  
18 agree with me?

19 DLAMINI: Yes I do.

20 JACOBS: Because that's the legislated way of dealing with public funds not so? The PMFA,  
21 being quite a significant piece of legislation also deals with unsolicited bids. You agree with  
22 me? As the CFO you would know this.

23 DLAMINI: Yeah

24 JACOBS: So it deals with unsolicited bids. It deals with Tripple P's.

25 DLAMINI: Yes.

26 JACOBS: It deals with single source service providers. Right? We've agreed that Estina is not

1 a sole provider because the service is not a soul provider type of service. You agree?

2 DLAMINI: Ja.

3 JACOBS: You say you didn't want to go the route of a Tripple P because Government would  
4 be investing money and getting nothing out of it. So it wasn't a ready revenue generating  
5 project. Right? And then the only other thing I can think of that this is potentially, it's not a  
6 single source; it's not a Tripple P. It's then a single, it's an unsolicited bid.

7 DLAMINI: That's why I'm saying for me it's neither all of the three because we are talking of  
8 support of the farmer.

9 JACOBS: Ok.

10 DLAMINI: We are talking of the support of the farmer here. We are not talking of acquiring a  
11 service for Government or acquiring goods for Government.

12 JACOBS: But when you spend Government money and you are procuring services on behalf  
13 of the people then there's a process prescribed to spend that money, not so? Or are you  
14 saying: Because we weren't as a department going to benefit from this project, we are not  
15 required to behave in terms of the rules set out in the PMFA dealing with supply chain  
16 management?

17 DLAMINI: Not necessarily not necessarily that. That is why I am saying we applied the model  
18 that we've been applying in the Department.

19 JACOBS: Ok, which is what?

20 DLAMINI: Which is the same that I've explained to say when we have this. We have different  
21 kinds of farmers. We have farmers who has the capacity to do themselves. We have  
22 beneficiaries that we organise. For those beneficiaries that we organise, if we have a company  
23 or an organisation which says: I can help this group or: I can help in this area, we transfer money  
24 into that particular group like I have made an example of VKB which time and again we  
25 transfer money into VKB to assist the farmers right? There's a list of farmers that they assist that  
26 they that we agree. These are the farmers that they assist. The other [Inaudible 1:19:37.4]

1 we've, for instance the chicken abattoir, they assist them with the chicken houses and  
2 everything that deals with that business of the chickens. They also assist in terms of the fertilizer  
3 so those that in grain. So that's all that I'm saying is maybe the model is right, maybe the model  
4 is not right but in.

5 JACOBS: But as the CFO I mean you're responsible for financial management. How do you  
6 justify this expenditure in terms of the legislation? What in the PMFA and in the MFMA or what in  
7 the PMFA in its regulations and in your internal policies authorizes you to behave in this manner?

8 DLAMINI: I think we describe it in terms of transfers.

9 JACOBS: Which is dealt with in which section of the PMFA?

10 DLAMINI: Transfers is part of, let me see [Inaudible 1:20:41.5] I'll be with you now now.

11 JACOBS: No, just take your time.

12 DLAMINI: I'm almost finished.

13 JACOBS: Sure.

14 DLAMINI: In Section 38.1 (j)

15 JACOBS: All right and what does that Section say?

16 DLAMINI: In terms of the you remember the Section would be broad but in terms of the Treasury  
17 Regulations which is Regulation 6.4 it talks to transfers and subsidies. [Inaudible 1:28:47.6]  
18 division of revenue grant and other allocation transfers. It says an accounting officer must  
19 maintain appropriate measure to ensure that transfers and subsidies to entities are applied to  
20 the intended purposes. Such measures may include regular reporting internal and external  
21 project requirements and [more] appropriate submission of audited statements. Regular  
22 monitoring procedure, scheduled or unscheduled inspection [usage] or reviews of [definite] or  
23 any other control measures [Inaudible 1:29:20.3].

24 JACOBS: And in your opinion this covers payments to private organisations?

25 DLAMINI: Yes it does because it talks of other entity.

26 JACOBS: All right, so according to you Government can give away any amount of money it

1 feels like without any process being followed as long as it pulls in under Section 38.1 (j).

2 DLAMINI: No not necessarily as it wishes that's why I'm saying we applied what we know has  
3 worked for us. Yes. Which we applied, which is the process that deal with with other  
4 organisatiorganisations [Inaudible 1:30:09.2].

5 JACOBS: So your payments to cooperatives. What is the legal relationship between the  
6 Department and the cooperatives that it makes payments to?

7 DLAMINI: Which cooperatives?

8 JACOBS: Well you've mentioned that your cooperatives that you.

9 DLAMINI: [Inaudible 1:30:24.7] that's only grants, there's no legal relationship. It's an  
10 organisation that is in agricultural sector.

11 JACOBS: Ok.

12 DLAMINI: It's a stakeholder.

13 JACOBS: It's a stakeholder.

14 DLAMINI: Ja.

15 JACOBS: And the Department just his private companies funds.

16 DLAMINI: We don't use private companies; we send a memorandum of agreement for them to  
17 assist farmers.

18 JACOBS: All right.

19 DLAMINI: Or beneficiaries.

20 JACOBS: Yes.

21 DLAMINI: Yes.

22 JACOBS: So there's a program?

23 DLAMINI: There's a program.

24 JACOBS: And they are the organisation in control of that sector for example VKB is what?  
25 What does it stand for?

26 DLAMINI: [Inaudible 1:31:07.7] something, I forgot. I don't know what it means.

1 JACOBS: And what do they do?

2 DLAMINI: They do a lot of things. It's a cooperative in agriculture right. They provide like, let me  
3 start to say 1) They have a skill in terms in dealing with a whole range of agricultural activities.  
4 Your grain, your planting, they are now in chickens. They have a know how in terms of the  
5 agricultural activities. They are able to advise for us when to plant, when not to plant. If you  
6 want to for instance you want a explain of the chickens. How to maintain your chickens and all  
7 that, all those things. But in the [name].

8 JACOBS: That's a cooperative right? So it's established I assume in terms of the Cooperatives  
9 Act, the Agricultural Cooperatives Act.

10 DLAMINI: VKB is now a company.

11 JACOBS: Is it a private company?

12 DLAMINI: Yes.

13 JACOBS: With private shareholders?

14 DLAMINI: It's a company owned by all the members but it's a company now. I don't know  
15 what is shareholding structure but it is a company now.

16 JACOBS: And you say it's a private company?

17 DLAMINI: I'm not sure if it's a private company but I know it's a company.

18 JACOBS: Or is it a state owned company?

19 DLAMINI: No it's not state owned.

20 JACOBS: Ok it's a private company; it's not established in terms of the PMFA or the MFMA?

21 DLAMINI: Yes it's not.

22 JACOBS: And this is a company, this is an organisation that is effectively to manage, well it  
23 effectively represents all of the farmers, what in the Free State? Relate that to what?

24 DLAMINI: Not necessarily. I may not say it represents the farmers in the Free State. All that I was  
25 saying is it's a company that is there, It's a stakeholder in the agriculture, they have the know  
26 how in terms of the agriculture. So many a times, they have a range of services that they

1 provide. Let me put this example: one of the things that they provide, they provide fertilizer  
2 right and how we [chain] to maybe the relationship that I found when I ran this department is  
3 because they give fertilizer our farmers – the farmers that we support – they will then take  
4 fertilizers on credit from them right and they must, they take the fertilizer on credit whatever  
5 green or whatever, what do you call this? Any other thing that relates to planting.

6 JACOBS: Ok.

7 DLAMINI: They take it on credit. They go and plant right? They are expected to pay back. So  
8 the problem arised, they could not, they were not able to pay back right because the produce  
9 are not good and all that. There's losses and all that. So we then say: let's have agreement  
10 with VKB. All this farmers that we support, instead of giving them money directly, or instead of us  
11 buying this fertilizers for them right because we are also limited. We don't have a number of  
12 officials that can assist [Inaudible 1:34:45.9] in terms of capacity. Let's have an agreement and  
13 we give money to VKB. VKB ensures that they plant their harvest right? That's where the  
14 relationship came from. So they provide in the main, the skills that they are having.

15 JACOBS: Ok so they support the farmers because they are I suppose recognised experts in this  
16 area.

17 DLAMINI: Yes.

18 JACOBS: In the Free State.

19 DLAMINI: Yes. Not in the Free State. VKB is everywhere.

20 JACOBS: Ok so it's actually a what? A national organisation that has agricultural expertise.

21 DLAMINI: I don't know that's national or what but it's everywhere.

22 JACOBS: Everywhere. Where everywhere?

23 DLAMINI: In Gauteng there's a VKB, in Western Cape there's a VKB.

24 JACOBS: Ok so it appears to be almost a national or [entitled] organisation.

25 DLAMINI: Yes.

26 JACOBS: And it's a cooperative that consists of farmers?

1 DLAMINI: Yes.

2 JACOBS: Ok so it's an Association in the farming industry?

3 DLAMINI: Yes.

4 JACOBS: And it's owned by its members?

5 DLAMINI: Yes.

6 JACOBS: Now you say that is regulated by a memorandum of understanding?

7 DLAMINI: I don't know what regulates them.

8 JACOBS: So what regulates the legal relationship between the Department and VKB?

9 DLAMINI: Oh yes between the Department and VK, we sent a memorandum of understanding.

10 JACOBS: Ok. Do you have a copy of that memorandum of understanding?

11 DLAMINI: I can make it available.

12 JACOBS: Please, I'd like to understand the basis on which you engage with VKB. Now VKB is  
13 fundamentally very different from Estina.

14 DLAMINI: But maybe let's take Estina coming from the background of, because I think our main  
15 issue is not necessarily Estina here.

16 JACOBS: No our main issue is Estina because Estina is a [wholly] private owned company.

17 DLAMINI: No. Let me correct myself. I'm saying between the discussion yes Estina is a big  
18 company but what we are saying is what made us – from our side – what made us to say; let's  
19 get into this agreement with Estina. It's because of the Paras which are experts in the milk  
20 industry.

21 JACOBS: Ok. So Paras indicated that they were interested in gaining or in becoming involved in  
22 the project?

23 DLAMINI: Not becoming involved but becoming an invest a processing plant.

24 JACOBS: Ok. So what is the legal relationship between Paras and Estina?

25 DLAMINI: They have an agreement that Paras will support.

26 JACOBS: Where is that agreement?

1 DLAMINI: I can get it I don't have it here.

2 JACOBS: Have you seen the agreement?

3 DLAMINI: No, I would be lying. I have not seen it but they told us that they have the agreement  
4 with Paras.

5 JACOBS: Who is they?

6 DLAMINI: Estina.

7 JACOBS: What did the Department do to verify that there was a relationship between Estina  
8 and Paras?

9 DLAMINI: Sure. I think we maybe it's all I say that we took for granted because there was, you  
10 can see they have been using the logo of Paras in their.

11 JACOBS: I can take the logo of Paras off their website and put it on a document.

12 DLAMINI: Ok.

13 JACOBS: As clearly you have done too.

14 DLAMINI: No we have not. I'm not sure maybe HOD can verify if or Dr Masiteng because  
15 they're technical people. Maybe they have verified that. I have not verified all myself.

16 JACOBS: Ok. So the HOD and yourself discussed this and have decided that no procurement  
17 process were necessary.

18 DLAMINI: Not necessarily that procurement processes were not necessarily but like I'm saying is  
19 how best can we deal with this issue and then we said because we [are] supporting from us  
20 let's deal with it with the model that we are using of transferring monies and have this people  
21 providing the skill in terms of setting up the dairy and all that. Let me put a worst case scenario  
22 ne? If these people tomorrow they say, they say we are moving out ne or we are no longer  
23 investing right? The dairy is the farmer's dairy. It's not their property. The dairy does not belong  
24 to that man it belongs to those beneficiaries that I gave you there.

25 JACOBS: There's no legal entity.

26 DLAMINI: [Inaudible 1:39:25.1] it may not be here now but that [Inaudible 1:39:27.1] is going to

1 be there.

2 JACOBS: Ms Dlamini you're a CFO, now with all due respect, there's no legal entity that exists  
3 currently that owns the 51%. Am I correct?

4 DLAMINI: I have not seen it.

5 JACOBS: Ok. At the time that you signed the agreement with Estina there were no  
6 beneficiaries that had been identified is that correct?

7 DLAMINI: Yes.

8 JACOBS: You pay these monies into Estina's bank account. Is that correct?

9 DLAMINI: [Inaudible 1:40:04.0]

10 JACOBS: Do you have access to that bank account?

11 DLAMINI: No.

12 JACOBS: Do you know how they're spending the Government's money?

13 DLAMINI: That's up to [that] to be report.

14 JACOBS: They can put anything on a piece of paper. What kind of oversight do you have  
15 over the way that Estina spends Government's money?

16 DLAMINI: Apparently [Inaudible 1:40:21.7]

17 JACOBS: Nothing. Not so?

18 DLAMINI: That's something I accepted they'd report.

19 JACOBS: But you agree with me that Estina could put anything on paper and you wouldn't be  
20 any the wiser. Correct?

21 DLAMINI: I think so.

22 JACOBS: What process did the Department follow in ensuring that Government receive value  
23 for money? I can understand that Government is not going to receive any benefit of the  
24 project but how did you as a department go about ensuring that this was the best possible deal  
25 that the farmers could get? Because you can't say to me that you spent the money because  
26 someone's prepared to invest in the farmers. What did you do to make sure? I can come here

1 and invest. I could charge you as these people have, R550m to provide a cooperative for milk  
2 producers and a processing plant. What did the Department do to make sure that that was  
3 value for money? What feasibility did you do locally, internationally? What public process did  
4 you engage in or departmental process did you engage in to make sure that this was a  
5 worthwhile project to undertake?

6 DLAMINI: What happened, we departmentally have explained to that their proposal and the  
7 discussion was received via majority. Not majority because they're partner distribute by  
8 management inclusive of the technical people which is your research you know, economics  
9 and all that and in terms of the consultation; the consultation was also [bid] with the farmers in  
10 Vrede right and the municipality in Vrede. Which the farmers, some of the things that they were  
11 saying, they were saying they are the [biggest] problem. I'm not talking about commercial  
12 farmers now which we met in Vrede, which were saying their biggest problem is the slowly  
13 closing down because of in Free State we don't have the processing plant. We don't have  
14 where our farmers actually.

15 JACOBS: Ms Dlamini that doesn't answer the question. How did you determine that this was  
16 value for money? It's not a concept that you're not familiar with. Now how did you determine  
17 that this was value for money?

18 DLAMINI: I was answering. You said what consultation? I was answering on the part of the  
19 consultation.

20 JACOBS: I'm not interested in the consultation, my question to you was: How did you go about  
21 ascertaining what public or private inquiries, feasibility studies did you engage in that said that  
22 this deal from Estina is a good deal?

23 DLAMINI: Remember we gave you the feasibility study. One of the things when we agreed  
24 with them was to say you will do the feasibility study because of the limitation in terms of the  
25 capacity that we need and the feasibility.

26 JACOBS: The feasibility study was finished in October 2012. You signed the agreement in July.

1 The feasibility study came afterwards. My question to you was: before you agreed with Estina  
2 on this project what process did you undertake to make sure that there was value for money to  
3 the state?

4 DLAMINI: Maybe the, remember when we agreed it was still estimates to say we estimate that  
5 this is going to cost this much. Ok go and do the feasibility study that will show this and I still  
6 believe that this is still estimating costs. As they implement they must still give us invoice and we  
7 have, we can request it anytime the original documents in terms of their suppliers and all that.

8 JACOBS: Tell me when VKB invests in farmers and they give farmers grain and they give them  
9 expertise do they take a stake in the farmer's farm? No?

10 DLAMINI: They don't.

11 JACOBS: No. So why does Estina get 49% of this Agri BEE entity?

12 DLAMINI: Maybe let's understand it this way. To say actually the farmers are the ones – that's  
13 my understanding, that is my personal understanding of this one.

14 JACOBS: The farmers are?

15 DLAMINI: That their stake is basically on the business of processing which is the business of Estina  
16 but the dairy like I said, the dairy belongs to the farmer.

17 JACOBS: Now what part of the dairy belongs to the farmers?

18 DLAMINI: The dairy self, the [cows] itself and the [cattles]. That's my understanding to say the  
19 animals and the [Inaudible 1:45:37.7] itself. The structure where you milking and all that will  
20 belong to the beneficiaries. That's why I'm saying even if tomorrow this stakeholder they move  
21 out right they say we are no longer coming and invest right? The cattles remain then the  
22 farmers, the structure that is there on site, remains with the farmer; but as they run the business  
23 of processing they make money in that business that's why we are saying our farmers because  
24 they are providing, they must also [Inaudible 1:46:12.9].

25 JACOBS: So this is a very different situation from VKB because VKB comes and upskills people,  
26 enables them to become competitive right? This is not what Estina's doing. Estina is using

1 government's money to establish a plant, putting cows on land that is given by government  
2 rent free. Now they get to make a fortune off the infrastructure.

3 DLAMINI: Let me make it this way; they are going to put up a plant with their R228m.

4 JACOBS: Which they own.

5 DLAMINI: Which they own.

6 JACOBS: On state land.

7 DLAMINI: On the state land.

8 JACOBS: Which they don't pay for.

9 DLAMINI: That is another thing.

10 JACOBS: No that is part of this whole thing.

11 DLAMINI: Ok.

12 JACOBS: Then the cattle belongs to the farmers.

13 DLAMINI: Yes.

14 JACOBS: Which Estina will then milk and sell the produce.

15 DLAMINI: Ye.

16 JACOBS: What do the farmers get out of this?

17 DLAMINI: 51% of the processing.

18 JACOBS: 51% of the processing of everything.

19 DLAMINI: Look.

20 JACOBS: Estina gets 49% of everything.

21 DLAMINI: Maybe what was supposed to have happened is to say let's together with the  
22 company maybe we're supposed to be saying we should have come together with us and we  
23 present the model. Because my understanding of the model is you have the dairy which  
24 produces the milk right? After you produced the milk somebody must buy this milk right and the  
25 people who are going to buy this milk is Estina right and they will process it. But we are saying  
26 we are pushing that. If we, this farmers provided the milk well they not necessary, our farmers

1 are not necessarily making a lot of money out of their produce. The only way for them to make  
2 money is they produce and they get money for their produce right and then.

3 JACOBS: [Till] somebody buys it.

4 DLAMINI: And then they supply this other company all right? When they supply we're forcing  
5 now, that's where we are moving to and we started with Estina. We thought that if they supply  
6 you they must also own a stake in that part. If we had money as government we would also  
7 put up a processing plant for these people that they would own 100%.

8 JACOBS: So Estina is bound to take the milk from this.

9 DLAMINI: Is bound yes.

10 JACOBS: And or is the Agri BEE entity going to be bound?

11 DLAMINI: No, Estina is bound to take this.

12 JACOBS: Where is this, where is that? Because where is the offtake agreement in respect of  
13 the sale of the milk. What is Estina going to do with the milk once they get the milk?

14 DLAMINI: They're going to process it because they're going to put up a processing plant.

15 JACOBS: Ok and then? Once they process the milk then what? They sell it. To whom?

16 DLAMINI: They will sell it to the market.

17 JACOBS: Where's the offtake agreement?

18 DLAMINI: From who?

19 JACOBS: From Estina. What compels Estina to sell this produce? I'm not seeing that anywhere  
20 here.

21 DLAMINI: What I'm explaining Ma'am is [that] Estina is putting up a processing plant.

22 JACOBS: No that I get. That process the milk I can see that in the agreement.

23 DLAMINI: And when they process the milk.

24 JACOBS: Ja.

25 DLAMINI: Then [Inaudible 1:49:31.7] to the milk to.

26 JACOBS: [Inaudible 1:49:33.3]

1 DLAMINI: And all that yes.

2 JACOBS: Is Estina going to do this?

3 DLAMINI: Yes.

4 JACOBS: Where does it say that?

5 DLAMINI: Maybe it's one of those things that when you raise it that [lacks] in the agreement.

6 JACOBS: Yes because this project hasn't, it doesn't appear this project's been thought all the  
7 way through because an offtake agreement to sell produce, you need a market. Does Estina  
8 have the market to sell this produce?

9 DLAMINI: They may not necessarily having the market but one of the things that we know from  
10 our province is all our produce that comes from our own farmers; obviously the milk will be  
11 coming from our own farmers and it will go into Estina to produce. One of the commitment  
12 from our government in the Free State that this produce would be taken.

13 JACOBS: From whom? So government is going to buy that milk?

14 DLAMINI: Not necessarily the milk. Ok the milk because they'll purchase the milk also and you  
15 guy can whatever whatever. Part of it, yes we are going to have some agreements with the  
16 hospitals and all that to buy from that thing. So government has [Inaudible 1:50:40.7] that 100%.  
17 They will still have their market in terms of, starting to get markets into Pick and Pay, Checkers  
18 and all the supermarkets.

19 JACOBS: Where's that set out because that's not set out in the agreement.

20 DLAMINI: That's why I'm saying maybe that's one of the things that lacks. That agreement was  
21 still gonna come. Yes I agree with you it's not there.

22 JACOBS: What is Estina's track record in the production of, in the dairy food industry?

23 DLAMINI: What is that?

24 JACOBS: What is their track record? I mean Estina was, I can understand that Estina comes to  
25 you and they indicate they're interested in engaging in this project with the department which  
26 is fine. What is their track record? I mean these are people who just walked in off the street.

1 What is the, the company was incorporated in 2008; their background appears to be in IT.

2 DLAMINI: That is why I said our main interest was the [real] relationship with Paras. [With] Paras  
3 have got [Inaudible 1:51:56.0].

4 JACOBS: Ja. What did you do to ascertain that Estina would have the capability to deliver on  
5 this project? Where is that feasibility and due diligence report?

6 DLAMINI: That was done by ourselves.

7 JACOBS: By the department?

8 DLAMINI: No we have not done that.

9 JACOBS: You not done that?

10 DLAMINI: No.

11 JACOBS: So the department did no due diligence into Estina? So for all you know Estina is a  
12 shell company with absolutely no income other than this project.

13 DLAMINI: What I have said is the main relationship is not more on the Estina but it's more on the  
14 skill and the knowledge that Paras brings.

15 JACOBS: And Ms Dlamini as we.

16 DLAMINI: Because unless somewhere things would change. What it [will be this then]. The  
17 branding also was going to be the branding in terms of Paras.

18 JACOBS: Ok.

19 DLAMINI: Of the produce.

20 JACOBS: And as you said the department did nothing to ascertain what the relationship was  
21 between Paras and Estina.

22 DLAMINI: Well maybe I'm not aware of that's why I'm saying Dr Masiteng would confirm, HOD  
23 would confirm also. I may not be aware of the [ascertainment].

24 JACOBS: Ok. Did you consider any other possible partner for this project?

25 DLAMINI: No.

26 JACOBS: This matter was not publicly advertised to attend the process. Is that correct?

1 DLAMINI: No it was not.

2 JACOBS: Did you, you didn't compile any due diligence on Estina. Did you compile any due  
3 diligence on Paras as a department? I mean I've heard all the nice things on Paras; that's it's a  
4 big Indian company and that they supply that they're one of the largest milk suppliers in the  
5 world. Was any of that verified?

6 DLAMINI: Verified. I may say we relied on the fact that HOD went to India and to Paras [and]  
7 was there.

8 JACOBS: So who from Estina did you interact with?

9 DLAMINI: The person who came to the presentation?

10 JACOBS: And anyone else. I showed you the picture of Mr Kamal Vasram, you say you just  
11 seen.

12 DLAMINI: From where I'm sitting we don't always interact at that meeting their project  
13 manager.

14 JACOBS: So would it have been HOD who would have interacted?

15 DLAMINI: The [Inaudible 1:55:36.4] is it would have been HOD because I once met when we  
16 went to National Treasury the guy that you showed me it's not that I.

17 JACOBS: National Treasury?

18 DLAMINI: Ja, we went there to the National Treasury on site.

19 JACOBS: Oh it's at the site that this was done at the farm during the course of I think it was last  
20 year, end of last year?

21 DLAMINI: This year.

22 JACOBS: Was it this year? Ok.

23 DLAMINI: We met with that guy that you.

24 JACOBS: Oh yes he was at the farm.

25 DLAMINI: He was at the farm.

26 JACOBS: And the person from National Treasury that was present was Chris Adam.

1 DLAMINI: Yes and normally we interact with the project manager.

2 JACOBS: Is he the project manager?

3 DLAMINI: No there's a project manager.

4 JACOBS: And what is his name?

5 DLAMINI: I don't know the name.

6 JACOBS: Ok,

7 DLAMINI: Their names are very difficult I can't remember them.

8 JACOBS: All right. Who guaranteed Estina's performance I mean one of the biggest risks in  
9 government and I mean it's something that's come quite a while. Now particularly BEE entities  
10 and smaller companies, risk of non performance is a big risk. Would you like.

11 DLAMINI: Non performance?

12 JACOBS: Non performance.

13 DLAMINI: Yes in some companies yes. It's a big risk.

14 JACOBS: Now Estina, you didn't to do any due diligence right? Who guaranteed Estina's  
15 performance? Or is this similar to you're not quite sure whether Paras guaranteed Estina's  
16 performance.

17 DLAMINI: That is why I'm saying we relied mainly on the fact that we had a relationship or an  
18 agreement with Paras [then] Paras being a big company we want the partners there  
19 themselves.

20 JACOBS: Did you see in the newspaper articles Paras is denying any involvement in this  
21 project?

22 DLAMINI: No, which newspaper?

23 JACOBS: Mail and Guardian.

24 DLAMINI: Oh I did not see it.

25 JACOBS: Have you seen the Mail and Guardian articles related to this project?

26 DLAMINI: I did not because I remember I was not here when they said it's in the Mail and

1 Guardian but I don't think whether our communication has got that. I do not [merit] it.

2 Honestly.

3 JACOBS: And you haven't. This is the first you're hearing that.

4 DLAMINI: No I hear that this project has been in the media for a long time.

5 JACOBS: As the CFO of the project, I mean the CFO of the department that's implementing  
6 the project didn't you think it's relevant to have a look at the articles? I mean this certainly has  
7 brought a lot of scrutiny down on the department not so?

8 DLAMINI: I don't know maybe it's because many a times government is in the news, in the  
9 media so.

10 JACOBS: How many times has been the department been in the news in the last year other  
11 than for this issue? Negatively?

12 DLAMINI: [Inaudible 1:58:31.8]

13 JACOBS: And you haven't looked as the CFO I mean you know supply chain management  
14 procurement irregularities and that's valid into your portfolio not so?

15 DLAMINI: No the thing is if I was told that this thing is in the newspaper and these are the issues  
16 right? Then like the processes is a process that we are telling you I'm telling you that we  
17 followed which I'm being open with this which is subject to scrutiny it's fine.

18 JACOBS: And did you see I mean my question to you is: Paras is the backer for this project.  
19 They are the expertise not so? They're denying involvement in the project. Do you have a  
20 comment on that?

21 DLAMINI: No I don't have a comment on that.

22 JACOBS: Ok. Just to summarise on this issue.

23 DLAMINI: Yes.

24 JACOBS: The department decided not to go ahead with any kind of procurement process  
25 related to this project because the HOD and yourself believe that this is not necessary because  
26 this is not a Tripple P, it's not a sole provider and it's not an unsolicited bid. It's a situation where

1 money is being given to a service provider.

2 DLAMINI: [I know much about].

3 JACOBS: To facilitate, let me just finish, to facilitate building infrastructure for dairy farmers to  
4 sell their products or to process their products.

5 DLAMINI: I would not agree with this statement that says we did not see it not being not  
6 necessary. We looked at all options then we say how this can be implemented as [one] and  
7 say let's implement this model and with the implementation also we consulted [working] you'll  
8 see that thing that was written there, that extras from that advocate. This matter was even  
9 discussed with the Premier's office and the DG was present, the HOD treasury was present, the  
10 state law advisors were present in that meeting. We discussed this issue and we looked at this  
11 and he asked us what model would we want to apply. We explained.

12 JACOBS: Where is this model documented?

13 DLAMINI: There is not a model per se it's a practice, let me put it that way?

14 JACOBS: Ok and as CFO did you advise the HOD that this was an expenditure of public funds  
15 in the procurement of a service provider to build infrastructure that the PFMA actually was  
16 relevant and that supply chain management in particular was relevant in this matter.

17 DLAMINI: No, like I'm saying it's not the infrastructure that belongs to government, it belongs to  
18 the beneficiary.

19 JACOBS: So in your opinion the PMFA and supply chain management had no relevance here.

20 DLAMINI: No not right the PMFA has a relevance here because we transfer money and [we'll  
21 need] in terms of the.

22 JACOBS: I'll be more specific. The supply chain management has no relevance here.

23 DLAMINI: That's not true [Inaudible 2:01:57]

24 JACOBS: So supply chain management wasn't relevant.

25 DLAMINI: That's why I say I don't know. I would not know how can we [take] this not relevant  
26 because we looked at everything and we say.

1 JACOBS: And decided to follow no supply chain management process. So you decided that  
2 supply chain management was not relevant. It's not a hard question Ms Dlamini it's quite a  
3 simple question. Yes or No? Did you, was supply chain management relevant? You didn't go  
4 any recognised supply chain management route so you as the CFO might have believed that  
5 supply chain management wasn't relevant.

6 DLAMINI: This was not relevant in the sense that we treated this thing as a transfer. In transfers  
7 supply chain management we don't necessarily.

8 JACOBS: And in your opinion.

9 DLAMINI: But what we do in the company that uses the money right? We need to make sure  
10 that they use the money for the intended because one of the things is to practice with [supply  
11 chain] with financial management.

12 JACOBS: And we've already established that there's been no financial management  
13 oversight here because you're making payments directly into a private company.

14 DLAMINI: Which they report. Which would then.

15 JACOBS: That's not financial oversight.

16 DLAMINI: Ok.

17 JACOBS: Would you agree with me? I mean you've got no insight into how they run. You  
18 have no insight into how you spend the state's money. I see in one of the progress reports that  
19 they indicated that they deposited, that they made a loan to the Department of R8m. Did you  
20 see that?

21 DLAMINI: Maybe let me explain with the loan part of it. This project is in two phases. The first  
22 phase it to put the dairy itself which is what we call the cow [hotel]. That is the correct  
23 language. The reason why they put it as like a loan is because the department in [Inaudible  
24 2:04:02.9] the beneficiary is responsible to put up that dairy. They may not use their own money  
25 to put up the dairy but they will lose their money – their investment – in putting up the  
26 processing plant and the money that they say it's a loan it's [Inaudible 2:04:10.2] to the

1 activities relating to putting up the dairy itself. That is why they classify it as a loan because  
2 that's the part that we must do but because we have not as yet [have] money there then let's  
3 continue with the project.

4 JACOBS: But in truth you had no idea whether they actually invested the R8m do you?

5 DLAMINI: I would say I would rely on their reports.

6 JACOBS: You have to rely on their good faith because the truth is that if they were taking your  
7 money and using it and then rolling those funds in the same back it was your funds, you would  
8 have no idea. I mean the department effectively have no oversight right? Correct?

9 DLAMINI: I will not agree entirely to say that there is no oversight. The fact that we don't have a  
10 structured ways maybe the better word is because maybe we don't have a structured way of  
11 monitoring because if [we know we did] and we go and look at progress.

12 JACOBS: Have you seen the bank accounts and the financial management of Estina?

13 DLAMINI: I have not seen the bank account.

14 JACOBS: But you know how the funds are being spent? Other than their report because as  
15 we have already established Ms Dlamini people can put anything on a piece of paper. Isn't  
16 that the point?

17 DLAMINI: [No] other than the report. For myself have not established anything.

18 JACOBS: What was the motivation, I can see in this document that somebody thought it was  
19 necessary to get an authorisation to deviate from the prescribed procurement process. So  
20 there is an actual recognition that there is a prescribed procurement process which needs to  
21 be deviated from. What was the reason from deviating from the prescribed procurement  
22 process?

23 DLAMINI: I don't know. The main issue there was to get or to make, to have a document that  
24 says, that shows a procurement process was not followed and the only way the procurement  
25 process was not followed is when you use a deviation.

26 JACOBS: But you know when you say that the procurement process wasn't followed at pre

1 [supposal] that the procurement process was required. Not so I mean that's logical. You don't  
2 say.

3 DLAMINI: It could have been. For me it could have been used but the nature of the  
4 transaction is in such a way that if you transfer and it doesn't require that.

5 JACOBS: What was the urgency in approving this project?

6 DLAMINI: I don't think so there wasn't an urgency.

7 JACOBS: So why did you go ahead with the project where you don't have a budget? Isn't  
8 sound government financial management is that especially with a project where the project is  
9 almost taking a third of your equitable share that you plan for it properly financially?

10 DLAMINI: But the project is budgeted for.

11 JACOBS: No. The project was not budgeted for in the 2012/2013 year when it was signed.

12 DLAMINI: [Suppose] it was budgeted for [checking] the.

13 JACOBS: No no I'm telling you Ms Dlamini we have spoken to national treasury. We've also  
14 spoken to DAFF. This project wasn't budgeted for.

15 DLAMINI: Which year Ma'am?

16 JACOBS: 2012/2013 as I've said 2013/2014 is a different situation.

17 DLAMINI: Let me show you.

18 JACOBS: There was a R12m budget.

19 DLAMINI: 2012/2013 yes for the previous year.

20 JACOBS: And Estina says, you said to us you will give us R114m and that's why we need to give  
21 you the loan because you have not come up with the R114m.

22 DLAMINI: Because if you look at the Exco memo it was saying the department needs to work  
23 with treasury, work with FDC and other state entities to.

24 JACOBS: To get the money which means you didn't have the money which means it wasn't  
25 budgeted for.

26 DLAMINI: But that very same year, I'm going to show you something. The very same year there

1 was an allocation. This one was for rural development. Let me have the [Inaudible 2:09:24.7]  
2 the thing.

3 JACOBS: I don't think you have those but please go ahead and have a look.

4 DLAMINI: That money for Mohoma Mobung for 2013 R85m.

5 JACOBS: That comes from where?

6 DLAMINI: That come from the Provincial Treasury.

7 JACOBS: That they allocated to the project?

8 DLAMINI: Was allocated for Mohoma Mobung and this project is part of Mohoma Mobung.

9 JACOBS: Yes but what was the amount allocated to this project? Because this is only one of  
10 many projects that exists under Mohoma Mobung.

11 DLAMINI: The entire amount was allocated because this project has since been given a priority.  
12 In any case let me put it this way; not necessarily it has since been given the priority it is the only  
13 one of this magnitude.

14 JACOBS: My question then comes back to you. Why was this project agreed to with such  
15 urgency when in the [end tech] budget in the CASP budget there was no allowance for this  
16 project? As a department you have not budgeted for this project. You scramble to get money  
17 together as is very clear from the Exco memo that the Free State Development Corporation  
18 was called in to try and source finance for the project. This was not a budgeted project.

19 DLAMINI: The reason why Exco was saying that the Free State, the FDC must come and assist is  
20 because we budgeted this project but we budgeted it small like you're saying there was a  
21 R12m, there was 35 and the only reason was for us to get to the R100, to the three is because  
22 Exco has instead of doing this project over many years it was, from where we are sitting we did  
23 not have a problem to say this project we can start with this phase and this phase and if it can  
24 take 5yrs 6yrs right? We're still gonna complete it with the little that we are having in the  
25 department; but then Exco resolved to say let the project not take long so that the benefit is  
26 seen in a short space of time and then the.

1 JACOBS: So you sign an agreement.

2 DLAMINI: And then the treasury was then requested to say it must assist in terms of finding the  
3 funding.

4 JACOBS: What was the initial budget set aside by the department for this project?

5 DLAMINI: Initially it was R12m started.

6 JACOBS: R12m. How did it [grad].

7 DLAMINI: And it was the R12m from the grant and the R35m from Mohoma Mobung, we were  
8 to take money from there also. So we took, actually we funded it with R30m in that particular  
9 year.

10 JACOBS: So it wasn't the whole of Mohoma Mobung that was taken.

11 DLAMINI: No the other R5m was not taken.

12 JACOBS: Where is the presentation that was done to all of the stakeholders on Mohoma  
13 Mobung and the strategy behind the Mohoma Mobung last year?

14 DLAMINI: I think the HOD got the presentation work [Inaudible 2:12:32.7] sense.

15 JACOBS: Which bring me back to my question? You sign an agreement with a service  
16 provider that a R114m will be made available during this financial 2012/2013 financial year.  
17 R12m is budgeted for the project. Why the urgency in signing this agreement? Firstly why the  
18 massive hike in the budget for the project? [Inaudible 2:13:11.3] from R12m to R114m to a  
19 R342m overall contribution is a massive increase.

20 DLAMINI: Basically when we looked at this it was not only R12m. It was R12m plus the R35 of  
21 Mohoma Mobung because Mohoma Mobung is not a grant we need not necessarily been  
22 specific.

23 JACOBS: So the department decided that the entire Mohoma Mobung contribution would go  
24 to this project? No other projects would benefit in this province because this project was such a  
25 priority?

26 DLAMINI: But we did not use the entire of the 35 because some of the money then was

1 transferred to VKB for the chicken [broyers].

2 JACOBS: It then begs the question. Why was this project so important? Why the urgency and  
3 the importance for this project?

4 DLAMINI: I don't think there was an urgency, maybe the importancy is only the importance to  
5 say if you look at it the economics [pin] of it that [necessity] that the beneficiary will get, the  
6 benefit that the area itself itself. The activities that will be there, the jobs that will be created in  
7 their.

8 JACOBS: A hundred jobs. A 100 jobs, I mean a 100 farmers are gonna benefit, the maximum.

9 DLAMINI: No but there will be people who's gonna work on the project working and all those  
10 things.

11 JACOBS: How many people?

12 DLAMINI: What was the figure? Is it not 500? Or 150? I can't remember.

13 JACOBS: A 150 for R342m worth of capital injection. Government gets out no equity stake, 100  
14 jobs and 80 farmers who are going to have a place to sell in bulk and receive some cows. Do  
15 you think that's value for money to the state?

16 DLAMINI: Remember the state money that is invested here is the property of those  
17 beneficiaries. They are not only getting the [Inaudible 2:15:24.0] they also own, they're also  
18 going to won that [starta] that's why I'm saying even if Estina can wake up and say we are  
19 moving out we will then have to assist them because there is big dairy there. We assisted them  
20 to get a market for their milk somewhere.

21 JACOBS: That makes sense. What they don't own is the processing facility and they've got no  
22 place to sell their milk.

23 DLAMINI: Yes.

24 JACOBS: So effectively they've got a place, well they've got a cow shed effectively for R342m  
25 they have a stake as you put it in a [cow hotel]. No access because effectively the processing  
26 plant belongs to Estina, you create 100 jobs for people who are working on the farm and 80

1 farmers have a place to process their milk and that seemed like a good idea for R342m worth  
2 of investment.

3 DLAMINI: Let me put it this way. The 80 will own right the dairy itself, the cow hotel and the  
4 cattles right. Meaning we're creating farmers right.

5 JACOBS: Well, existing farmers. You're benefiting existing farmers.

6 DLAMINI: No this existing farmers like your commercial farmers those are going to benefit  
7 indirectly in terms of instead of transporting their milk to Gauteng they will then transport their  
8 milk to which is nearby and they'll save on the [contract]. That will benefit around the farmers.  
9 The commercial farmers and other farmers that are around that area when that processing  
10 plant is up and running.

11 JACOBS: All right.

12 DLAMINI: Right but of this 80 that will own the investment that government is making there.

13 JACOBS: Are they farmers or not?

14 DLAMINI: Some of them are some let me not [Inaudible 2:17:21.2] Dr Masiteng is the one who  
15 can say because I've not seen the beneficiary. I may not, I'm not a technical person. That list  
16 that I gave to you.

17 JACOBS: So the beneficiaries are not farmers necessarily?

18 DLAMINI: No that list that I give to you, that's why I'm saying to you I'm not sure whether all of  
19 them are farmers but remember in agriculture.

20 JACOBS: Then on what basis are they beneficiaries?

21 DLAMINI: No Ma'am wait. I'm saying I am not sure. Dr Masiteng will confirm whether all of  
22 them are farmers or not or 100% they are farmers but I also want to explain to you to say a  
23 project is not necessarily an agricultural project can be started with farmers only. No, we  
24 sometimes group people together and say we are giving you this land go and plant.

25 JACOBS: And they have no idea what they're doing.

26 DLAMINI: That's why we give them support.

1 JACOBS: Estina is the support that you're giving them.

2 DLAMINI: Estina is the support that is given to them.

3 JACOBS: So these people if they aren't farmers they must go and become farmers? Is that the  
4 understanding and then Estina will give them a place to process their milk because Estina has  
5 no – my understanding is not that they're going to act as a cooperative and go in there and  
6 teach people how to farm and you know create milk.

7 DLAMINI: But remember they are going to assist them to [Inaudible 2:18:53.8] make sure that  
8 the dairy producers [Inaudible 2:18:56,7] which the dairy belongs to this 80.

9 JACOBS: Ok so why these 80? Who are they that they get to benefit and nobody else in the  
10 province gets to benefit? On which basis were these 80 people chosen?

11 DLAMINI: That's why I'm saying maybe they all the small farmers in that area,

12 JACOBS: Ok but you may not know why they were chosen or not ok.

13 DLAMINI: I'm not clear.

14 JACOBS: Ok all right. Can you say that there was no real urgency in signing?

15 DLAMINI: No.

16 JACOBS: I mean this was fast in terms of signing a letter of engagement with a service provider  
17 don't you agree? I mean they submit their proposal on 12 May, they do a presentation on 24  
18 May, the HOD three days later sent them a letter saying we accept your proposal. The MEC  
19 signs off on this I mean the Exco signs off on this with the premier how many days later. Two  
20 weeks later and then within two three weeks of that there's a letter of engagement signed with  
21 the service provider and a deviation from the procurement process signed on the same day.

22 DLAMINI: But remember because there was already the budget it's not necessarily that there  
23 was an urgency but we budgeted already and only in government if you don't run with your  
24 processes and put money and spend money that you've budgeted you loose; but the urgency  
25 was I don't think it was a matter of urgency no.

26 JACOBS: When was your financial year?

1 DLAMINI: Our financial year end March.

2 JACOBS: March 31 so when you received this, this was basically right at the beginning of the  
3 financial year. In actual fact you received this proposal 12 days into the new financial year not  
4 so? You received the first proposal on - no I lie it's 12 April – it was 6 weeks into the new financial  
5 year.

6 DLAMINI: Yes.

7 JACOBS: When is Estina's contribution to be made?

8 DLAMINI: Estina's contribution was to be made immediately in the second year. It's actually  
9 suppose to happen this year because this is the second year of the project.

10 JACOBS: Why was that not set out in the contract with Estina?

11 DLAMINI: It wasn't [Inaudible 2:21:43.8] that the project is in phases.

12 JACOBS: No it doesn't say that. It says that Estina will make a contribution if necessary. All  
13 project plan in line with Estina's proposals will determine the dates for capital injection by Estina  
14 but what the agreement does say is: Estina will make a capital injection if necessary which  
15 makes this even more suspect because if the basis for this is the fact that Estina is going to be  
16 putting money into the project the agreement doesn't speak to the money that Estina is gonna  
17 put into the project.

18 DLAMINI: Not necessarily.

19 JACOBS: And neither does it speak to what Estina's role is going to be in this project.

20 [Inaudible 2:22:29.3].

21 DLAMINI: You have a copy of that?

22 JACOBS: Ja we have a copy of that. Obligations of Estina: Estina shall provide a capital  
23 injection of [Inaudible 2:23:37.5].

24 DLAMINI: What page?

25 JACOBS: This is page 6, 6.2: Estina ensures that the beneficiaries own 51% of the Agri BEE entity.  
26 Why should Estina make sure that the beneficiaries own 51% of the Agri BEE entity? What is

1 Estina's interest in this? They're a private company. How can you leave that as a department  
2 can you leave that responsibility to Estina?

3 DLAMINI: Ok.

4 JACOBS: Ok? Do you agree with that? I mean [Inaudible 2:24:16.8] of advocating the  
5 department's responsibility.

6 DLAMINI: I don't think so but we also were really advised. Remember this contract was done  
7 by the state law advisors for us. So I think all that they want to say – that's just my loud thinking –  
8 is to say in that processing plant thing or that entity that 51% should go to the beneficiaries.

9 JACOBS: Estina shall pay R228m towards the project payable as contemplated in clause 6.2  
10 with Annexure A. Can you take that call please? So if the project gets into phase 2 which is  
11 effectively the.

12 DLAMINI: I'm sure they've even started.

13 JACOBS: Sorry?

14 DLAMINI: I say I'm sure phase 3 has even started.

15 JACOBS: And do you know. Just phone him back quickly because he called twice so it must  
16 be important. So Estina was going to make its contribution. How do you determine, how would  
17 you know when Estina started to make its financial contribution and what the extent of that  
18 contribution would be?

19 DLAMINI: How do we?

20 JACOBS: How would you know once Estina started to make its contribution and what the  
21 extent of its contribution would be? I mean financial oversight over the contract and over the  
22 relationship surely that must have been thought of. I mean when you engaged in the  
23 agreement.

24 DLAMINI: You mean how are we going to make sure that that they have invested is R228m.

25 JACOBS: R228m.

26 DLAMINI: Yes. It's a bit of a grey area but I think from our side what we're looking at is to pay

1 the processing plant should be there and the value of the processing plant maybe is another  
2 thing but it was estimated at that point in time at R228. 7.4 say: The department shall consider  
3 and approve [Inaudible 2:27:49.2] for phase 2 and phase 3. That's why I was saying the project  
4 is gonna be implemented in phases.

5 JACOBS: At the point that the contract was signed there's actually no indication of what the  
6 phases of the project will be is that correct?

7 DLAMINI: It's in the contract.

8 JACOBS: No it's.

9 DLAMINI: 7.4

10 JACOBS: 7.4 says that the project will be concluded in phases right? It shall consider and  
11 approve amounts to be determined by Estina for phase 2 and phase 3 but it doesn't actually  
12 include the actual phases. Annexure A when you look at it, it sets out on obligations for the first  
13 phase is the land acquisition. The environmental impact assessment, feasibility study, water  
14 [reticulation], electrical connections and then draw up a project plan in line with Estina  
15 proposals but it must have milestones and timelines for phase two as approved by the  
16 department. So at the point where this agreement is signed with the department, where,  
17 there's no actual project plan that forms part, there's no timeline and there's no. You know  
18 what concerns me Ms Dlamini and maybe [Inaudible 2:29:25.9]

19 DLAMINI: I hear your complaint.

20 JACOBS: The contract for a massive capital injection by the department because the  
21 department is not going to receive any benefit. The contract is also fairly loosely drafted, you  
22 understand what I mean?

23 DLAMINI: That's what I'm saying we thought this was the best contract because the contract is  
24 drawn on our behalf.

25 JACOBS: By the state law advisors.

26 DLAMINI: By the state law advisors. We don't have the capacity in the department.

1 JACOBS: And who was the state law advisor who drafted the contract?

2 DLAMINI: [Inaudible 2:30:06.8] a Mr Venter in the Premier's office.

3 JACOBS: Ok and Mr Venter's contact details?

4 DLAMINI: I don't have it, will you please ask HOD for it.

5 JACOBS: Why were the beneficiaries in the project not identified before the project was  
6 [implemented],

7 DLAMINI: Honestly let me say it was one of those lost and challenges in the system.

8 JACOBS: Meaning what?

9 DLAMINI: Under normal circumstances the beneficiaries were suppose to have been there  
10 before that so I [won't] say.

11 JACOBS: This again adds to my concern that there seems to been a great deal of urgency in  
12 getting this agreement signed when the department wasn't even clear that there were going  
13 to be beneficiaries because now there appears to only be 80 beneficiaries.

14 DLAMINI: The beneficiaries were gonna be there, if you read under definition it says there  
15 beneficiaries are persons from Vrede are, which means that the requirements of the Agri BEE  
16 Charter on Black Economic Empowerment issued by the Minister of Tourism Industry [Inaudible  
17 2:31:51.6] but also if you look at the minute that I gave to you of the consultation with the  
18 municipality. One of the responsibilities of the municipality was to identify the beneficiaries in  
19 their area.

20 JACOBS: So the beneficiaries weren't even consulted on whether or not they wanted this  
21 facility. The agreement was entered into and then they were appointed or then they were  
22 identified.

23 DLAMINI: This project is one of those initiated where you say when we get into this area and  
24 you say you want to uplift the lives of the people in that area, you then group people like I said  
25 it can be women in a group it can be. That normally it's not necessarily a process where you  
26 can say: I advertise people who are interested must come. It's a process where mainly the

1 municipality will assist and say this is the poorest of the poor or this. I'm just making an example  
2 I'm not saying this is the examples that we used. I'm not aware, I'm not aware from where I'm  
3 sitting of the criteria. That's why I'm saying this now becomes a technical issue that probably Dr  
4 Masiteng can help or HOD can help.

5 JACOBS: Are you aware, you may not be aware, how Vrede was identified as the area for this  
6 project and why the Vrede community was picked out as the community that would benefit  
7 because it seems that they've been benefited ahead of the rest of the province. My question  
8 is why?

9 DLAMINI: I'm not, I may not be aware but I'm told that the, it's one of the good sport if I may  
10 mind my English. It's one of the good sport in terms of the Mofutsanyani area because when  
11 you look at Vrede because when you look at Vrede it's nearer to those of Mpumalanga. That  
12 part of Mpumalanga which that area I'm told in terms of the statistics if good for milk or mild  
13 farming. Technically that's what I hear amongst the discussions to say that area is good for it's  
14 one of that areas that is good for farming. Actually it's Mofutsanyani in the Free State. Majority  
15 of the milk farmers are from Thabo Mofutsanyani.

16 JACOBS: What is the total amount that is being paid to Estina on this contract?

17 DLAMINI: To date? R114.

18 JACOBS: R114m?

19 DLAMINI: Yes.

20 JACOBS: Are you sure?

21 DLAMINI: Yes I'm sure.

22 JACOBS: We have BASS information that indicates that R198m has been paid. Can you  
23 explain the difference?

24 DLAMINI: 198?

25 JACOBS: Ja.

26 DLAMINI: No it can't be.

1 JACOBS: These are extracts from the BASS system.

2 DLAMINI: From who? From me?

3 JACOBS: These are the payments that have gone through the BASS system and it shows there  
4 that a total of R198m has been paid.

5 DLAMINI: No, I know what happened. This was not 8. The 84 that you see it was subsequently  
6 route to the cash flow problem but it was subsequently paid as 34, 30 and then [Inaudible  
7 2:35:48.6] and we can prove that. The 84 was never paid. The BASS document that, let me put  
8 it. Until we started [20 for] 2013 and let me [show you] and say we committed that 114, we did  
9 not pay the 114 in 2023/2013 financial year. We paid only R2m and at the beginning the  
10 company Estina came and say we have already placed orders, here's our cash flow we're  
11 short of 84. Right we [Inaudible 2:36:24.8] the 84 available as soon as the new financial year  
12 starts. The new financial year, the project is 100% budgeted R114m but if you look at the past  
13 financial year, admit there was a shortfall of R84m but. So those are the 84 that you're saying  
14 because of the 84 was not paid it was a shortfall. But it was never paid. We wanted to pay it  
15 but the Provincial Treasury then said let's pay it in this week and the following and the other  
16 following week so that the cash flow can be properly managed. So it was never paid, that I am  
17 100% sure.

18 JACOBS: The authorisation dates in these.

19 DLAMINI: It was subsequently reversed. How the system works right? You see the paper that  
20 they brought to me is the paper that this lady was bringing to me is a paper that I must sign. It  
21 must go to the Provincial Treasury. The Provincial Treasury, anything that is above R1m you sign  
22 it, it goes to the Provincial Treasury, the Provincial Treasury must take it to the bank and say to  
23 the bank release this money that after they have looked at the cash flow of the entire province.  
24 Not your own cash flow as a department.

25 JACOBS: Who loads payments in the. Who would have access to the BASS system here so we  
26 can confirm that?

1 DLAMINI: Me Freda Claasen.

2 JACOBS: Freda Claasen?

3 DLAMINI: Ja.

4 JACOBS: Is she here?

5 DLAMINI: Yes she's here. Do you want see. Must I call her?

6 JACOBS: Ja tell her we'll sit with her later on this afternoon and just get an extract on the  
7 matter from her on what payments were made and when they were authorised. Why were the  
8 payments made into Estina's bank account?

9 DLAMINI: Because they were the ones who manage the project.

10 JACOBS: Did the department not consider it a risk paying money directly into, the money for a  
11 project, directly into the bank account of a private entity? An entity over which it has no  
12 control?

13 DLAMINI: Not really because we have an agreement with this entity.

14 JACOBS: To do what?

15 DLAMINI: To manage this project.

16 JACOBS: And if the entity commits fraud against the department and steals all the  
17 department's money, how are you going to know? Where's the corporate government's  
18 structure regulating the relationship between the department and Estina? Because nowhere in  
19 that agreement does it even say that we have access to your financial records that we can  
20 come and inspect. There's no corporate governance in the agreement at all or in the  
21 arrangements here because you're saying to me you're not mentioning anything related to  
22 corporate governance of this project.

23 DLAMINI: But it's just a verbal understanding that they understand at any given point in time it  
24 we'll say if we gone and say let's see your bank account they will be able to avail that.

25 JACOBS: And if they refuse?

26 DLAMINI: I just [Inaudible 2:39:53.0] concerning the money because they can not refuse.

1 JACOBS: And so what will happen to the R114m we've already transferred? If they stole the  
2 government's money how would you take action against them?

3 DLAMINI: On the basis of the agreement.

4 JACOBS: But you have absolutely no access or anything.

5 DLAMINI: But the agreement says this are the things they must do with the money so on the  
6 basis of the agreement we say we give you the money, we expected you to do this you did not  
7 do so we can take them to court. That's my understanding,

8 JACOBS: Ok so the government or the department is going to litigate against Estina if they  
9 default on the contract?

10 DLAMINI: Yes.

11 JACOBS: But the department has absolutely no insight in the way that the project is being run  
12 until the wheels come off at some point in the future. So on a day to day basis the departments  
13 is not interested in how this project is managed financially. It's only if they fail to deliver at some  
14 point in the future that the department is then going to sue them. Is that my understanding? Is  
15 my understanding correct?

16 DLAMINI: I think yes, your understanding is correct in the sense that we don't have somebody  
17 who's like saying I have access into the bank account or I'm sitting there with them.

18 JACOBS: And there's no corporate governance structure here regulating the relationship  
19 between Estina and the department effectively. The department, I mean Estina regulates itself  
20 because the department gives them the money, they go and do what they think is good in the  
21 project and because there's no specifics in this agreement. There's no specification for what  
22 needs to be developed. There's no standard. They could put up a corrugated shack and have  
23 manual people processing milk. There's no quality assurance, there's no financial oversight,  
24 there's no guaranteed expertise. Nothing in the agreement actually regulates the relationship  
25 between the state and Estina.

26 DLAMINI: But the information that that says what is it that's bought and all that.

1 JACOBS: It's not part of the contract.

2 DLAMINI: But one of the documents is containing that information.

3 JACOBS: The project proposal.

4 DLAMINI: Yes it's in the project co and I think they also, the contract refers to the proposal as  
5 Annexure B it's not that it's not.

6 JACOBS: No but it's not attached.

7 DLAMINI: Is it not attached?

8 JACOBS: And the proposal in terms of the project plan is not being created according to that  
9 document, it's going to be agreed upon. So before government even knows what it's going to  
10 get it's already agreed that it's going to get R324m. Let's move on from that I think we've  
11 covered that area. Why is the payments listed as sundry payments and not as contract  
12 payments on the BASS system?

13 DLAMINI: It's a sundry payment because we're paying it, I don't think we're, there's no, there's  
14 no payments that we term contract payments in the system. Sundry is just but what is written in  
15 the, you see that document? Let me show you the payments, which document. The  
16 document itself is a sundry. No not that one, from the payments document. It says this is a  
17 sundry payment advice. The description comes from here.

18 JACOBS: And then you reference the service level agreement as the reason for the payment.

19 DLAMINI: [Inaudible 2:43:56.0]

20 JACOBS: These are payments for; you mentioned that there are two payments here. There are  
21 two payments that are not here.

22 DLAMINI: Ja but the copies I gave to National Treasury and they all make 114 if you add them  
23 together.

24 JACOBS: Ok. I will have a look but you say that the supporting documentation is exactly the  
25 same because it's not linked to certain deliverables.

26 DLAMINI: No it's not.

1 JACOBS: On what basis is payment then made?

2 DLAMINI: As a transfer.

3 JACOBS: So when are the agreed upon transfers?

4 DLAMINI: That is what I'm saying; they submit their cash flow right and based on their cash flow  
5 we then submit. That's [Inaudible 2:44:36:3] if you look at this things, the same one that make,  
6 that necessitate the 84 which the [Inaudible 2:44:47.8] was paid in 30 29 and then 19 whatever  
7 that was the 34, 29 and [whatever]. There's a cash flow that shows there was a deficit already  
8 whereby they say they already placed orders and all that. So there was a deficit.

9 JACOBS: So there's no project milestones that are required before you make certain  
10 payments?

11 DLAMINI: Not necessarily.

12 JACOBS: No it's either not or it is.

13 DLAMINI: No.

14 JACOBS: No. So there's no milestones that basically submit their, as they say they need cash  
15 you transfer funds.

16 DLAMINI: Yes.

17 JACOBS: If they were rolling funds, do you understand the concept of rolling?

18 DLAMINI: No.

19 JACOBS: Should they use your money and then they indicate that they're using it, they're  
20 using their own money because it's happened in projects where service providers and that is  
21 why Tripple P's are monitored to carefully; because you know if you make deposits into  
22 company's bank accounts and there's a joint contribution and what happens is they use your  
23 money and indicate it as an injection into the project. How did you ensure that they would not  
24 be the rolling of funds? Because this R8m loan could technically be part of the R30m that you'd  
25 given them. How would you know?

26 DLAMINI: I think this was some of the control that we need to put.

1 JACOBS: Ok am I correct in understanding that for the R342m financial contribution that would  
2 be made by the department, the department would actually not receive any return for that  
3 R342m. Is that correct? Because the department would have no ownership.

4 DLAMINI: Yes.

5 JACOBS: If this is not a loan that's been made to the farmers of R342m and as the you know  
6 the Agri BEE entity makes a profit it will repay the department. It's just a straight beneficiation  
7 made. This is R342m that you're just giving away.

8 DLAMINI: Yes to the farmer.

9 JACOBS: Well technically not to the farmers, to Estina because Estina has in fact been  
10 receiving.

11 DLAMINI: No to the beneficiaries.

12 JACOBS: Well they're not receiving the money. Estina is receiving the money. Estina is going to.

13 DLAMINI: But Estina is going to put up an asset that is the asset of the beneficiary.

14 JACOBS: In the newspaper it mentioned that a Gupta wedding official visited the Free State,  
15 I'm sure as you may hear the HOD mention yesterday - you know he's responsible for landing  
16 the plane at Waterkloof - and he you know he said [a ton aren't cheap]. That being said there  
17 is mention in the article that part of the reason why that plane was allowed to land because  
18 there was an official that was coming to visit as part of this visit to South Africa to attend the  
19 wedding. There was a Mr [Shivpal Singh Yadav] that, I may not be saying his name correctly,  
20 was coming to visit Free State to come and discuss irrigation and public works. Did that take  
21 place?

22 DLAMINI: I am not sure [Inaudible 2:48:14.9]

23 JACOBS: Do you have a copy of the motivation to Land Affairs to give you the land on which  
24 this project is situated?

25 DLAMINI: Do I have the?

26 JACOBS: Do you have the motivation or the agreement or any of the documentation relating.

1 My understanding is that the Department of Land Affairs has given, or the Municipality has  
2 given Free State Agriculture the land on which to develop this project right? Where's that  
3 documentation because my understanding further is that Estina has been given the land on a  
4 99yr lease free of charge.

5 DLAMINI: [I'll check].

6 JACOBS: Yes.

7 DLAMINI: I can get you the documentation relating to the loan.

8 JACOBS: Ok. Is that correct? Has Estina been given this land on a 99yr rent free lease?

9 DLAMINI: I'm not sure whether it's 99 but, let me give you the thing. Let me give you the  
10 agreement.

11 JACOBS: Ok. On what basis was the land given to Estina?

12 DLAMINI: Is the land given to Estina?

13 JACOBS: Was the land given to Estina?

14 DLAMINI: For me the land is used for the project, it is not given to Estina.

15 JACOBS: But was it transferred into anybody's name? Who's the owner of the land?

16 DLAMINI: No I don't know Ma'am.

17 JACOBS: Were they given a 99yr lease? You're not sure?

18 DLAMINI: Not sure.

19 JACOBS: What was the role of the provincial Exco in approving the project?

20 DLAMINI: All the projects that we do in the province they go via Exco.

21 JACOBS: And what is Exco's role in approving the project? You mean effectively Exco can't  
22 rectify an irregularity in terms of procurement process so and here was already a clear  
23 deviation of procurement process so what was Exco's actual role when you say they approved.  
24 What were they going effectively? I mean Exco.

25 DLAMINI: I think what they approved, they approved that the project were implemented in the  
26 province.

1 JACOBS: It was a conceptual approval of what? The.

2 DLAMINI: That needs to be approved is to say they agree this project and be implemented.  
3 We agree this budget can be spent but in terms of the actual implementation in terms of the  
4 processes they are not.

5 JACOBS: They are not part of.

6 DLAMINI: That is not part of the program. Their approval.

7 JACOBS: So effectively Exco's approval is a conceptual approval. They approved the  
8 concept.

9 DLAMINI: Yes. And the budget.

10 JACOBS: And in this case there was no budget. Now because clearly they say please go and  
11 get the money for the project from you know the state development. They go to treasury  
12 committee etc. So Exco's approval is conceptual. Approval and budget.

13 DLAMINI: But clearly I may mention that [Inaudible 2:51:34.4] the money was made available.  
14 That is why we have R114 this year and R114 next year.

15 JACOBS: Ok and the approval by Exco really is a "in principal" approval of the project. It's not  
16 a authorisation I mean the department is going then saying do you think this is a good project  
17 for us to engage in and Exco says yes we think this is something that is worthwhile for the  
18 province. Please go ahead and engage; but they don't regulate how the department  
19 engages.

20 DLAMINI: No they don't.

21 JACOBS: That was an internal decision of the department.

22 DLAMINI: Well consulted.

23 JACOBS: Well ultimately it's your decision. The HOD's decision, you're the accounting officer.

24 DLAMINI: Yes after consulting and thinking.

25 JACOBS: No that's fine because at the end of the day Ms Dlamini as you agree with me.

26 DLAMINI: It's fine yes.

1 JACOBS: It doesn't matter who you consult, ultimately it's the accounting officer, its your  
2 decision. That's ok. HOD is the accounting officer?

3 DLAMINI: Yebo.

4 JACOBS: And it's he's responsibility in terms of the PFMA to make sure that supply chain  
5 management is dealt with appropriately in his department.

6 DLAMINI: Yeah.

7 JACOBS: Who took the role of provincial query in this procurement process because we see  
8 mention of the provincial treasury as well. What was their role?

9 DLAMINI: I don't know. I think I may say necessarily – how do I put it – the role they came after  
10 as you can see after we have met with the [horticulture]. After we have met with that  
11 resolution of Exco and then Exco said you must implement. Then this teams must meet right?  
12 We have [FTC] and whatever so we came together as a collective. The DG called the meeting  
13 and then we went there and then we explained the project and all that and yes I must indicate  
14 that indeed the provincial treasury did ask about why not Tripple P and that's the only part that  
15 he asked about in terms of procurement. He also say why not Tripple P and we explained to  
16 say from where we are sitting, this is the best way we thought we can implement it and then we  
17 explained the way I had explained to you in terms of the VKB arrangement and all that. So ja  
18 otherwise.

19 JACOBS: So treasury they had concerns about the Tripple P?

20 DLAMINI: Yes.

21 JACOBS: They weren't happy with your process?

22 DLAMINI: No not necessarily that they were not happy but the project, they asked to say why  
23 are you not following that.

24 JACOBS: Can you get the letter of 14 November [Inaudible 2:55:34.0]. I put it to you Ms  
25 Dlamini that the treasury actually went further. They indicated their concern with this project  
26 and they certainly did with the national treasury. When national treasury asked these questions

1 and in a letter from the CEO of provincial treasury directed to the DG of national treasury dated  
2 14 November 2012, Mr Mobongwe states that provincial treasury then advised, let me just read  
3 the whole so I don't put it out of context. Your letter dated 25 October relating to the  
4 abovementioned matter has reference. Now this is obviously in reference to the DG's previous  
5 letter. We asked certain questions of provincial treasury that related to this project. It's  
6 imperative to mention that this project forms part of the bigger Mohoma Mobung program of  
7 the Department of Agriculture. This program basically entails the establishment of various  
8 industries in the province which would contribute towards Agri processing and value adding to  
9 agriculture produce in the province. The program also has the potential to become a major  
10 contributor towards job creation in the province and more specifically in the Thabo  
11 Mofutsanyani district. Even though the Vrede project was initially planned in the smaller project  
12 which was to be funded through a combination of earmarked provincial funding CASP and  
13 Lima/Letsema Commissioner grants. However, according to the Department of Agriculture an  
14 opportunity presented itself on a private sector company by the name of Estina expressed  
15 interest to partner with the department in providing additional funding, expertise and  
16 management skills to the project. Subsequently the Provincial Executive Council resolved to  
17 elevate the project to a mega project. Provincial treasury again advised the Executive Council  
18 as well as the Treasury Committee on shortcomings related to the project, including but limited  
19 to legal implications of the then contract, adherence to the budget process and principles.  
20 Budgets and implications are the provincial fiscus and this associated the agreement. Arising  
21 from this advice the Treasury Committee, a sub structure of the Executive Council made the  
22 following key recommendations. That a technical committee under the leadership of the DGB  
23 be established in order to into issues of funding, planning and the revision of the original  
24 contract which was entered into by the Department of Agriculture and Estina. A  
25 comprehensive review of the contract be done with the assistance of the state law advisors in  
26 the Free State Development Corporation be involved in the project in order to assist the

1 Department of Agriculture to secure alternative funding. Over and above the R30m that the  
2 Department pre prioritise in order to make an initial payment. No funding has been available  
3 as yet for the shortfall of R84m.

4 So Provincial Treasury raises concerns at the Executive Council here related to shortcomings  
5 [Inaudible 2:58:43.0] the project including the legal implications of the contract which I assume  
6 relates to the fact that there's no supply chain management process here. Adherence to the  
7 budget processes which I asked you about and which you said there was complete  
8 compliance with the budget process which was clearly from treasury side, they didn't think  
9 there was; and then this [Inaudible 2:59:04.5] with the agreement which we assume has  
10 become extremely clear as a result of this consultation. When treasury raised these concerns,  
11 how was these concerns addressed by the department?

12 DLAMINI: I think clearly if you read the letter. The letter says they raised their concerns to the  
13 treasury committee, which I am not a member of the treasury committee.

14 JACOBS: No, they raised it with Exco. They advised the Executive Council.

15 DLAMINI: Fine if they advised Executive Council right and I think there's also a mention of the  
16 Treasury Committee if I heard properly, which we are not member.

17 JACOBS: So you're not members of the Executive Council?

18 DLAMINI: No, we are not. I'm not sure whether HOD, sometimes HOD gets to be invited to Exco  
19 so I'm not sure.

20 JACOBS: So when this project was discussed you weren't there.

21 DLAMINI: No I was not there at Exco. I was not there.

22 JACOBS: So you're not sure what the DG's role was then in this procurement process and what  
23 they [asked].

24 DLAMINI: All what I know is I know they said the Treasury Committee then said a technical  
25 committee must be, there's a Technical Committee right? A Technical Committee must be  
26 established. That's there to the meeting that I'm saying. That led to the meeting that I said we

1 had a meeting. The CEO, us in treasury, the FDC, we all came together and that lead to this  
2 contract that was drafted by the state law advisor; but in terms of the advisor – probably what  
3 was because this process was they then was suppose to – which maybe you must ask HOD right  
4 – whether he did receive a letter from Treasury because normally when you deal with Treasury  
5 will say we are not happy, write to the accounting office to say that you are not complying with  
6 1, 2, 3, 4 for keeping records so. Maybe you should ask HOD if subsequent to the advice,  
7 maybe HOD did receive the letter. Maybe I am not aware of the letter that came from  
8 Treasury that say we are not happy. Because from where we are sitting we thought that after  
9 the technical team have met; because at that time when the technical meet, the technical  
10 team was meeting there was no payment made yet. So we thought probably after the  
11 technical team had met, this issues as they say they've raised, have been looked into and the  
12 risk in terms of the contract, the state attorney has drafted the contract. We thought  
13 everything is fine. Have treasury then went and made money available because the R114 that  
14 is available for the project. R50m comes from Treasury and comes with a letter that is  
15 earmarked for that particular project and the R54m is the one that is our own prerequisite  
16 because it's in terms of the conditional grant. So we're of the view that we have still work on  
17 this project together with them and everything is cleared. So that's why I'm saying I may not be  
18 able to say whether they did advise the accounting officer as the way they advised Exco.

19 JACOBS: On what basis was the.

20 DLAMINI: That was maybe I was wrong when I was saying to you my understanding was the  
21 process was made a 3 year project so it has to be finished in a small space of time because if it  
22 prolong it may even take more money right? So the fact that [Inaudible 3:02:51.2] or Treasury  
23 saying Exco took the decision to say it must be a merger project, I was not in that meeting I may  
24 not be able to elaborate on the decision of that meeting.

25 JACOBS: On what basis was Estina contracted to upgrade head office?

26 DLAMINI: To upgrade?

1 JACOBS: Head office.

2 DLAMINI: Which head office?

3 JACOBS: This head office. The Glen.

4 DLAMINI: They are not upgrading Glen.

5 JACOBS: We've seen documentation that indicates that they've been made a payment of  
6 R5m or approximately R5m [randulated] to the upgrading of the Glen.

7 DLAMINI: Glen. No.

8 JACOBS: If you look at the table, second payment there. This document from National  
9 Treasury also indicates that the total amount spent on the project at that stage was well in  
10 access of R114m that you indicated as been the only payments that have been made.

11 DLAMINI: Then again I can think but I am still getting it on record. The only money that this  
12 department has paid to Estina is R114. The only thing that might have happened here is with  
13 the budget allocated in the system, I [shall check] in the system. You'll find that probably at the  
14 time when we were paying, the budget was not properly allocated to that particular item line.  
15 Then it was used under the infrastructure or the capital line item which was wrong. It may also  
16 be an error, a human error but we are subsequently rectified these figures so surely that item  
17 put my head on the block. The only money paid to Estina is R114. So who will be able to?

18 JACOBS: So National Treasury goes into the BASS system and you say it's corrected. National  
19 Treasury should be able to see that.

20 DLAMINI: No who would be able to give you even the journals that has rectified this entry,  
21 looking at those item, even write it as a report to say that this journal rectified this and this is the  
22 reason why we rectified it at.

23 JACOBS: All right. Can I ask? Ms Dlamini that's effectively all we have for you at this stage.

24 DLAMINI: Yes.

25 JACOBS: Thanks very much. I think those are also our, oh that's your copy and there, the  
26 documentation underneath?

1 DLAMINI: That's my copies. This one is the letter you gave to me. This one is the 2011/2012  
2 budget.

3 JACOBS: Could I have a copy of that?

4 DLAMINI: Of what?

5 JACOBS: The budget.

6 DLAMINI: You know our budget is a thick document because of the provincial budget. Do you  
7 want that thick book?

8 JACOBS: No.

9 DLAMINI: This is the extract from the, let me write it here: Extract.

10 JACOBS: Thank you.

11 DLAMINI: This is the extract from the lists, so 2011/2012.

12 JACOBS: Sure. We've taken much more of your time than we initially planned.

13 DLAMINI: No it's all right.

14 JACOBS: Thank you so much. I'm going to go up to the HOD and start with the HOD. Trevor  
15 would you join me when you're ready. Do you have any questions Trevor [sorry?]

16 BARNARD: Not at this stage.

17 JACOBS: End of interview.  
18