



**MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA**

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**Leading the Land Bank towards its centenary in a challenging economic
and developmental environment**

Address by Minister of Finance Pravin Gordhan

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Minister of Agriculture, Forestry and Fisheries Tina Joemat-Pettersson,
Deputy Minister of Finance Nhanhla Nene
Chairperson of the Portfolio Committee on Finance, Mr Thaba Mufamadi,
Chairperson of the Portfolio Committee on Agriculture, Mr Lulu Johnson,
Interim chairperson of the board Professor Herman van Schalkwyk and members
of the board,
CEO of Land Bank,
Clients, investors and partners of the Land Bank,
Members of the media, honoured guests, ladies and gentlemen

South Africa finds itself in an interesting space, as does the rest of the world. While grappling with the current recession, there has recently been much talk of green shoots in the international economy as well as in South Africa, although these are still very few. Just as the impact of the recession on South Africa lagged somewhat behind the rest of the world's, it seems our recovery will lag too.

There are four issues to address in dealing with economic circumstances that presently confront us. The first is to acknowledge that there is a crisis; secondly

to understand the crisis and work out how to deal with it; thirdly to have the right people in the right posts, and lastly to understand the risks. In some ways, these issues in the story of the recession are mirrored in the story of the Land Bank. Today represents the beginning of a new partnership between key players for the Bank, and we will reflect on the new role of cooperative governance among the Ministry of Finance, Agriculture, Forestry and Fisheries, and Rural Development and Land Reform.

In recessionary conditions such as these, businesses struggle to stay afloat. The financial sector too is affected, perhaps even more than the other sectors, with institutions such as banks having to adapt to the challenges posed by lower levels of financial activity and higher defaults. The Land Bank is no different. The Bank has had to respond to not only the crisis, but a number of other challenges such as support to farmers. As we launch the Annual Financial Results of the Land Bank, we are cognisant of the difficult financial situation faced by many farmers - both emerging and commercial.

The turnaround strategy launched by the Bank shortly after the appointment of Phakamani Hadebe as interim CEO in June last year is beginning to bear fruit. Recovery will however be gradual and painstaking. The implementation of the strategy has been focused on governance, adherence to its mandate, and of course, the financial stability of the organisation. The Land Bank entered this period with a huge cloud over its head, dogged by allegations of mismanagement, fraud and corruption. Four forensic audits have been commissioned, and these reports have been submitted to the Serious Economic Offences Unit of the South African Police Service and the Hawks. We have also included the Financial Intelligence Centre and the Compliance Unit at the South African Revenue Service (SARS) in these investigations. I am happy to announce that there has been some movement on these cases. The very nature of the complexity of these crimes means that it may take a longer time to unravel issues. We will leave no stone unturned in dealing with these fraudulent cases.

Those involved will be brought to book, taken to court, and I hope they will be dealt with in the proper way. These matters will not be left untouched and unattended to. However, we cannot say too much at this stage because we do not want to jeopardise the investigations.

What is encouraging is that the Bank this year received an unqualified audit. The balance sheet of the Bank is in a healthier state and the organisation is on its way to realising its mandate. But many challenges remain and continue to put pressure on the liquidity of the Bank. There have been moratoriums and I will not deal with those in detail. The policy of bank has to ensure its own sustainability.

The Bank also deals with repossessions within the legal prescripts. These include establishing reasons for non-payment by the farmer, restructuring the debt and even extending the loan repayment period. Repossessions are unfortunate and a measure of last resort. However, not repaying loans negatively impacts on the Bank's ability to fulfill its developmental role. When the Bank's clients do not pay, the Bank in turn suffers liquidity problems which means it must also go out and borrow in a difficult climate. If this trend continues, government will be forced to resuscitate the bank through more bailouts. We need to look at other support programmes, which is why I am happy about the partnership we have forged.

Together with the Bank's turnaround strategy, I also approved the recapitalisation of the Bank through an increased guarantee of R3.5 billion. These steps will ensure that the Land Bank is financially sustainable, and will be a viable conduit to promote effective economic development in rural areas. The Bank must operate in a different way and fulfil the goals of President Zuma's administration, which has identified rural development as priority.

As part of this, the respective development interventions undertaken by the country's DFI's will be coordinated and if need be, redirected. This will be

informed by the proposals that the National Treasury is working on, following the DFI review that was undertaken. These will involve drawing on lessons of experience from the best international practices of DFIs. As has been clearly proven globally, DFIs are the best government conduit to promote economic development, provided they operate effectively. Experience tells us that some of the most successful DFI systems depend on the commitment of government to effectively align DFI mandates with government policy, together with the ability of the DFIs to serve priority sectors. Equally important is proper and effective coordination, proper governance structures, and reliable and effective monitoring and evaluation. When we have learnt what needs to be done, we will invite our colleagues from other Ministries to work with us – to ensure that our mandates, especially in dealing with rural development, work in tandem.

Therefore, the four important issues going forward are:

- Recognising that the Bank has found its feet and is becoming a viable institution;
- New partnerships must be formed and nurtured, not only between the three ministries, but also between commercial and emerging farmers, and between the Bank and other DFIs;
- We need to look at how we can combine commercial sustainability and our developmental role; and
- While the state can be seen as a catalyst, enabler and activist, the challenge is in ensuring that it is not exploited, especially in its role as enabler.

Finally, let me take this opportunity to thank the investors, clients and partners for their continued support to the Bank, and reiterate government's own commitment too. I understand the Bank is now out of "ICU" but they will still have to convince all of us that they will get out of hospital as soon as possible. I am confident that the new management team, under the direction of the Board, will charter the Bank safely through the challenges that lie ahead.

Thank you.