



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY MINISTER OF FINANCE

SPEECH BY MINISTER OF FINANCE, MR ENOCH GODONGWANA, AT THE LAND BANK MEDIA BRIEFING

09 September 2024

Chairman of the Land Bank Board;
Current and previous Board members present here today;
The CEO and executives of Land Bank;
Officials of National Treasury and the Department of Agriculture;
The media representatives present

Thank you for the opportunity to express a few words on behalf of government.

As a shareholder representative, the Ministry of Finance has played a significant role in advising and guiding the Bank as it embarked on a process to find an acceptable debt restructuring solution with its lenders.

The Chairman of the Board has already indicated that this has been a long and complex process which began during my predecessor's time, and before the current Board.

Government has been concerned about the effect that the protracted negotiation process has been having on the Bank's lending activities which are vital for the socio-economic impact of the Bank on the South African economy, and the agricultural sector in particular.

The Bank is a critical state-owned entity to the country's economy. A successful Land Bank contributes significantly to:

- Transformation of the agricultural sector – by primarily financing historically disadvantaged persons and improving their inclusivity in the sector that has hitherto been characterized by the “two agricultures”, one that is world class and is made up of large commercial enterprises that are predominantly White-owned, and the other



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one that is made up of predominantly Black-owned small scale enterprises faced with a plethora of barriers to entry, including access to affordable finance.

- Closing a market gap that exists during cyclical periods when commercial banks and other financial institutions would reduce appetite for agricultural loans to the sector during times of sector perils and economic downturns. Without DFI's like Land Bank the sector would not be protected against these events. The role of the Bank in this regard is essential to the objective of protecting the interests of the sector, and the country's food security.
- The agricultural sector is a catalyst and contributor to development of the rural economies, and for the creations and preservation of job opportunities.

At its prime Land Bank contributed R45bn to the Bank's agricultural debt finance which represented a share of approximately 28% of the South African farming debt. The Bank's loan book has since reduced to a loan book of R17bn owing to the four years of the Bank's debt default status.

Whilst we were mindful of the Bank's need for state support to assist it to get out of its debt default, we were also cognizant of the fact that a large part of the Bank's debt restructure solution would be driven through the Bank's own initiated remedial measures.

Through its own cash flow from collections and client settlements the Bank was able to repay 60% of its funding liabilities since the debt default. This is a commendable achievement.

Whilst this is a commendable achievement, this has resulted in the Bank's reduced support of the agricultural sector. It is for this reason that in providing a total of R10bn of fiscal support to the Bank we have ensured that a significant portion of the fiscal allocation is dedicated to support the Bank's agricultural development and transformation mandate through the deployment of at least R3.7bn of the capital allocation towards the Blended Finance Scheme.



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During the last few years National Treasury has also managed to reduce the State's contingent liabilities which were associated with the Bank's debt portfolio through the settlement of the Bank's State-guaranteed lenders.

Going forward, we want the Bank to adhere to the covenants set out in its debt restructure agreement, and to begin a process to address its funding structure so that we never find ourselves in a similar position again. The Board's focus will be to ensure that the Bank's turnaround strategy is effectively, and successfully executed.

A closer relationship and collaboration between the Bank and the Department of Agriculture, as well as all relevant state departments and entities is required to ensure that coordinated efforts and economies of scale of the State's entities and the private sector are leveraged to deliver effective impact in the agricultural sector.

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