STANDING COMMITTEE ON APPROPRIATIONS CALLS ON LAND BANK TO REGAIN ITS FORMER GLORY

The Land Bank appeared before the Standing Committee on Appropriation yesterday to present its financial situation, which has been in dire straits for successive financial years. Giving a broad overview of yesterday’s meeting with the bank, the Chairperson of the standing committee, Mr S’fiso Buthelezi, stated that the committee has appropriated R3 billion and subsequently R7 billion to the bank, because of the bank’s importance for food security, economic development and transformation.

The committee needs to understand the bank’s financial situation to see if it is still in a position to achieve its objectives. “Given your mandate, there is naturally an overwhelming interest in the bank to carry out its mandate,” Mr Buthelezi explained.

The Chief Executive Officer of the Land Bank, Mr Ayanda Kanana, said the bank is mired in default, rising impairments, liabilities and losses in its loan book. These problems have led to major liquidity challenges and the need to restructure its loan book and operational strategy going forward.

At the heart of the bank’s survival is the restructuring process, including restructuring the loan book and improved internal audit control. The bank’s liquidity challenges, the defaults of its borrowers, as well as the bank’s own subsequent defaults to its lenders have put it in a precarious position and its credit profile has been downgraded as a result.

Mr Kanana said it is critical to solve this to ensure that “we support more than the 28% of farmers that we currently support in the agricultural sector. This is not a desirable situation given our developmental and transformation mandates”.

The Land Bank’s financial officer, Ms Khensani Mukhari, said the Land Bank’s R1.3 billion net loss has created uncertainty about its ability to continue as a going concern. The bank wants to exit its current default status and negative interest margins. Ms Mukhari said that in 2019 9.6% of the bank’s loans were nonperforming. This grew to 16.8% in 2020 and 27.8% in 2021. It also saw a decline of assets to R42 billion and impairment ration of 7.3% in 2019, and 10.9% in 2021.

The bank’s lenders are concerned about the mismatch of the tenure of the loan book and liabilities. Loans are due for repayment in five years, but the maturity of borrowing is expected before five years. The National Treasury has since intervened and offered the bank R3 billion to stabilise its financial situation. In 2020, Treasury set aside R7 billion to recapitalise the bank to ensure that it serves its developmental and transformation mandate in the sector.

The bank also received a disclaimer audit report, which highlighted a lapse in internal controls on audit and risk management as critical contributors to its ailing financial status. The committee said there is a lack of sound governance culture at the bank and asked how it responded to the Auditor-General. Mr Kanana replied that they have “recalibrated our internal controls” and they hope for a better outcome in the future.

 Committee Chairperson Mr Buthelezi asked National Treasury how long it would take the bank to recover. The head of asset management and liability at Treasury, Mr Tshepiso Moahloli, said this would happen when it is in a position to pay what is due to its lenders.

Mr Buthelezi also wanted to know if National Treasury is playing a robust oversight role over the bank. The Chairperson of the Land Bank, Mr Mabotha Moloto, said: “National Treasury oversight over us is robust. They have put certain conditions that we have to fulfil for its financial guarantees, and is part of our restructuring committee to ensure that we cure our default situation.”

Mr Kanana said the bank finds it difficult to provide loans and is thus not able to prioritise its development and transformation mandate as much as it did in the past. This mandate has long been the bank’s priority. In recent years, this priority grew from 4% to 22% to date and it is envisaged that it will grow up to 55% of the loan book going forward.

Mr Buthelezi emphasised the importance of this mandate for South Africa to thrive. He also noted that the committee would continue to engage with the Department of Cooperative Governance and Traditional Affairs and urged National Treasury to have a special focus on the Land Bank. “If not, we would not have food security and the country will go hungry. We don’t want that to happen. Even a thought of it is undesirable. Let us ensure that the bank succeeds in all its endeavours. There is so much that is at stake in it.”

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