**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1787[NW2178E]**

**1787. Mr N P Masipa (DA) to ask the Minister of Finance:**

1. What are the (a) relevant details of the factors that were considered when the Government approved a bailout of R3 billion to the Land Bank and (b) conditions attached to the specified bailout;
2. whether he has found that the specified bailout will solve the challenges faced by the Land Bank going forward; if not, what is the plan going forward to solve this problem;
3. on what date will the bank resume its lending activities?

NW2178E

**REPLY:**

**1(a)** The following factors were considered when the Government approved a bailout of R3 billion to the Land Bank

1. **The credit downgrading of the Land Bank:**Between January 2020 and April 2020, Moody’s downgraded both the Land Bank’s global long-term issuer rating and the national scale credit rating on various occasions. The downgrades led to funders not rolling over maturing debt or extending new funding facilities. Despite having access to R4.3 billion in Government Guarantees, the Bank was still unable to secure additional funding.
2. **Downgrading leading to liquidity challenges and defaulting on financial obligations**: The Bank as a result of the downgrade experienced significant liquidity shortfalls, which resulted in a default on its outstanding debt starting 1 April 2020.
3. **The poor financial position of the Land Bank for the period 2016 to February 2020**. Analysis showed significant deterioration in the Bank’s financial position since the 2015/16. This pointed to the need to restructure the Bank for its future financial sustainability

**(b) The** following conditions attached to the specified bailout

 “Part of the R3 billion funds is to be utilised to pay portion of the overdue interest and capital and the remainder for the operation activities of the Bank (i.e. disbursements to farmers, etc.).

2.The R3bn will assist the bank with short term liquidity. The immediate goal is to stabilise the financial sustainability of the Land Bank and make sure the bank improves and continues with its business of lending to farmers in terms of its mandate, as per the Land Bank Act of 2002. In the medium to long-term the bank needs to cure its event of default, correct its asset and liability mismatch and attain financial sustainability. The shareholder recognises that the medium to long-term goals will required additional government support.

3.The Land Bank has continued its lending activities although at reduces scale.