**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **4290 [NW5357E]**

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**4290. Mr M Tshwaku (EFF) to ask the Minister of Finance:**

With reference to the recently published financial statements of the Land Bank, which show that the bank is turning the corner and making profit again, this is against the backdrop of the bank writing off soured loans from farmers who cannot pay, what (a) is the demographic representation of the farmers whose loans have been written off by the Land Bank and (b) adjustments is the bank making to ensure that it provides more development finance to emerging black farmers and beneficiaries of land reform? NW5357E

**REPLY**

1. **The demographic representation of the farmers whose loans have been written off by Land Bank.**

In the past 3 Financial Years, there were approximately 116 matters written off. Whilst both types of write-offs were considered (i.e. full write-offs of outstanding amount and partial write-offs of outstanding amount), the bulk of the written off matters were partial write-offs (i.e. being matters written-off subsequent to Land Bank having received the maximum achievable recovery amount and thus writing off the irrecoverable remaining balance).

Of the 116 written-off matters, the demographic representation is as follows:-

46% - White Farmers

42% - Black Farmers

12% - Colored Farmers

0% - Indian Farmers

1. **What adjustments is the Bank making to ensure that it provides more development finance to emerging Black farmers and beneficiaries of land reform.**

The Bank has adopted a new strategy and an operating model tailored to make it more developmentally focused and financially sustainable.

A key component of the strategy is the adoption of the Blended Finance Model in which the Bank has partnered with the Department of Agriculture, Land Reform and Rural Development (DALRRD) through a 10-year Memorandum of Agreement which is effective from the current financial year (FY2023) to FY2033. DALRRD has committed a grant allocation of R325m per annum for the first three years of the agreement. Land Bank will provide an equivalent amount of funds which will be advanced as loans to the clients. The Bank is in the process to partner with provincial governments of agriculture, land reform and rural development, as well as other strategic partners to complement the grant funding from DALRRD.

The targeted clients and beneficiaries of the Bank’s Blended Finance Model are black persons and majority black-owned small and medium-scale farmers and/or entities.

The Bank will be utilising a significant part of the equity allocation from National Treasury for the next five years (FY2023 to FY2027) towards the Blended Finance Programme which will be complemented by grant allocations from DALRRD and other strategic partners. The equity allocations to the Bank will be preserved for recycling into the sector through the collection of loan repayments from clients, as well as the recovery of notional cost of funds from clients which will assist to cover for expected credit losses from non-performing loans, whilst still offering affordable financing to clients.

Resultant from this state support the bank projects that the development and transformation portfolio will shift from the current 30% of its total loan book to above 50% by FY2027.

The utilisation of equity and grant allocations is important to ensure affordable financing to the clients as the use of blended funds reduces the cost of funding and enables pricing subsidisation. The use of blended funds also enables the Bank to provide pre- and post-finance support to farmers to increase their chances of success and reduce entrepreneurial failures. The Bank would be unable to afford these pre- and post-finance support services were it not for the deployment of state allocated equity and grants from DALRRD and other strategic partners. The magnitude of the grants need to sufficiently cover for both the beneficiaries’ equity contribution and these pre- and post-finance services, which is not yet fully catered for.

It is important to note that for the Bank to meaningfully support development at affordable financing levels and still be financially sustainable beyond the five-year period its current funding model will have to change such that in the long term the Bank has an increased portion of its funding mix coming from equity, patient funds, and grants. It is for this reason that the Board has prioritized the need for a review of the Bank’s Funding Model which is a critical prerequisite for the Bank to accelerate development and transformation on a financially sustainable basis.

**Note:** For further details on the Blended Finance Model please see the attached brochure (Annexure A).