

Land Bank running out of money

State-owned lender asks Treasury for more guarantees to avoid going broke by 2028

By KABELO KHUMALO

● At risk of again running out of cash in the next two years, the Land Bank has gone cap in hand to the National Treasury as it looks to raise R50bn.

Commercial lenders are wary of lending the bank money without a sovereign guarantee.

The bank, which underwent debt restructuring after a default in April 2020, has calculated it will run out of cash by 2028 as a result of its dire liquidity position.

The absence of a capital allocation through the medium-term expenditure framework (MTEF) budget process has further weakened the bank's liquidity position and "requires urgent attention from both Land Bank and National Treasury" the state-owned lender said.

Preliminary discussions with potential funders suggest that state guarantees may be necessary, prompting the Land Bank to seek further engagement with the Treasury to explore viable solutions and secure long-term financial sustainability.

To this end, the bank has submitted a guarantee framework application (GFA) to the Treasury for consideration, stressing that securing a sovereign guarantee remains a key dependency for fundraising, given the bank's financial situation.

Though the Land Bank is a crucial component of the government's ambition to drive agricultural transformation, ensure food security and facilitate rural economic growth, further financial assistance is far from assured; a previous application to the Treasury, which falls under finance minister Enoch Godongwana, was rebuffed.

In its annual performance plan the bank

reveals that its "capital structure and financial analysis by lenders show that the bank still requires further capital injection, and it still poses a limitation to the achievement of the bank's mandated development and transformation objectives.

"As a result, a resubmission of the MTEF budget, following a submission of the bank's funding model and business case to the minister of finance and National Treasury ahead of the submission of the bank's fiscal support request in the FY25 MTEF budget process, has taken place.

"This resubmission provided the rationale for further capital injection while noting the awareness of fiscal constraints and competing priorities, following an unsuccessful application."

The bank is facing pressure on interest margins, primarily the result of its high cost of funding and a loan portfolio that is dominated by long-term facilities with fixed interest rates that limit the bank's flexibility to seek a repricing of the loans.

The bank's latest application comes after Godongwana's adoption of a "tough love" approach to state-owned enterprises (SOEs), demanding they become self-sufficient and stop relying on taxpayer-funded bailouts.

However, that has not stopped the Treasury from providing government guarantees to key SOEs when they run short of money, most notably Transnet and Eskom.

Last year the Treasury approved an additional R48.6bn in guarantees, along with another R46.2bn to mitigate risks from credit downgrades on Transnet's debt, totalling R94.8bn in additional support.

The Land Bank will hope for a similar outcome. The Treasury told Business Times it was considering the bank's application but would not say how much in guarantees it was seeking.

"The Treasury cannot disclose the amount as Land Bank's guarantee application will go through thorough due diligence, which will

R40bn
The amount of debt outstanding when the Land Bank defaulted in 2020 before concluding a restructuring in 2024

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Land Bank looks to raise R50bn

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**Enoch
Godongwana**

then be presented to the Fiscal Liability Committee (FLC) for consideration, which will provide a recommendation for the minister to consider," the department said.

"The Treasury is aware of Land Bank's financial situation given the numerous interactions with the board and management on this matter."

The bank is exploring several funding sources for the 2027-2031 financial years, both in foreign and domestic currency. These include a \$1bn (about R16.4bn) long-term loan, which is at the concept note stage; an R18bn technical assistance loan; and a \$1bn sovereign-backed loan.

"The bank has received expressions of interest from multiple lenders, including opportunities to refinance the high-cost debt with more affordable alternatives," the bank's annual performance plan states.

"The application process for credit enhancement instruments has commenced, with due diligence in progress to position the bank for future guarantee-backed funding.

"In parallel, accreditation with climate finance agencies is advancing to unlock broader sources of concessional and sustainable finance, supported by a dedicated team driving this agenda.

"Regular cash flow projections shared with lenders indicate that, without intervention, the bank is projected to face a liquidity shortfall by the end of the 2027 financial year."

Should Treasury come through for the bank, it will be the second time in less than five years the department has bailed out the Land Bank.

In September 2024 it concluded a debt restructuring with all lenders, ending a four-year, R40bn debt default position. The deal involved exchanging outstanding debt for new, partially amortising notes maturing on March 31 2028, backed by R10bn in government support.

