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▶ INSPIRING GROWTH AND INCLUSIVITY | in Agriculture



Presentation by Land Bank

- 1. Introduction**
- 2. Overall Governance**
- 3. Procurement Process**
- 4. Lending Criteria**



# Introduction

# Introduction

## Land Bank Strategic Vision and Mandate



### The Land Bank's strategic vision is closely aligned with the NDP and APAP:

- Equitable **ownership** of agricultural land, in particular increasing ownership of agricultural land by HDI persons
- Agrarian **reform**, land redistribution / development programmes aimed at HDI persons
- Rural development and **job creation**
- Land **access** for agricultural purposes
- Agricultural **entrepreneurship**
- Removal of the legacy of racial and gender **discrimination** in agriculture
- Enhancing **productivity**, profitability, investment and innovation
- **Growth** of the agricultural sector and better use of land
- **Food security**

### The Land Bank is in the process of organisational revival following a challenging history

Pre 2008

#### **DISTRESSED BANK, PLAGUED BY COLLAPSED GOVERNANCE**

- Lack of adherence to the mandate of the Bank
- Poor decision making resulting in equity losses
- Investment in non-agricultural start-up businesses
- No clear funding and financial stability model
- Increase in non-performing loans and cost of credit
- Uncompetitive operating model
- Lack of control systems, credit policies and risk management policies
- Mismanagement and forensic investigations

2008 - 2013

#### **RESTORATION & STABILITY**

- Emphasis on an improved control environment
- Increased focus on financial sustainability
- Business stabilization
- Balance sheet growth
- Operational efficiencies

# Introduction

## Historical Context (cont)

- During the period 2009 -2013, the Bank achieved success in terms of Clean Up and Stabilisation
- Despite the successful turnaround, Land Bank however, still had observable challenges & shortcomings that needed to be addressed
- In summary, these issues are:

### Strategic

- Falling short on business growth opportunities
- Limited financing to the developmental sector

### Human Resources

- Organisational structure has duplication & conflicting roles

### Processes

- High levels of customer complaints
- Inordinately long transaction turnaround times
- Retail channel sub-optimal in new business generation
- Credit processes ineffective & poor in response

### Financial

- Progressive deterioration in capital adequacy
- Debt portfolio maturity structure, liquidity pressures
- Cost structure unsustainable, especially HR costs
- Wholesale lending through SLA's characterized by squeezed margins

# Introduction

## Land Bank's Development Objectives

**Land Bank's Strategic Development Objectives, pillars have been developed to place the Land Bank at the forefront of addressing the country's challenges**

### Strategic Development Objectives



Transformation



Sector growth



Employment  
Quality



Food Security



Sustainable  
Development

### Strategic Pillars

1

**Sector growth support**

*Prioritise high-potential regions and crops*



2

**Supply chain development**

*Increase funding in agro-processing*



3

**Production expansion and intensification**

*Support next-generation farming*



4

**Agri. innovation**

*Spur agri. innovation*

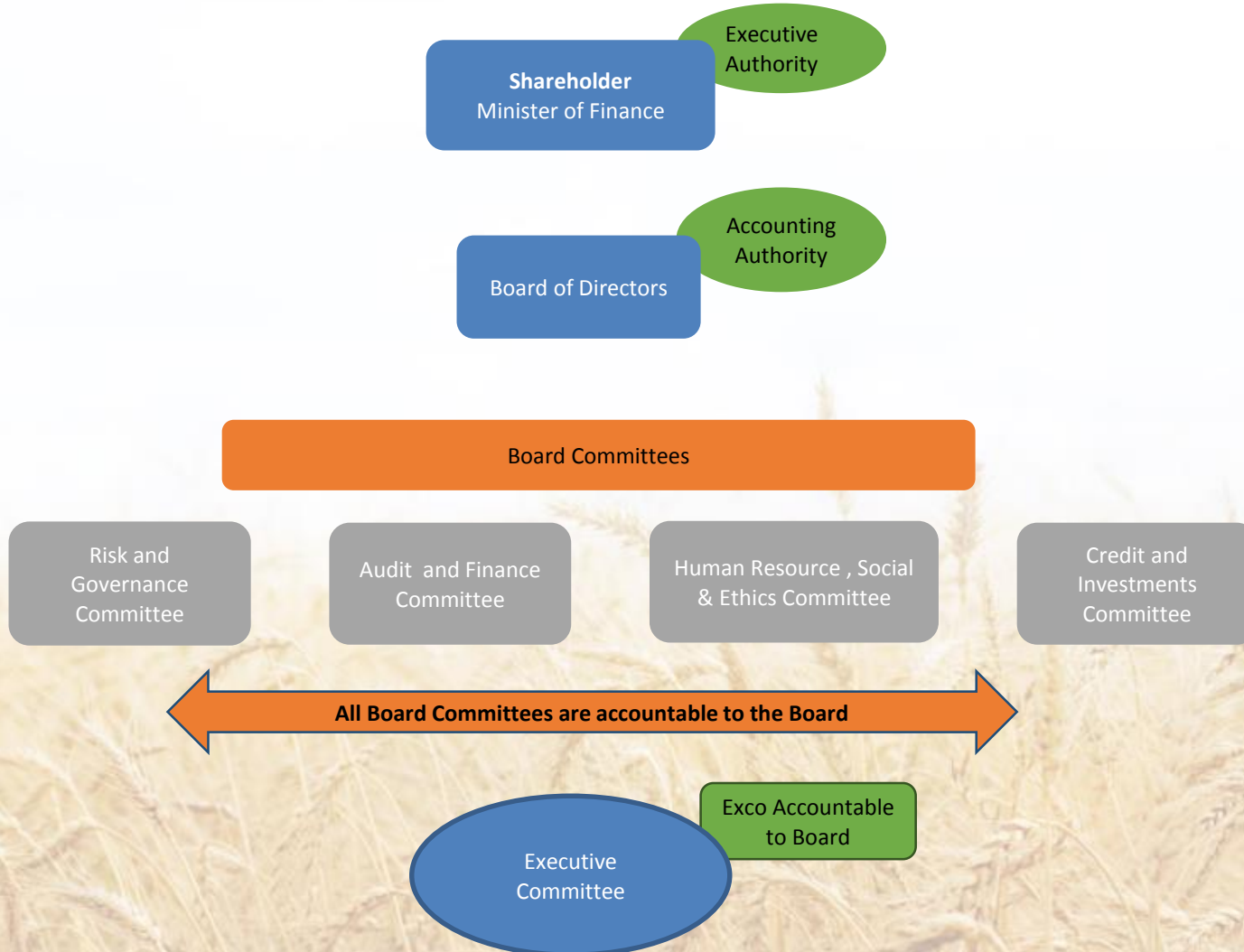




# Overall Governance



# Overall Governance Structure



## Composition

- Independent Non-Executive directors
- Chairperson to be a Non-Executive director
- No less than 3 and not more than 6 Non-Executive directors

## Duties

- Enterprise Risk Management Framework, Governance Architecture, Risk Appetite and Tolerance Framework
- Approve the Bank's Risk Management Plan
- Review and Monitor the management of all Risks in the organisation

## Meetings

- The committee will meet quarterly
- The quorum will be 50% of the Non-Executive directors appointed plus one
- A declaration of interest is signed at the beginning of each meeting

## Other information

- The performance and composition of the Committee to be reviewed annually
- The Charter to be reviewed Annually
- Last review May 2016

### Composition

- Independent Non-Executive directors
- Chairperson to be a Non-Executive director
- No less than 3 and not more than 6 Non-Executive directors

### Duties

- Internal and External Audit matters
- Accounting policies and methodologies
- Financial matters

### Meetings

- The committee will meet quarterly
- The quorum will be 50% of the Non-Executive directors appointed plus one
- A declaration of interest is signed at the beginning of each meeting

### Other information

- The performance and composition of the Committee to be reviewed annually
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# Overall Governance

## Human Resources, Social & Ethics Committee



### Composition

- Independent Non-Executive directors
- Chairperson to be a Non-Executive director
- No less than 3 and not more than 6 Non-Executive directors

### Duties

- Monitor, Review and Oversee all Human Resources, Social, Ethics and Environmental matters

### Meetings

- The committee will meet quarterly
- The quorum will be 50% of the Non-Executive directors appointed plus one
- A declaration of interest is signed at the beginning of each meeting

### Other information

- The performance and composition of the Committee to be reviewed annually
- The Charter to be reviewed Annually
- Last review May 2016

### Composition

- Independent Non-Executive directors
- Chairperson to be a Non-Executive director
- No less than 3 and not more than 6 Non-Executive directors

### Duties

- Review and recommend credit policies, frameworks as well as prudential limits and guidelines
- Review and approve or recommend credit facilities in line with Delegations of Power
- Monitoring

### Meetings

- The committee will meet monthly
- The quorum will be 50% of the Non-Executive directors appointed plus one
- A declaration of interest is signed by each member at the beginning of each meeting

### Other information

- The performance and composition of the Committee to be reviewed annually
- The Charter to be reviewed Annually
- Last review May 2016

# Overall Governance

## Membership of Credit and Investment Committee



Chairperson: Prof Mohammad Karaan

- PhD Agriculture; MSc Agriculture in Economics; BSc (Hons) Agriculture; BSc Agriculture

Arthur Moloto

- MSc (Finance and Financial Law); Postgraduate Diploma in Economic Principles; BA (Hons) Development Studies; BA Education

Dudu Hlatshwayo

- Bachelor of Social Science (Hons); MBA with specialization in Advanced Corporate Finance, Senior Executive Leadership Development Programmes Harvard and Wits

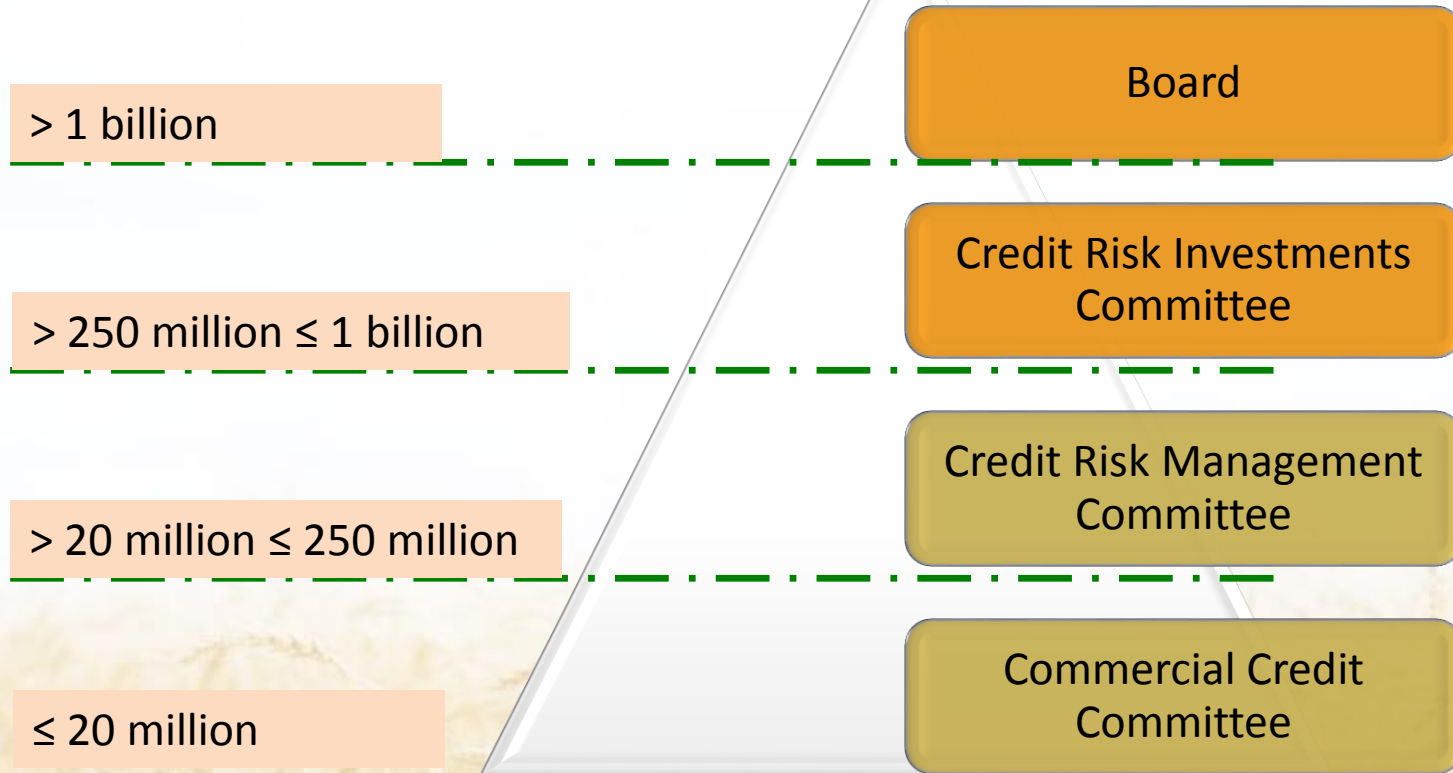
Mathane Makgato

- Masters in Development Finance; BCom (Hons) in Economics

Dumo Motau

- B Com; Certificate in Business Project Management; Diploma in Advance Banking

# Overall Governance Investment Delegations



All decisions are committee based; no single mandates

PEP screenings are conducted prior to any investments are made

# Overall Governance Conclusion



1. The Bank has received an unqualified audit opinion since FY2012.
2. The Bank has received clean audit report awards from the Auditor-General for three years running.
3. An independent Board appointed by National Treasury consisting of an independent non-executive Chairman and nine individual non-executive members provides independent oversight.
4. An independent Credit and Investment Committee consisting of an independent non-executive Chairman and four individual non-executive members supports the independence of credit granting decisions.
5. A policy on lending to Politically Exposed Persons has been approved by the Board.
6. National Treasury is the Executive Authority of the Land Bank.





# Procurement Process

- The Bank promotes the sources all goods and services via competitive quotations.
- The average annual procurement expenditure over the last 3 years amount to less than R50m.
- All Tenders are advertised on the National treasury e-Tender Portal
- Tender Process comprises of 2 stages:

## Business Case Approval

- Motivation of Spend (Business Case)
- Approval of Business Case (Business Executive + CFO)

## Tender Process

- Advertise - Issue Request For Proposals
- Evaluate proposals Received (Evaluation Committee\*)
- Approve Appointment of Service provider (Procurement Committee\*\*)

\*The Evaluation Committee is independent of the Procurement Committee

\*\*The Procurement Committee consist of members of Executive Management

- PEP screenings are conducted prior to any appointments being confirmed.

- The CEO is responsible for the day to day operations of the Bank (Land Bank Act)
- Procurement is centralised and managed by the Head of Procurement under the guidance of the CFO.
- The mandate for procurement spend has been delegated to Management as follows:..
  - ✓ Comparative Quotations -  $\leq$ R500k - Executive Management
  - ✓ Tenders -  $>$ R500k - Procurement Committee
  - ✓ Single Sourcing -  $\leq$ R100k - CFO
  - ✓ Single Sourcing -  $>$ R100k - Procurement Committee
  - ✓ Single Sourcing -  $>$ R500k - CEO via Procurement Committee

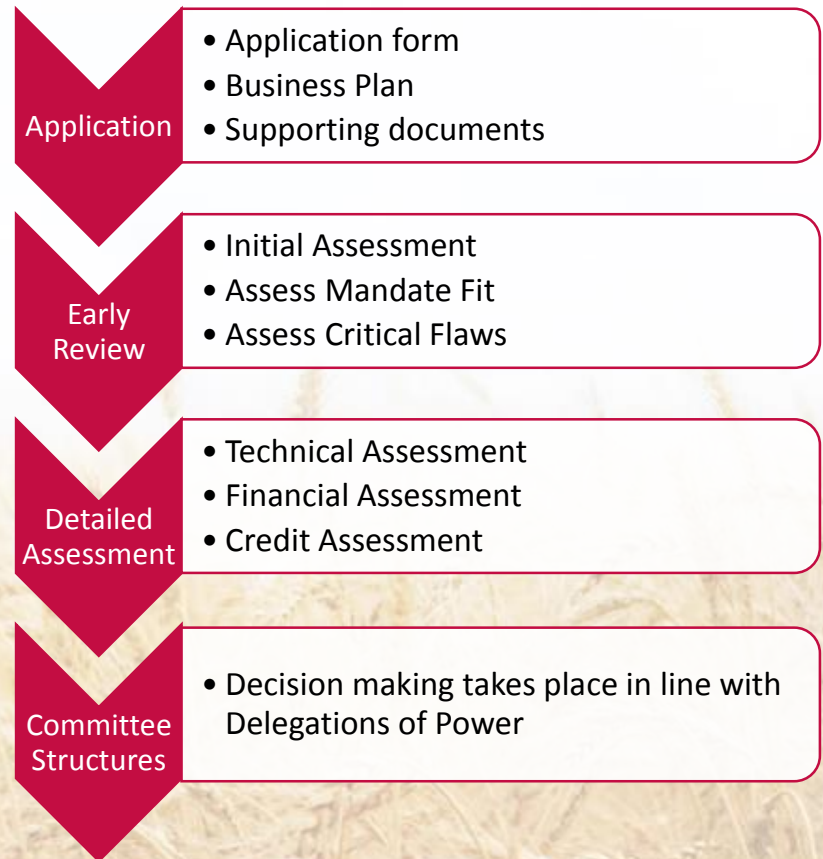


# Lending Criteria

## Credit Investments Analysis Process:

- Purpose of the Application
- Assessment of Management
  - Risk Assessment
- Financial Analysis and Repayment Ability
  - Collateral
- Environmental and Social Analysis
  - Development Impact
  - Legal Issues
  - Pricing

## Decision System:



# Questions & Answers



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