

Land Bank Operational Policy on Development

Presentation to Board

1 April 2009

Presentation outline

- Section 1:Operational policy on development
- Section 2:Mainstreaming development in the bank
- Section 3:Lending criteria and market niches
- Section 4:Supporting financing instruments
- Section 5:Partnerships and stakeholder mobilisation
- Section 6: Closing remarks

Objective and Purpose of the Development Policy

- The objective is to entrench development as core to business
- The purpose is to operationalise development by:
 - Generating thrusts to mainstream development
 - Facilitating transformation programmes in the Bank
 - Introducing and supporting innovation in agriculture
 - Building a foundation for sustainable agricultural development

Problem Statement

- Banks failure to establish policy to enable the following:
 - Definition of development
 - Development monitoring/impact
 - Development quantification
- Historical absence of systematic management of risk
 - Unstructured development financing, and
 - Lending
- Need for Policy
 - Tool to enable bank to implement development mandate appropriately

What informs the Policy

- Political imperatives in the sector
- Deregulation of the sector since 1994
- Strauss Commission recommendations
- Amended 2002 Land Bank Act
- NT review of DFI's
- Need to address market failure in the sector
- Bank risk appetite
- Alignment with shareholder objectives
- Need to define target markets, develop products and procedures
- Need for a policy to guide the bank in positioning its operations within predetermined risk
- **The above require the bank to realign its products, services, processes, infrastructure, and capacity**

Objectives of realignment

- To operate as a DFI
- To meet expectations of shareholder
- To address the financial market failures
- To prioritise development as core to business
- To manage expectations for innovative products against the bank's sustainability
- To inculcate the culture of responsible lending
- To address expectations for the Bank to provide non-financial services
- To re-define Land Bank development products

Operational policy on development

➤ Strategic goal and market position

- The Land Bank to be a fully integrated agricultural development finance institution with a regional footprint that promotes, facilitates and supports agricultural and rural development.

➤ The Bank has identified market space for development which includes:

- Financing agri related activities
- Support to land reform programmes
- Spectrum from individuals to cooperatives
- From empowerment clientele to **commercial (emerging and commercial)**
- Support for innovative ideas to enticing commercial agriculture into development

Identified Target Niche Markets (TNMs)

- **Indirect funding of emerging entrepreneurs via direct funding of large corporate clients (priority)**
- **Indirect funding of emerging entrepreneurs via the direct funding of newly established co-operatives as well as via existing commercial infrastructure (priority)**
- **Direct funding of emerging entrepreneurs (priority)**
- **Direct funding of emerging entrepreneurs, particularly groups such as trusts and communities, via the funding of inter alia enterprises that utilize land now available under the national land reform initiative (priority)**
- **Direct funding of the participation by emerging entrepreneurs in commercial primary or secondary agriculture (such as food processing)**
- **Direct funding of the acquisition by emerging entrepreneurs of shares in existing and/or expanding enterprises**
- **Direct funding and/or support of focused rural development enterprises or initiatives**

Development Impact Parameters (DIP's)

- Market niche or delivery products to be assessed on the basis of DIP's **(see mainstreaming presentation for details):**
- DIP's include among others:
 - Development of emerging entrepreneurs
 - Generation of employment opportunities
 - Access to land
 - Creation of BEE ownership
 - Creation of BEE management
 - Creation of WYD participation
 - Alleviation of poverty in high priority regions
 - Contribution to food security
 - Introduction of innovative ideas in agriculture
- This to be reported to the Board Audit Committee

TARGETED MARKET NICHE (TMN)	DEVELOPMENT IMPACT PARAMETER (DIP)									DIP
	Development Of Emerging Entrepreneurs	Generation Of Employment Opportunities	Facilitation Of Successful BEE Access To Land	Creation Of BEE Ownership	Creation Of BEE Management	Creation Of WYD Participation	Alleviation Of Poverty In High Priority Regions	Contribution To Food Security At The National Level	Introduction Of Innovative Ideas In Agriculture	TOTAL
SUGGESTED DIP WEIGHTING (%)	15	15	15	10	10	10	10	10	5	100
1 INDIRECT FUNDING OF EMERGING AND NON-HDP ENTREPRENEURS VIA LARGE CORPORATE CLIENTS, SUCH AS EXISTING CO-OPERATIVES AND OTHER ENTITIES	X 5	XXX 15	X 5	0	X 5	X 5	X 5	XXX 10	X 5	65
2 INDIRECT FUNDING OF EMERGING ENTREPRENEURS VIA NEWLY ESTABLISHED CO-OPERATIVES AND EXISTING COMMERCIAL INFRASTRUCTURE, INCLUDING BANKS	XXX 15	XX 10	XX 10	XX 10	XX 10	X 5	X 5	X 5	X 5	76
3 DIRECT FUNDING OF EMERGING ENTREPRENEURS IN EXPANDING AGRICULTURAL ENTERPRISES	XXX 15	X 5	X 5	XX 10	XX 10	XX 10	XX 10	X 5	0	70
4 DIRECT FUNDING OF EMERGING ENTREPRENEURS VIA ENTERPRISES THAT UTILIZE LAND NOW AVAILABLE THROUGH THE NATIONAL LAND REFORM INITIATIVE	X 5	XX 10	XXX 15	XX 10	XX 10	XX 10	X 5	XX 10	X 5	80
5 DIRECT FUNDING OF THE PARTICIPATION BY EMERGING ENTREPRENEURS IN COMMERCIAL AGRICULTURAL (PRIMARY & SECONDARY) ENTERPRISES	XX 10	XX 10	X 5	XXX 10	XX 10	XX 10	0	X 5	0	80
6 DIRECT FUNDING OF THE ACQUISITION BY EMERGING ENTREPRENEURS OF SHARES IN EXISTING OR EXPANDING ENTERPRISES	X 5	X 5	X 5	XXX 10	XX 10	XX 10	0	X 5	X 5	65
7 DIRECT FUNDING OF FOCUSED RURAL DEVELOPMENT ENTERPRISES, PROJECTS OR INITIATIVES	X 5	XX 10	X 5	X 5	XX 10	XXX 10	XX 10	X 5	X 5	85
8 DIRECT FUNDING OF NON-HDP COMMERCIAL FARMERS AND NON-HDP COMMERCIAL ENTITIES	0	XXX 15	0	0	X 5	X 5	X 5	XXX 10	X 5	45

NOTES:

- 1 HIGH DEVELOPMENT IMPACT RELATING TO SPECIFIC DIP XXX
 MED DEVELOPMENT IMPACT RELATING TO SPECIFIC DIP XX
 LOW DEVELOPMENT IMPACT RELATING TO SPECIFIC DIP X

2 ESTIMATED AVERAGE SCORE PER APPLICATION IN EACH TMN

0/6/10/15

3 THE ABOVEMENTIONED SCORING SYSTEM PROVIDES A CLEAR MECHANISM TO ADJUST THE PRICING OF EACH APPLICATION IN ACCORDANCE WITH ITS DEVELOPMENT IMPACT

Policy principles

- In responding to the challenges of achieving the objectives of the Bank, and ensuring that it occupies its development space, the following principles will guide the Bank in implementing development:
 - Support of government priorities in land, agrarian and rural development
 - Ensure sustainable enterprises
 - Ensure clear development impact
 - Financial sustainable institution
 - Manage risk

Policy statements:

The Bank has adopted the following policy statements.....

- **Land Bank as a financier of sustainable business**
 - Financing sustainable business
 - Principles of sustainability and commercial viability

- **Land Bank to be financially sustainable**
 - Ensure recovery of exposures

- **Land Bank investments to have development impact**
 - Investments guided by development impact
 - Informed by the developmental imperative of the Government

- **Land Bank will incentivise investments with a development impact**
 - There will be benefits for investments with a development impact

- **Land Bank to have a comprehensive risk management framework**
 - Multi-facet (tiered) risk management approach
 - From risk transfer, risk mitigation, risk sharing, risk avoidance and risk acceptance

- **Land Bank to define its risk appetite**
 - Predetermined impact on balance sheet
 - Measures to mitigate risk

Required interventions and instruments:

To achieve some policy principles, several interventions have to be embarked upon:

➤ **Products**

- Develop appropriate products
- Review annually

➤ **Non-financial services to support new farmers and the sector**

- Facilitate and promote
- Aftercare services major thrust of interventions

➤ **Funding for development**

- Funding guided by target niche markets
- Lending to TNMs properly funded
- Review funding requirements on regular basis

➤ **Stakeholder alignment and partnerships: corporate and operational level**

- Two-tier approach
 - At corporate level and strategic level
- MOUs to govern relationships
- Process will be revised every two years

Required interventions and instruments.....

- Financing of strategic interventions for transformation
 - Finance and facilitate transformative programmes
 - AgriBEE, land reform and equity investments
 - Within the Land Bank mandate

- Rural development interventions
 - Financing and facilitating
 - e.g ISRDP/PGDS /IDPs/ASGISA

Implementation of the policy: Roles and responsibilities

To implement the operational development policy, the following actions will be required from responsible business units:

Role	Responsible
Develop credit vetting criteria and multi disciplinary appraisal procedure and capacity (due diligence)	Operations and Investments (O&I), supported by Credit, Risk and AERIS
Develop a financial model to inform credit vetting and pricing	O&I, Credit, risk & AERIS
Identify, define and weight development impact parameters (annually)	Multi-disciplinary team appointed by the CEO and reporting to the Audit Committee
Develop a pricing model reflecting cost of capital, credit risk and development impact.	Treasury, supported by Finance and Credit
Regular risk appetite review	Treasury, supported by Risk and Finance
Define the risk management approach	Risk, supported by Credit and Finance
Define aftercare requirements during due diligence process and the process of client risk management	O&I, supported by AERIS, Risk and Credit

Implementation of the policy: Roles and responsibilities

To implement the operational development policy, the following actions will be required from responsible business units:

Role	Responsible
Develop products and interventions for rural development	Task Team to be appointed by the CEO
Develop products and services for each target market niche	O&I, supported by Credit, Risk, Treasury and Marketing
Develop a package/programme for non-financial services	AERIS, supported by Communications, O&I and Credit
Develop a catalogue of products and services	Marketing, supported by O&I and Communications
Develop and undertake a programme for engagement/management of stakeholders and partners	Communications, supported by relevant business units such as O&I, Treasury and AERIS
Establish a Development Implementation Task Team with DoA, DLA and Treasury	O&I and Communications, supported by other relevant business units
Develop a strategy for alignment with regional initiatives	AERIS, supported by other relevant business units

Mainstreaming of Development (MoD)

Strategic thrusts of the policy framework

- Key strategic development thrusts (SDT's) of the DPF have subsequently been incorporated into Land Bank's turnaround strategy, including the following:
 - The mainstreaming of development within Land Bank
 - The operationalizing of development policy
 - Partnering with financial and non-financial partners
 - The identification of funding sources and development financial products
 - The initiation of pilot development projects

- To achieve this mandate, Devcom has been established

Focus of mainstreaming

- The objective is to **Entrench** development in all spheres and activities of the bank
 - No specific development unit
 - Everyone in the Land Bank being a development champion
 - Each application to be also measured in terms of dev impact

Emphasis of mainstreaming

- **Proposed tools** for entrenchment
 - Expansion of credit decision making framework
 - assess and measure development impact in each application\investment
 - Adoption of development impact parameters
 - Devcom to oversee mainstreaming until permanent structure in place

Mainstreaming Approach

- Review and define the banks risk appetite
- Principles of lending are commercial viability, enterprise sustainability and compliance to risk appetite
- Finalise operational policy (Completed)
- Product development
- Pricing to be based on inter alia, compliance to development impact parameters

Implementation Mechanism

- **Internal**
 - Change in decision making process
 - Adoption of DIP's
 - Revised credit criteria
 - Identification of supporting funding instruments
- **External**
 - Adoption of an approach seeking external partners to share financial risk and ensure provision of aftercare services
 - Alignment with stakeholders
 - Partnering with state and private sector

Implications of mainstreaming

- **Envisaged support and monitoring of MoD by Devcom**
- MoD support would address *inter alia* the following:
 - Oversight of the strategic MoD thrust
 - Establishment of relevant partnerships
 - both financial and non-financial
 - Assistance with MoD within Land Bank
 - including the implementation of an effective communication campaign inside and outside Land Bank
 - Monitoring of development impact
 - Monitoring of the efficiency with which MoD has been implemented
 - Promoting adequate linkages with the annual strategic review of Land Bank
- Devcom oversight structure (interim)
- **Permanent structure not independent and not separate**
 - Part of mainstreaming throughout the bank

Implications of mainstreaming

➤ **Considered alternative options included the following:**

- Establish Development Department
 - Defeat the objective of mainstreaming
- Drive MoD via a compliance risk management process
 - Contrary to key SDT's

➤ **Permanent Structure**

- To be established during 2009\2010 FY
- It is expected, however, that one or more working sub-committees, each drawing personnel from key divisions or departments, will continue to operate in the short term to effectively mainstream development in Land Bank

Support of MoD entrenchment initiatives

- **Substantial support is expected to be given by all divisions**
 - **ensure shared vision**
 - **meticulous co-ordination of ongoing MoD activities, including:**
 - **Communications**
 - Design communication campaign
 - common understanding within Land Bank
 - development *inter alia* appropriate induction and re-orientation programs
 - **HR to align available human resources**
 - develop appropriate talent management and human capital development
 - **Introduce change management**
 - changing the mindset
 - embrace Land Bank's strategic imperatives

Support of MoD entrenchment initiatives

➤ **Restructuring of Land Bank:**

- Strengthening of executive management
 - ensure successful implementation of MoD
- Enhancement of capacity in Operations Division
- A concerted recruitment and training program
 - To develop a multi-disciplinary credit assessment (due diligence)
 - Workout and re-engineering capability within Land Bank
- Prioritize its selected TMN's
- Partnering with DFI's
 - Transfer and/or to build appropriate skills, and
 - capacity within Land Bank
- Introduce appropriate performance measurement system
 - to support and entrench MoD

Support of MoD entrenchment initiatives

- Revise policies, procedures, approval process, norms standards, credit approval processes and structures

- Provision of aftercare services
 - Requires divisional support
 - Training support from HR
 - Development of appropriate MIS
 - Research support by AERIS

- Monitoring of MoD implementation
 - Development impact achieved
 - Efficiency of implementation

Conclusion

- MoD is the major current strategic thrust of Land Bank in its endeavor to transform itself into a successful DFI - one which is able to deliver fully on its development mandate. It has become the key element of the annual strategic review and corporate plan of Land Bank
- Consequently, MoD is expected to have a major impact on future strategic reviews of Land Bank's shareholder compact, its corporate plan and its annual and long term budgets

Funding Dynamics:

Principles, Parameters, and Funding approach

Purpose

- Outlines the key principles (or key lending guidelines) adopted
- Broadly defines the key TNM's identified and adopted
- Suggests a funding approach

Impediments to development lending

- Security-based “balance sheet” financing
- Inappropriate lending guidelines

Recommended lending guidelines:

3 key lending guidelines identified for funding approvals:

1. Sustainability

- Ability to service debt
 - Enhancement of multi-disciplinary due diligence
- The following to be in place
 - Availability of resources
 - e.g access to natural resources (land, soil, water etc)
 - Access to the institutional resources
 - e.g climatic data
 - soil testing facilities
 - and technical support
- Management and ownership
 - demonstrate a basic production know-how
 - financial understanding or access
- Institutional/organizational structure
 - appropriate institutional and/or organizational structure
 - differentiates management and ownership roles
- Support structures
 - non-financial support
- Market and marketing infrastructure
 - identifiable market or access

Recommended lending guidelines.....

3 key lending guidelines identified for funding approvals:

2. Commercial orientation\viability

- Demonstrate commercial viability:
 - Commercial nature
 - Commercial agricultural dimension
 - commercial viability
 - not regular dependence on other sources of income (eg grants)
- Profitability and cash flow critical
 - financial statements scrutinized
 - prevent reckless lending

3. Compliance with the bank's risk appetite

- Fair\good probability to recover
- Application of risk mitigation
 - Insurance, non-financial services
- Assessment inter alia following financial parameters:
 - Debt to equity ratio
 - **Cash flow cover ratio**
 - Income security ratio
 - Profitability
- Sensitivity analysis of key variables

Target Niche Markets (TNM's)

- TNM's identified and defined
 - Incorporate existing traditional “development” clients
 - Also represent broader definition of development clients
 - Referred as the “emerging entrepreneur”

- Definition of the emerging entrepreneur includes:
 - Emerging HDP farmers
 - Emerging HDP entities, such as companies and/or trusts
 - Existing HDP communities that wish to engage in agricultural and/or rural development enterprises, projects or initiatives

- TNM's to enable effective addressing of financial market failure
- TNM's to inform the KPA's in corporate plan

Identified Target Niche Markets

- Indirect funding of emerging entrepreneurs via direct funding of large corporate clients, including *inter alia* existing co-operatives and other similar wholesaling clients. This target market will *inter alia* utilize an indirect/wholesaling funding mechanism to support emerging entrepreneurs, such as a cash credit account facility (CCA). In particular, increases in funding of existing corporate clients could be partially ring-fenced or reserved for specific development foci, such as emerging entrepreneurs
- Indirect funding of emerging entrepreneurs via the direct funding of newly established co-operatives as well as via existing commercial infrastructure, in order to support emerging entrepreneurs in specific sub-sectors where marketing risks can be mitigated by off-take agreements or contracts, as well as via the application of a core unit/outgrower model (eg a sugar mill with HDP contract growers)
- Direct funding of emerging entrepreneurs, via a revised set of lending criteria (such as softer security/collateral parameters) that would be partially determined by the sources of funding available for this sub-sector

Identified Target Niche Markets

- Direct funding of emerging entrepreneurs, particularly groups such as trusts and communities, via the funding of *inter alia* enterprises that utilize land now available under the national land reform initiative, as well as those that can make a substantial contribution to food security. Such funding could involve *inter alia* partial risk and profit sharing by Land Bank, in the form of ordinary and/or preference shares and/or mezzanine funding and/or the provision of debt instruments. Land Bank would typically divest its equity holding over time, in favour of emerging entrepreneurs
- Direct funding of the participation by emerging entrepreneurs in commercial primary or secondary agriculture (such as food processing)
- Direct funding of the acquisition by emerging entrepreneurs of shares in existing and/or expanding enterprises, in order to *inter alia* promote national procurement policy
- Direct funding and/or support of focused rural development enterprises or initiatives involving communities and/or groups, particularly those promoting the participation of women and/or youth and/or the disabled (WYD)
- Direct funding of non-HDP commercial farmers and/or entities

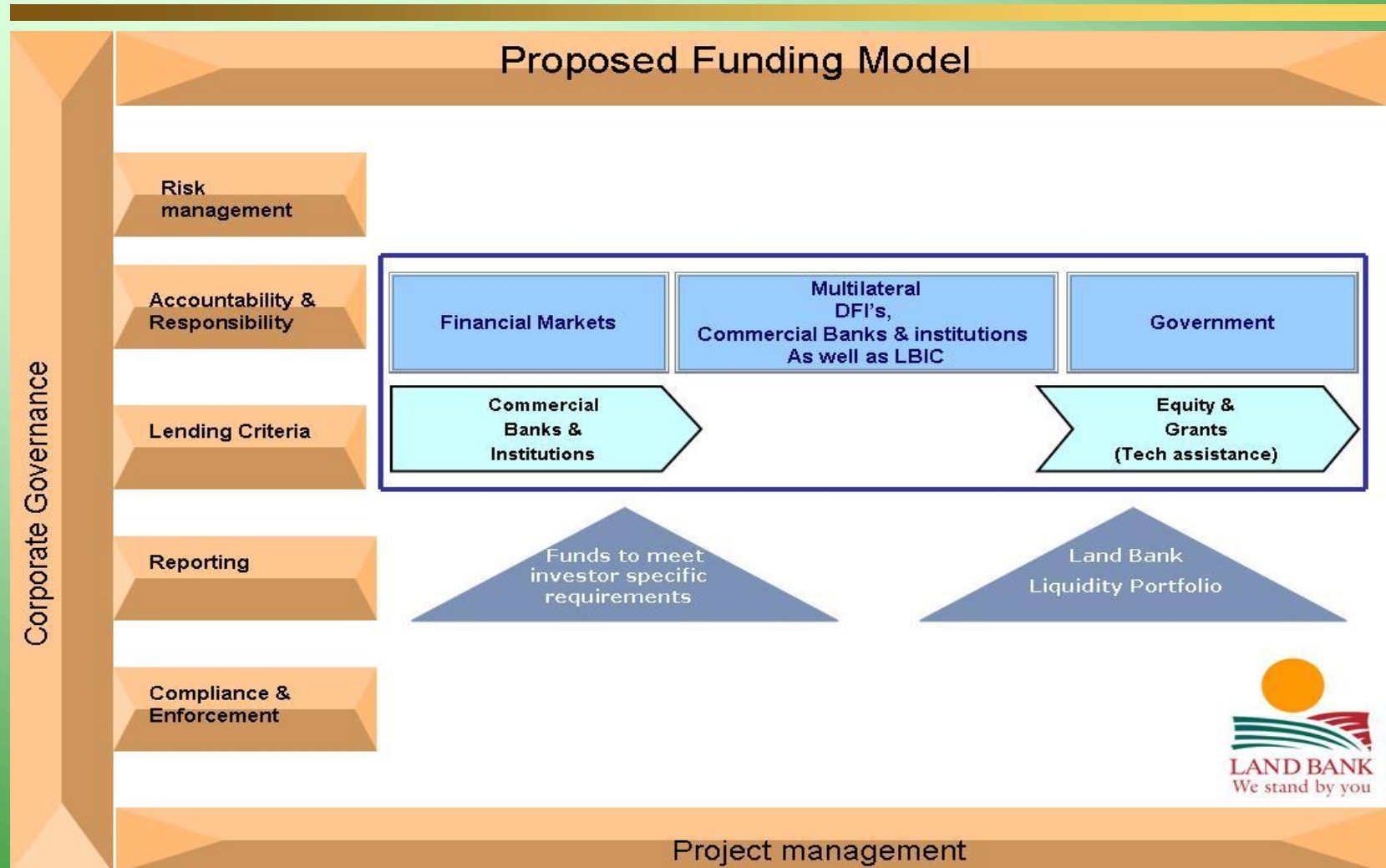
Proposed funding model to support development

- Model to support products aimed at the target niche markets
- These include the following sources of funding:
 - Equity (from the shareholder)
 - Financial market funding, via the sale of Land Bank bonds/paper
 - Multilateral development finance institutions (MDFI's)
 - Syndicates and/or special arrangements with commercial banks and/or other development finance institutions (DFI's)
 - Focussed use of dividend income generated by the Land Bank Insurance Company (LBIC)
 - Grant funding, typically from the Departments of Agriculture and/or Land Affairs
- Other instruments to be considered
 - senior debt, junior/mezzanine debt
 - equity and funding of capacity building

Next steps

- Devcom is expected to progressively focus on the following key aspects:
 - Prioritization of the target niche markets (Completed)
 - Development of appraisal methodology to measure development impact of each application (Drafted)
 - Development of appropriate funding instruments (Completed)
 - Assessment of the availability of funds from various funding sources

Proposed funding model to support development



Supporting Financing Instruments

Impediments to financing emerging farmers

➤ Identified impediments:

- **Gearing effect**
 - High debt service burden
- **Cash flow lag**
 - Timber and fruit production
 - Other sectors of similar nature
- **Limited Insurance products available to cover full risk**
 - Limited cover-70%
 - Uncovered 30%

Proposed solutions

- Approach National Treasury and DoA
 - Equity Investments and Grants
 - Reduce high gearing effect
 - Improves ability to service their debt
 - Recommended National Treasury and the DOA approval
 - Sell equity to the owners at a nominal price
 - » When the Bank has achieved its expected/required return (e.g. 5% real after Tax IRR)
 - Provide grants
 - Borrow for production loans only
 - Criteria for grants
 - High productive capacity
 - Low grant
 - Low productive capacity high grant

Land



Community



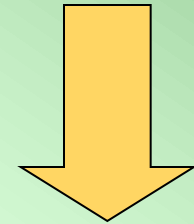
Finance



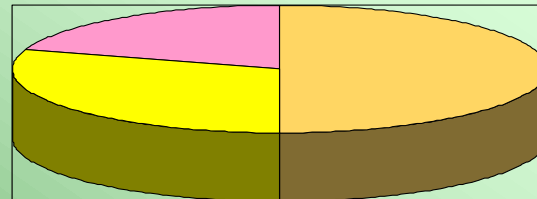
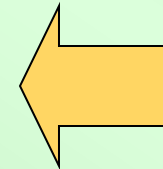
Partners



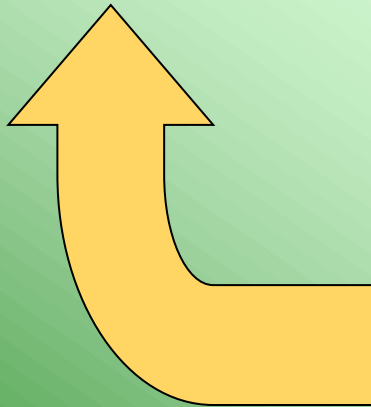
Expertise



Production



Equity & Gearing



Proposed solutions

➤ Introduction of Grace Periods (e.g. timber and fruits)

- Servicing their debt costs when production begins
- Concessionary rate or part payment
- Repay in full when production begins
 - Objective-minimizing interest capitalized

➤ Insurance Fund

- Provide finance for residual exposure
- Use when the trigger events occur
- Alternative set aside a percentage of its profits
- Example of NT and DBSA- Development Fund
- Subsidise insurance to make it cheap and affordable

Stakeholder Engagement and Partnerships Strategic Framework

Introduction

- Framework is basis for strategy to position the bank as primary DFI
- Objective
 - Recommend process and approach
 - Position the bank interventions in a planned, organised, managed, controlled and coherent manner
- The key components are:
 - **Strategic management of mandate impacting issues**
 - **Advance the corporate objectives** of the Land Bank

Context

- Operating environment
- Failure to deliver on mandate
- Poor sustainability
- Bad reputation
- Alignment with shareholder objectives
- Fostering the promotion, facilitation, and support for development

Key objectives of the strategy

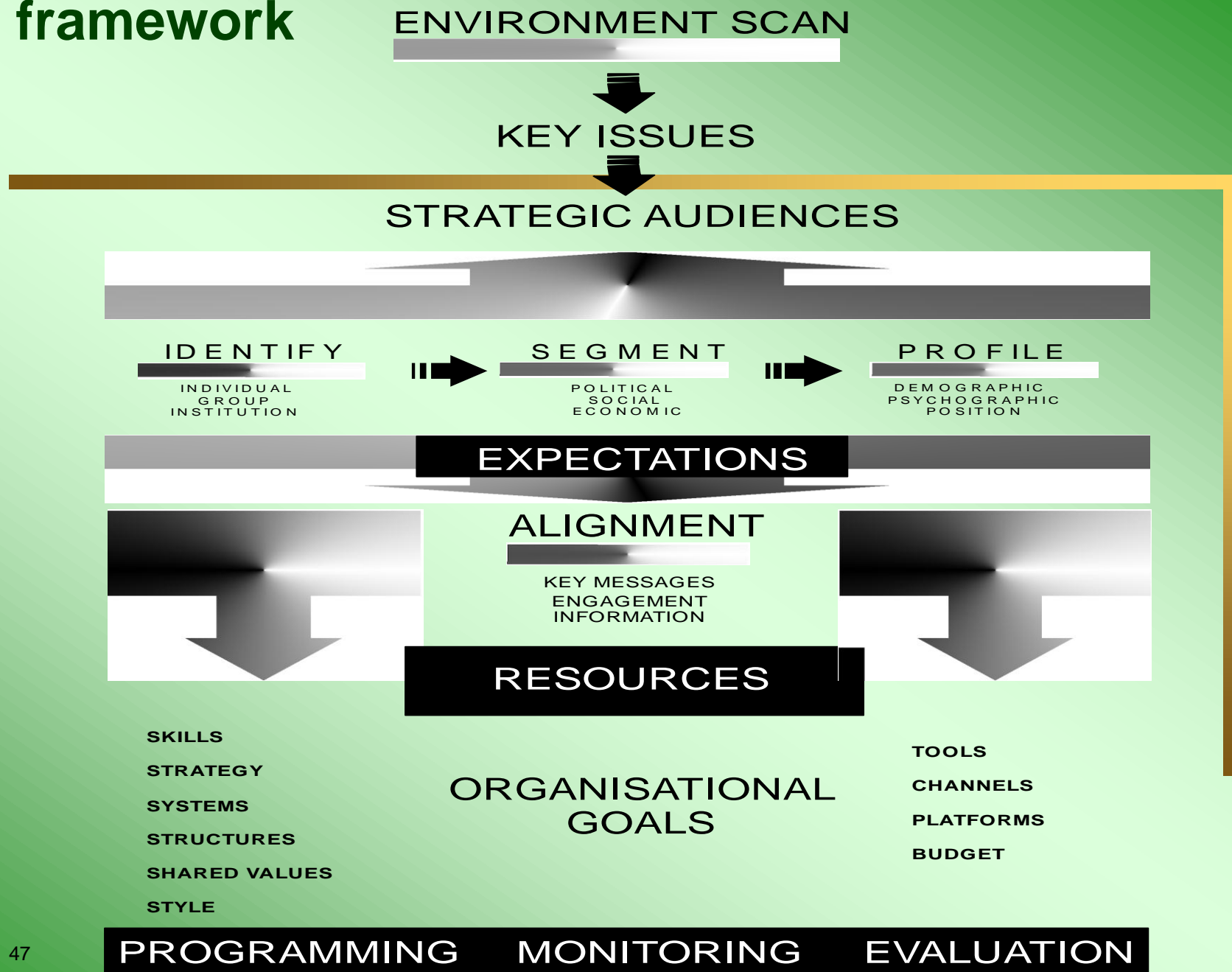
➤ The key objectives of the Land Bank Stakeholder Mobilisation Strategic Framework are:

- To position stakeholder engagement as a multi-disciplinary strategic intervention
- To stratify stakeholder engagement as a multi-level activity
- To develop mechanisms of positioning stakeholder engagement as a managed process
- To streamline all stakeholder engagement activities
- To allocate custodianship of stakeholder engagement roles to relevant entities and people
 - Maintain control of key messages
- To create mechanisms of outreach to the historically-disadvantaged rural and farming communities

Stakeholder definition

Any individual, entity, group or structure that shares an issue or issues of mutual interest with the Bank

The framework



The partnerships programme

➤ **The core of the Land Bank Partnerships Programme will be informed by the Land Bank Stakeholder Mobilisation Framework**

- Is a multi-facet and multi-disciplinary process that seeks to mobilise partnerships based on the Development Policy and Strategic Framework

Partnerships identification process

Low Financial Resource High Financial Resource

High Human Capacity	<p>High human capacity and low financial resource Advantage to LB: skills, knowledge LB contribution: financial resources Prospective partners: Universities, Research inst, Strategy: long term relations</p>	<p>High human capacity and high financial resources Advantages to LB: Expertise, Finance LB contribution: Agricultural expertise/experience Prospective Partners: DFI (National and multilateral); Agri-Industry Strategy: short, medium and long</p>
	Low Human Capacity	<p>Low human capacity and low financial resources Advantages to LB: Vision LB contribution: Capacity building: Technical, Financial assistance Prospective partners: Agriculture formations, emerging cooperatives, clients (subsistence farmers) Strategy: short and medium</p>

Custodianship for stakeholder mobilisation

- All components of the bank involved
 - To create and maintenance relationships
- Custodianship divided into the following:
 - Corporate strategic and policy level
 - driven by a deliberate strategy to mobilise, influence and inform
 - Business operation level
 - driven by the need to achieve business objectives

Stratification of partnerships engagement process

Stakeholder group	Driver/s	Other participants
<u>Political and Regulatory</u> Government relations, (national, provincial & local), parliamentary and statutory structures, political parties, shareholder relations, Board.	CEO, and his Exco nominees, Operations, Communications, Risk	Exco and other nominees
<u>Economic & Corporate</u> Business, clients, investors and corporate relations, academic institutions, DFIs, research institutions, farmer and agricultural interest groups	CEO, Exco, Treasury, Operations, AERIS, Communications, Risk	CEO and Exco nominees
<u>Social Relations</u> Communities of interest, lobby groups and spatial communities	CEO, Exco, AERIS, Operations	CEO's nominees
<u>Mass Media</u> Mass media,	CEO, Exco, Communications	Subject specialists

Stratification of partnerships engagement process

Stakeholder engagement is driven by CEO who may delegate, and is segmented as follows:

Stakeholder group	driver/s	other participants
<u>Political and Regulatory</u> Government relations, (national, provincial, & local), parliamentary and statutory structures, political parties, shareholder relations, Board.	CEO, and his Exco nominees, Operations, Communications, Risk	Exco and other nominees
<u>Economic & Corporate</u> Business, clients, investors and corporate relations, academic institutions, DFIs, research institutions, farmer and agricultural interest groups	CEO, Exco, Treasury, Operations, AERIS, Communications, Risk	CEO and Exco nominees
<u>Social Relations</u> Communities of interest, lobby groups and spatial communities	CEO, Exco, AERIS, Operations	CEO's nominees
<u>Mass Media</u> Mass media,	CEO, Exco, Communications	Subject specialists

Formalisation of stakeholder engagement

- Various instruments can be used
 - Depending on the type of the partnership
 - Memoranda of Understanding (MOU)
 - While in more complex partnerships other instruments will be used.

Closing Remarks

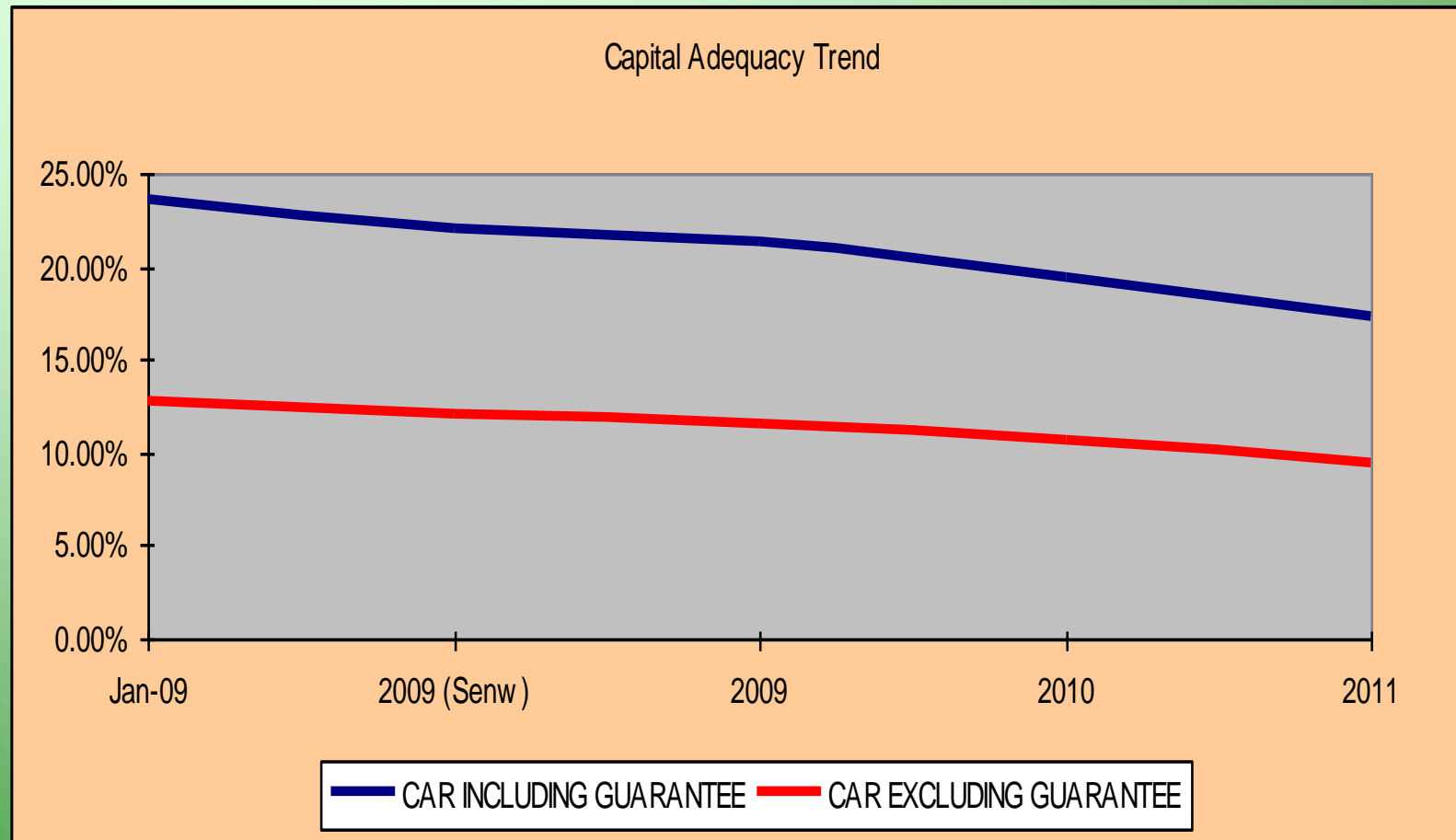
Key issues for the success of development

- Balance sheet strengthening
 - Recapitalisation

Recapitalisation Periods	Recapitalisation Amounts	Cumulative Amounts
2010	R1.5 bln	R1.5 bln
2011	R899 mil	R2.4 bln
2012	R899 mil	R3.3 bln
2013	R899 mil	R4.2 bln

- Recap will enable 20% CAR
- Current CAR is 21.90%
 - Expected to decline as loan book grow, and
 - Customers like Senwes and Kaap-Agri coming back

Key issues for the success of development



Key issues for the success of development

➤ Prioritisation of TNMs

- ***Indirect funding of emerging entrepreneurs via direct funding of large corporate clients (priority)***
- ***Indirect funding of emerging entrepreneurs via the direct funding of newly established co-operatives as well as via existing commercial infrastructure (priority)***
- ***Direct funding of emerging entrepreneurs (priority)***
- ***Direct funding of emerging entrepreneurs, particularly groups such as trusts and communities, via the funding of inter alia enterprises that utilize land now available under the national land reform initiative (priority)***

Key issues for the success of development

- Roles and responsibilities have been identified
- Clear lines of accountability
- Development impact to be reviewed quarterly by the Board
- Quaterly reports on development to be presented to shareholder
- Development defined, quantified and monitored
- Pilot projects strategy adopted

Key issues for the success of development

➤ List of projects

- Free State- resuscitation of failed emerging farmer projects in Qwa Qwa
- Western Cape- Intshona Dairy products
- Eastern Cape- 6 emerging chicken farmers
- KZN-Cooperative on a vast array of agri-activities
- Limpopo - resuscitation of failed emerging farmer projects & Tomato growers

➤ Partnerships

- IDC
- DBSA
- Old mutual
- AFGRI



Thank You