

**An assessment of the impact of Private equity funding on agricultural development in
Namibia**

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of the requirements for the Degree of
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by
Werner, Shimbamba
SHMWER001

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Supervisor: Dr. Badri Zolfaghari



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Abstract

This study was an assessment of the impact that Private equity funding has on agricultural development in Namibia. The study's research questions were: how has private equity funding resulted in agricultural development in Namibia? Also, what strategies have been implemented to attract private equity funding to boost agricultural development? The study adopted a qualitative research approach to map up ways to collect data. The sample of the study comprised of 25 farmers, private equity firms as well as banks and the sampling technique used to select these was purposive sampling. Data collection was performed using a semi-structured interview guide through interviews with key informants. Thematic analyse was used as the data analysis method for this study. It was established from the study that private equity funding has not played a significant role in the development of the Namibian agricultural sector with most farmers especially small scale still struggling to acquire alternate capital injections to expand and modernise their operations. It was further established that the most prevalent sources of financing were through state-owned institutions such as Agribank that usually give bailouts and subsidies to farmers in various areas to increase production of certain products that the government can then facilitate to import. Moreover, farmers get funding through loans from commercial banks which at have also been seen to at times suffocate farmers due to high interest rates. It was also found that there seems to be a lack of understanding of private equity funding and how to access it and that leads to failure to take advantage of the benefits that it comes with. This lack of understanding has been identified to be as a result of lack of exposure, most farmers especially small scale being illiterate and a lack of information sharing or educational initiatives to help farmers identify the various possible funding sources they may access to help grow their farms. Some of the strategies that have been highlighted to solve this issue include promotion and development of Private Equity Funds in Agriculture, establishment of a private public partnership in the venture capital industry and that they should harness resources and avail them for this purpose. Additionally, Agribank and the Development Bank of Namibia should vigorously undertake awareness campaigns and educate the investment community about the true value and risks found in the agricultural sector as this could improve investors' appetite for such investments.

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List of Acronyms

AVCA	African Private Equity and venture Capital Association
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
NSA	Namibia Statistics Association
PE	Private Equity
SEP	Sectoral Execution Plan
SME	Small and Medium Sized Enterprise

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION AND BACKGROUND OF THE STUDY

Private equity funding has become an important topic due the opportunities that it offers to both individuals and companies (Douglas, 2014). The potential for growth and development makes it a source of funding that is welcome and would solve issues of financing that Small and Medium Sized enterprises especially face when seeking traditional funding from institutions such as banks. Although all investments come with risks, private equity funding tends to be accompanied by specialists and skilled individuals who would assist in ensuring that the venture is a success, and it does not fall by the wayside at any moment due to the wish of the investors to make a profit while they are within the investment. Although Africa has, for many years, been overlooked, with regards to being considered as a place that yields lucrative returns on investment, this perspective has begun to change as a result of most governments restructuring their policies to induce economic growth, deal with urbanisation and regional trade. Furthermore, any early investors should benefit immensely from this (World Bank, 2020).

Gilligan and Wright (2020) defined private equity funding as readily made available capital from institutions or accredited investors that is invested into companies with the aim of making high returns. The authors further highlight that with such funding the funder tends to seek to benefit from the venture for about 5 to 7 years before selling their stake back to the owner or other investors. One major issue that has been highlighted about private equity funders is that they seek to invest more in mature companies so as to rip benefits as early as possible which at times leads to the neglecting of some industries as well as small companies (Chen, 2022).

According to Gompers, Kaplan, & Mukharlyamov (2016), the use of private equity funding especially in western countries such as America has grown significantly since the mid-1990s. Most of this private equity has been channelled to industries such as mining, technology, media, healthcare, retail etc. These industries have been identifies as very lucrative within a short period of time and attractive to funders as they tend to focus more on absolute performance and market timing considerations that yield the most for them.

According to Saturnino *et al.* (2011) although there has been a global food crisis that has been worsened by energy, finance and the environmental crisis, the eagerness to own land has

increased. Large corporations, government and private equity investors have been searching for productive land that would serve as sites for fuel and food production, especially in the event of uncontrolled spikes in food prices. According to Yang (2021) this is a trend that has been witnessed globally with some scholars considering it some form of land grab as during the colonial and imperial days.

According to Goedde (2019) there is a need for investment in Sub-Saharan Africa, especially in the agricultural sector. Agriculture has great investment potential in that in the region about 60% of the farmers are smallholder farmers contributing about 23% to the region's Gross Domestic Product. Even though this might be the case, the full potential of the agricultural sector is yet to be realised, especially with regards to cereals and grains whose output can be increased by 20% to yield around 2.6 billion tons.

It is quite clear that agricultural activities still contribute significantly to African economies but are not carried out to their full potential. Private equity poses as the next best alternative to propel the agricultural sector forward as this would not only benefit farm owners, but also contribute to food security, especially considering the wealth gaps in developing countries as well as opportunities for employment creation. Additionally, private equity offers an alternative to debt financing which tends to be common in the sector, supplementing the inconsistent government funding. The Namibian agricultural sector is no different when it comes to lack of adequate funding and increased private equity funding would go a long way in bringing further development into the sector (Agribank, 2021).

1.2 RESEARCH PROBLEM

Inadequate funding of the agricultural sector in Namibia is leaving the country highly dependent on imports from other countries and less likely to be self-sustainable if those channels were ever cut. According to Amadhila and Ikhida (2016) formal lenders and funders have highlighted lack of expertise and high risk in financing agriculture as the main reasons for not financing agriculture which has created a gap in this sector especially for smaller scale farmers that want to grow. Additionally, alternative funding sources such as private equity investment have not been fully considered as a viable option, even though it is clear that other alternatives are drying up and there is a need to do away with heavy reliance on government and credit funding. According to Clark (2022) private equity funding has been mostly directed at sectors such as

mining and neglected agriculture even though Namibia, still imports around two-thirds of the fresh produce consumed within its borders instead of producing and benefiting from exports as well. This is a problem because that means, with a lack of development, the sector cannot grow, cannot offer employment opportunities, cannot meet food security goals, and cannot contribute significantly to GDP. This would stunt the growth of the agricultural sector as other countries attract investors and grow their agricultural sectors.

1.3. RESEARCH QUESTIONS

- How has private equity funding impacted agricultural development in Namibia?
- What strategies should be implemented to increase the amount of private equity funding available to boost agricultural development?

1.4. RESEARCH OBJECTIVES

The main objective of the study was to examine private equity funding in agricultural development in Namibia.

The specific research objectives of this study were as follows:

- To identify the extent to which private equity funding has resulted in agricultural development in Namibia.
- To identify strategies that have been used to attract private equity funding to further boost agricultural development in Namibia.

1.5 AIM OF THE STUDY

The aim of the study was to assess the impact that private equity funding has had on the development of the agriculture sector in Namibia. This helped identify how much of development in terms of agriculture growth is as a result of private equity funding and how it can be attracted to the sector specially to help small scale farmers grow their production.

1.6 SIGNIFICANCE OF THE STUDY

This study is significant to farmers and various institutions as it is expected to enable them to find ways to work together and attain private equity funding for the development of the agricultural sector. Additionally, the study is relevant to government as it carries information that could be used to guide policy measures directed at creating a conducive economic environment for attracting investors into the agricultural sector. The study is also significant to the university as it increases the literature that is related to the topic at hand, providing other students who may want to conduct similar studies with relevant material.

1.7 RESEARCH LAYOUT

Chapter 1 - presented an introduction and background of the study and an overview of what the study sought to achieve and the problems it looked at solving.

Chapter 2 – presents various publications in the form of books, journals, articles amongst others that contributed to the same or similar topics by other scholars.

Chapter 3 – presents the research design, methods and instruments used to collect the data, the population and sampling as well as the procedures that undertaken to ensure that data was collected in the most effective and efficient way.

Chapter 4 – presents an analysis of the data that was collected from the participants.

Chapter 5 – presents discussions as well as conclusions and recommendations of the study.

CHAPTER 2

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter consists of a review of literature on the same or related topics by other scholars and authors. The chapter begins by first defining private equity funding as well as agricultural development, before following that up with a review of literature on the subject as well as an empirical review. The chapter concludes with the highlighting of the research gap that the study sought to fill.

2.2. PRIVATE EQUITY

Private equity funding has become important in various industries as a way of financing various aspects of the production line and fostering growth especially for a particular time period (Rajesh, 2020). According to Shariff *et al.* (2014) private equity can be defined as an asset class which investors purchase the illiquid equity securities of operating companies. The equity that is used is not publicly traded and is solely meant for direct investments in companies or individuals. When a private equity firm invests or puts capital into a venture, they receive a stake that is equivalent to the agreeable value of their investment with this ranging from minority to majority stakes. These securities are held by the investor for significant periods of time with the aim to have gained financial returns by the time they exit the investment.

Heed (2010) further expanded on the definition by highlighting that private equity refers to significantly leveraged merger and acquisition activity that is aimed at alternative assets with specialized management also brought into the fray. Private equity has over the years benefited a significant number of individuals and especially small companies in such a way that it has created a significant number of employment opportunities and contributed to the gross domestic product.

In recent years, private equity funding has been offering itself as a financing option addressing a significant number of issues that people and companies that seek capital have been facing (Parkes, 2015). Private equity funding offers a longer-term option to financing while also

providing sector specialists that have the skills and knowledge to assist in scaling up the venture and enjoying increased business opportunities (Hayes, 2022). Simply translated private equity funding not only provides capital but also improves managerial capacity, strategic direction as well as corporate governance.

A study conducted by Brown (2012) found that there was a significantly strong relationship between private equity funding and innovation through the activities that firms undertook once they obtained such funding. The author further highlighted that most private equity funds were used for research and development before anything else and this led to high likelihood for success as new models were created to supplement the exist ones and strengthen the company's strategies.

It is clear that private equity offers individuals and firms an alternative way of financing that diverts from the traditional forms such as bank loans or bonds and is done so by mostly exchanging capital for share in a company for a particular time period (Popescu, 2013). One of the biggest advantages for private equity funding has always been that it is usually offered by seasoned investors who further offer expertise in the industry to help increase the value of the company or the venture. Popescu (2013) does proceed to highlight that although there might so much good with private equity in some cases it may be very expensive and may compromise the company at the end of the contract depending on who the share is sold to by the investor.

Franzoni (2012) also expanded the above stating that private equity offered diversification benefits and opportunities. However, although this was a welcome development, there is no denying that just like the traditional financing methods it was also exposed to the same liquidity risk factors and did not necessary guarantee more growth or development as this would also include how efficient and effective how other processes are.

According to Barry (2021) even in the light of the effects and economic downturn brought by the COVID-19 pandemic the African continent has been able to maintain the same private equity trends as before with added appetite especially from investors seeking to diversify their portfolios. The African Private Equity and Venture Capital Association (AVCA) reports that the total value of African PE deals in H1 2020 remained constant at US\$0.7 billion³ (the same as H1 2019⁴). With H2 data soon to be released, the full impact of COVID-19 on deal-making activity will soon be seen. One factor contributing to PE's resilience in Africa in 2020 was a

focus on investing in businesses that provide "essential" or "emergency services," including healthcare, food production, energy, and education sectors, which continued to operate during lockdowns a trend that continued in 2021.

2.3. PRIVATE EQUITY EMPIRICAL REVIEW

This section, in particular pays attention to studies that have involved observation and measurement of private equity funding and its effects in different countries. The section, unlike the previous one takes from actual experience rather than just theory.

A study conducted by GRAIN (2009) on private equity funding totalling nearly US\$300 billion worldwide (not exclusively in agriculture) found that Africa attracted the majority of private equity funding in the agricultural sector (56 funds accounting for US\$105 billion) followed by North America (130 funds, US\$104 billion), Asia (111 funds, US\$41 billion), Europe (30 funds, US\$24 billion), Latin America (59 funds, US\$16 billion) and West Asia / North Africa (18 funds, US\$3 billion). These numbers show that there has been significant private equity funding the world over, especially in Africa and particularly in the agricultural sector.

Page *et al.* (2008) highlighted how private equity was regarded as a key component of financing accounting for about US\$80 to US\$130 billion in the United States. Although certain requirements need to be met by companies in order for them to be considered for this type of funding most of them were for a short period of time of about 10 years. This period would range from the initial investment to the final payback period. Although this is attractive it usually put a lot of pressure and would sometimes compromise companies especially if the agricultural products, they produce take a significant time to grow thereby have long waiting periods for harvesting, selling, and paying pay parts of the investment.

Private equity companies such as the Carlyle Group have been founded in Africa with the aim of funding and acquiring especially agricultural firms in Sub Saharan Africa. Between the years 2009 and 2010 alone, private equity investments in Africa rose from US\$964 million to US\$1,499 billion. Similarly, with regards to Latin America, El Tejar, which is regarded as the largest farm company in the world (grain producer) and is owned by the London-based hedge fund Altima Partners (40 %) and the private equity company Capital Group (13 %), operated about 2.5 million acres of land utilizing to produce crops such as soy beans, corn, sugar and

cotton that it then exported to China and other countries in the world (Food Crisis and Global Land Grabs, 2010); Standard Bank, 2011).

A study conducted by the U.S. Agency for International Development in 2012 that was based on assessing private equity in Southern Africa found that since the year 2009, there were about 15 equity funds focusing primarily on the agricultural sector. This also included planned investments of about US2 billion. Additionally, it was noted that development organisations regard private equity funds as a good instrument to correct financial issues that have hindered development for the agricultural sector especially in with accessing long term finance credit and creating opportunities for those that are less established.

2.4. AGRICULTURAL DEVELOPMENT IN NAMIBIA

Calls for more investments in agricultural activities in developing countries especially have increased over the years (Food and Agriculture organisation of United Nations, 2017). This has been mainly attributed to the growth potential that can only be fulfilled if money is pumped especially to small scale farmers that have the capacity to expand. According to the World Bank (2021) most of the world is going through a recession with the instability of financial markets, therefore creating a need for the establishment of actionable policy insights to support inclusive growth especially in developing economies especially in sectors such as agriculture.

According to Nangolo (2020), the agricultural sector has been faced with lethargic fluctuations. In the decade running between 2010 the agricultural sector was able to contribute a high 5.1% to the Gross Domestic Product (GDP) although in 2015 it had contracted to 3.3%. Although beyond 2016 there has been slight increases in agricultural contribution, it has mainly been from fishing and fish processing with livestock farming, crop farming and forestry following behind.

Moreover, subsistence farming which involves growing crops and keeping livestock for personal use is the most common form of agriculture in Namibia. Commercial farming which is high level farming for trade and earning a profit from it through selling crops and livestock to lucrative markets. Commercial farming is highly capital and labour intensive and there tends to need heavy investments if it is to be productive and sustainable. The last common form of agriculture is mixed farming, and this utilizes all inputs to maximize outputs. An example of

mixed farming is farmers grow crops to feed livestock then use the manure from the livestock to fertilize the crops (Nangolo, 2020). Mixed farmers tend to sell products such as eggs, milk, and skins.

It has however been published that even though the sector might not contribute as significantly to the GDP of the country, it plays an important role when it comes to employment opportunities for the people of Namibia. The Namibia Statistics Agency (2018) reported that the sector had created 167 242 jobs during 2018 with most of them being especially in rural Namibia. This especially accounted for 23% of the total number of employed people in Namibia (NSA, 2019).

The Namibia Agriculture Policy (2015) stated that the government would increase its commitment to ensuring that it develops policies and legal frameworks that will foster agricultural development especially in enhancing its contribution to the GDP. As part of this part of these frameworks emphasis was placed on increasing crop and livestock production and productivity as well as expansion of agro processing enterprises and local value addition. This would especially be enabled by the government roping in private partners to also increase or diversify their investments and direct them to the agricultural sector. This will help support government initiatives and ensure that there is constant capital flowing into the industry.

The Ministry of Agriculture, Water and Forestry with other partners introduced the Sectoral Execution Plan (SEP) that highlighted strategic outcomes, programs and projects with targets and outputs that they wanted to see materialize in order to grow the sector. The SEP also contained the Agriculture Policy Namibia Agriculture Policy (2015) who one of the specific objectives included to facilitate access to finance for agricultural and non-agricultural cooperatives. Furthermore, in the National Development Plan (2017/18 – 2021/22) the government of Namibia sort to help farmers in Namibia get better organised by engaging in cooperatives, access credit and equity funding as well as knowledge and information on acquiring the right equipment.

It is no secret that in recent years banks have become more reluctant to offer credit especially if it is high risk. This was highlighted by Amadhila (2016) in his study on constraints to financing agriculture in Namibia found that there is a lack of collateral and poor loan recovery on the supply-side while on the demand-side, the provision of insufficient capital and bureaucracy are the biggest constraints preventing a number of agricultural SMEs from

accessing finance from formal financial institutions. This has in turn resulted in the low supply of capital for individuals and especially SMEs in the agricultural sector. This has further highlighted the importance and need for private equity investors to come in and invest in agricultural activity therefore giving the agriculture industry a boost and further increasing its contribution to the Gross Domestic Product (GDP) of a country. According to Parkes (2015), private equity financing provides a better option especially for agricultural activities as it helps individuals and companies avoid traditional debt financing that comes with shorter pay back periods as well as high interest rates therefore hindering any form of development that could be achieved.

There have been increased efforts recently through the introduction of financing strategies mostly especially aimed at SMEs as a way of gaining financing through broad-based venture capital financing, private equity, leasing, factoring and even securitization. With an increase in the demand for food and related commodities the profitability of agriculture has increased and therefore creating a need for investments in the sector so as to capitalize on this growth and its further potential therefore leading to development of the sector. Agricultural investment is regarded as part of the most effective ways to promote food security, reduce poverty, and mitigate inequality (Bank of Namibia, 2020). Financing opportunities are pivotal in the development of agriculture in Namibia as they enable farmers to buy new technology, inputs, as well as increase production.

According to Asoko Insight (n.d) EOS Capital, which is a Namibian private equity manager, established a fund called Euphrates Agricultural Fund with the aim of establishing ‘Agricultural Renaissance’ in Namibia. The company sought to raise N\$500 million by March 2021 with the aim of investing this money in agricultural production and value addition. Investments will be specifically in agro-processing, distribution and logistics, commercial agriculture, retail, biomass, and manufacturing of chemicals, fertilizers, seeds, animal products and equipment. It was highlighted that the company sees these investments as a way of fostering growth and development for the sector as well as the country.

2.5. IMPORTANCE OF PRIVATE EQUITY IN AGRICULTURE

The importance of private equity funding has immensely grown over the years with numerous countries, sectors and industry relying on it to foster growth (Devine, 2021). According to Aramonte (2021) private equity investments have shifted much focus to emerging markets as they have shown great potential for growth in the current climate as well as especially in future. Private equity investors have for long focused mostly on developed countries, but emerging economies have also become competent in attracting private equity investors offering them opportunities as well to grow their capital significantly. Bracking (2012) stated that private equity funds have become the dominant investor especially in resource-based economies in Africa. These investments have especially been in land for agriculture, biodiversity, carbon capture or strategic minerals to name a few.

This growth in popularity of private equity especially in agriculture has been a result of difficulties in attaining traditional funding through institutions such as banks. According to Parkes (2015) the lack of adequate bank credit has over the years affected the growth rate and development of, especially the agricultural sector. This has led to difficulties in the scaling up of production especially considering how capital-intensive agriculture is especially on a business and trade level. Private equity has offer individuals and agriculture company opportunities for growth by not only providing funds but also specialists to help ensure that the venture succeeds.

According to Mhlanga (2010), private equity firms provide specialists managers so as to ensure for the long-term viability of the business. Through this, funds are not just invested randomly with anyone but also, they are protected by having someone that is well vexed in the sector therefore increasing the likelihood of success while driving other objectives such as employment creation, improving agricultural productivity as well as being the link for farmers with markets both locally and internationally.

According to Tamunowariye (2021) in Nigeria the agricultural industry accounts for about 21.19% of the GDP and is also the country's largest employer. This is the case as well for most African countries whose agricultural activities form a potentially valuable industry especially for private equity funding especially with regards to food processing preservation in line with aims to ensure food security. The COVID-19 pandemic further highlighted the need for private

equity funding in agriculture so that the industry could develop, and this was witnessed by how most countries that depended mostly on primary products suffered from shortages when borders were closed, and they needed to be mostly self-sustaining (Tamunowariye, 2021).

The attracting of private equity funding in agriculture has been a welcome development in recent years with the Emerging Markets Private Equity Association (EMPEA) (2013) reporting that between the years of 2008 and 2012 the Sub-Saharan region attracted 3% to 6% of funds raised in emerging markets. Although at the time this figure was significantly small, it gave governments a picture of how much ground needed to be covered in policy formulations and creating conducive investment environments to attract investors.

Most countries in Africa still employ a significant number of people in the agricultural sector and any investment in the form of private equity funding would go a long way in increasing these number and reducing the high levels of inflation faced by most countries (Fuglie *et al.*, 2020). According to the International Fund for Agricultural Development (IFAD (2019) agricultural activities provide majority of the jobs in Sub-Saharan Africa especially for women and young adults. It is further highlighted that the industry employs about 50% to 60% of the labour force while the SMEs in agriculture contribute an estimated 12% to the labour forces in countries such as Malawi, Tanzania, and Zambia, and as much as 25% in Ghana and Nigeria (IFAD, 2019). For other sectors to strive better it is important that additional funding is pumped into the agricultural sector development due to the sectors extensive forward and backward linkages to the rest of the economy (African Centre for Economic Transformation, 2017).

Investment into the agricultural activity boosts the economy by yield development beyond just farming, but also this leads to the construction of processing plants to add value and create by products to supplement primary products. Skills sharing and extended management are other benefits that come with private equity funding which then equips local small farmers with the tools to ensure that they expand and implement up to date farming techniques that yield the best results (Australian Privat Equity & Venture Capital Association, 2006).

According to the World Resources Institute (2019) for private equity funding to be poured into an economy and for these ventures to succeed there is a need for suitable policies that not only create a conducive business environment but also that accelerate agricultural growth and

development. This should not only be done with the objective being food security but also sustainability and social stability.

Ducastel (2017) highlighted that numerous portfolio managers have in recent years regarded farmland to be an emerging asset that shows great growth potential that is attractive for investors. A significant number of private equity funders have therefore set their sights on investing more in economies that are also still active in the agricultural sector as they show that they have the soils and climates to grow food both natural and artificially, if need be, through the use of latest technology or any farming techniques.

Individuals and companies in the agricultural sector tend to seek financing opportunities for various reasons such as inputs, trading logistics, scaling up production to name a few (International Finance Corporation, 2011:13). According to Akingunola (2011) debt financing has been the most traditional way of acquiring funds from the business through applying for funding from institutions such as banks. This is regarded as one of most effective ways for financing business ventures, however it is high dependent on financial performance and collateral which at times may not be easy to provide especially if the company of individual are still trying to grow.

2.5.1 Barriers to private equity in agriculture

One of the factors that have been a barrier to private equity is the lack of reliable information. Lack of proper financial track records has led to private equity investors as well as other lenders being reluctant to lend businesses and individuals in agriculture therefore making it hard especially for small scale farmers to expand their operations. Private equity financing depends on risk assessment to identify how successful a venture might be therefore putting emphasis on the readily availability of financial records (Ricupero, 2002).

Secondly, annotated barrier that has over the years hindered increase private equity funding opportunities is the facing of tougher and costlier regulations. According to Holmes (2019) although many countries have tried to reduce restrictions and taxes for investors, they still have to go through rigorous processes at their cost that can be frustrating at time and less attractive to go through unless the venture is guaranteed to yield them very high profits.

According to the Canada Venture Capital Private Equity Association (2019) one of the downsides of private equity is that the business must give up significant shares of the business which shifts the ownership dynamics. This also limits the amount that the business may retain up until it has payback the initial investment as well as bought back some shares depending on the structure of the agreement.

With private equity, you get much more money, but usually have to give up a much larger share of the business. Private equity firms often demand a majority stake, and sometimes you'll be left with little or nothing of your ownership.

According to Divakaran, McGinnis & Shariff (2014) most investors in developing countries direct their private equity to industries such as healthcare, financial institutions and mining as these tend to yield faster profits. Additionally, the equity is more preferably invested in large scale or more established operations. This is not always the case when it comes to the agriculture sector as there are usually a few big farms that are already well financed leaving the smaller ones that might not be appealing to investors.

It has been further highlighted that private equity is an important source of financing in emerging markets and more has been pumped in over the years however more of it has been in technology and infrastructure developments. The investments in these sectors has been encouraged by their quick turnaround time as well as ability to earn the investors a lot of money (International Finance Corporation, 2016).

2.7. RESEARCH GAP

For many years, Namibia has depended on South Africa for many products, including fresh farm products and by products. The agricultural sector has been neglected or devoid of growth, with government focusing more on construction and infrastructure amongst other commitments. Only recently was Agri bank formed to cater specifically for the financing of the agricultural sector. However, securing this funding is still a difficult task for individuals and small businesses due to the overly strict criteria. Therefore, this study filled the gap of knowledge on private equity funding being a viable option for agricultural development in Namibia.

Besides the subject being understudied, there exists a shallow understanding of the dynamics around private equity funding and the type of development it could bring to the agricultural sector. Filling that knowledge gap went a long way in offering solutions and recommendations for various stakeholders, especially policy makers to ensure conducive business policy that makes the agricultural sector conducive, be it for small scale or commercial farmers.

CHAPTER 3

METHODOLOGY

3.1. RESEARCH DESIGN

According to Miles and Huberman (2014) research design in qualitative studies is focused on the study's issues, the participants to be observed, the data to be collected, and how this data would be managed and analysed. The study employed a qualitative research design through the use of a semi-structured interview with key informants. The qualitative research approach enables the researcher to delve deeper into the understanding of the topic. The study utilised qualitative methods as they enabled the researcher to explain, understand better and explore the opinions of those who had in-depth knowledge of equity funding and its contribution to the development of agriculture in Namibia. This was also pivotal in not constraining the participants to particular responses that may not have been relevant, based on their knowledge of the situation.

3.2. SAMPLE

According to Vasileiou (2018) a sample in qualitative research refers to the appropriateness of the sample composition and size. Emphasis on samples in this type of study is on quality and trustworthiness. The samples are small with the aim of supporting depth of case-oriented analysis that is fundamental to this mode of inquiry. The study made use of purposive sampling with 25 participants taking part in the interviews with the number being determined through saturation. The point of saturation refers to a situation where adequate data has been collected for the researcher to derive necessary conclusions and any further participation does not add any value and is a repetition of the views or data that has already been obtained (Saunders et al, 2018). This sampling method was selected as it enabled the researcher to select respondents who were relevant to the study and had the information required rather than going for a wider audience with generalised views. This is supported by Palinkas (2015) who states that purposive sampling is important in qualitative studies as it is pivotal in identifying and selecting information-rich cases or participants who are related to the topic of interest.

The following is a list of participants who were approached to partake in the study:

Private equity and Venture Capital firms who invested in the Agri sector:

- Baobab Capital Namibia (1)
- IJG Namibia (1)
- VPP Namibia (1)
- Hangala Capital (1)
- EOS capital (1)
- Environmental investment Fund (1)
- GIPF Namibia (1)
- Ashburton investments Namibia (1)
- Konigstein capital Namibia (1)
- Capricorn capital Namibia (1)
- NAM MIC holdings (1)
- Carbon capital (1)

Commercial farmers

- Commercial farmers who specialised in crops (5)
- Commercial farmers who specialised in livestock (4)
- Charcoal farmers (2)

Banks

- Agribank (Agricultural bank of Namibia) (1)
- Development Bank of Namibia (DBN) (1)

The total number of respondents who took part in the study was 25. These participants were selected through a directory with the contact details as well as through approaching them during events such as auctions and farmers markets. This method and platforms made it simpler to obtain the relevant parties to take part in the study.

3.3. RESEARCH INSTRUMENT

The researcher made use of a semi-structured interview guide that was printed on a sheet of paper and comprised of questions that were to be asked to the key informants. The questions asked were grouped into various sections that were constructed to provide answers to the research questions. The questions sought to get information on the subject matter, using a conversational approach. More specifically, the questions were based on how much private

equity is invested in the agricultural sector in Namibia; in which agricultural activities is it mostly directed; its importance and barriers as well as the strategies that could be employed to attract more of private equity. It was also comprised of structured and non-structured questions. The structured questions sought specifically address the demographic information as well as the finer details required for the study as they required no explanation but just the participants selecting from the available responses. The non-structured questions enabled participants to proffer unrestricted opinion and knowledge regarding the subject matter with the research further probing, in cases where very important information had been mentioned but not elaborated on. This research instrument was selected as it enabled the researcher to collect qualitative data in an open-ended way allowing for more in-depth responses on the views, opinion, and experiences of the participants that a questionnaire would not have enabled effectively. This type of instrument was particularly important considering that this is an understudied topic therefore delving deeper would help further understand it.

3.4. DATA COLLECTION PROCEDURES

According to Rueda (2016) data collection is defined as the procedure of collecting, measuring, and analysing accurate insights for research using standard validated techniques. The author further states that this process is important in evaluating if the study meets the objectives or research questions on the basis of collected data.

The participants were approached with the questionnaires at their offices, farms as well as during agricultural auctions and events where the researcher could at least get a number of farmers within a single area. The interviews were set up with the farmers on that particular day with some being done at a later stage when they were available. The interviews were carried out in the offices, farms, and residences of the participants.

The researcher sat down with the participants and asked questions as the participants answered. For any question that the interviewee did not understand, the researcher provided clarity and the interview proceeded. The interviews took about 20 to 30 minutes each to complete. The overall data collection period lasted for 4 weeks with the researcher compiling and putting together all the responses so as to ready them for the analysis process. The interview sheets were labelled with the use of pseudonyms that helped the interviewee identify from which company or which type of farmer the participant was.

3.5. DATA ANALYSIS

There are two main qualitative methods that are used to analyze qualitative data. Firstly there is content analysis which is conducted by first examining the conceptual aspects of content analysis, then discussing components such as unitizing and sampling, and concludes by showing readers how to trace the analytical paths and apply evaluative techniques (Krippendorff, 2018). On the other hand thematic analysis is a method for analyzing qualitative data that entails searching across a data set to identify, analyze, and report repeated patterns (Braun and Clarke 2006). It is in this light that the study made use of thematic analysis to analyze the data. This was guided by the qualitative data analysis steps prescribed by Miles and Huberman (2014) which are data reduction, data display and conclusion and verification. The interview sheets were put together so as to go through the responses and start analysing the data. The first step was data reduction which comprised of putting the views of the participants together and selecting those that were relevant to the questions as well as the study. This part of the analysis helped select and identify views that were similar and those that were contradictory so as to help present the data in a systematic and understandable manner.

Upon putting together, the various views, the researcher moved on to the data display process which included organising the data in such a manner that conclusions could be drawn from it as well as actions. Importance in this stage is on ensuring that the data is displayed in a uniform way so that the findings and conclusions follow a particular pattern that makes sense for the study.

The last step was the drawing of conclusions from the data that had been displayed, then verifying it by going through the interview sheets as well as the reduced data notes. This part of the study also helped identify any irregularities, patterns and helped present explanations as to why certain patterns seemed to be predominant compared to others. The researcher then presented the findings through summations of the data collected while also providing quotes in cases where certain views were outstanding or as a way of emphasizing on the summations.

3.6. TRUSTWORTHINESS

3.6.1. DEPENDABILITY

According to Stahl and King (2020) dependability of the qualitative data is demonstrated through assurances that the findings were established despite any changes within the research setting or participants during data collection. Additionally, dependability is based on the assumption of replicability or repeatability. In its essence dependability relates to whether if the research was replicated the same results would be observed. To ensure dependability the researcher sought to ensure that no errors were made in conceptualising the research, collection of data, understanding the findings as well as the reporting of the results. Any changes that occurred during the study were reported upon with none affecting the data collection and analysis process.

3.6.2. CONFIRMABILITY

Confirmability of qualitative data is assured when data is checked and rechecked throughout data collection and analysis to ensure results would likely be repeatable by others (Stahl & King, 2020). Moreover, this process can be documented by a clear coding schema that identifies the codes and patterns identified in analyses. This was done through the researcher, documenting the procedures he had undertaken during the study and going over the data throughout the study to ensure that it represents a true reflection of what had been collected.

3.6.3. TRANFERABILITY

According to Stahl and King (2020) in qualitative research, transferability refers to making sure that the study may be used to compare or assess situations in different areas. Therefore, the researcher made sure that the methods used, and findings are well understandable, accurate and clear enough to be applied in other contexts with regards to similar studies and to draw comparisons.

3.6.4. CREDIBILITY

According to Stahl and King (2020) credibility refers to the extent in which the findings reflect the reality of the situation. In qualitative studies view are subjective and mostly based on one's

experiences however in a case where a number of participants take part there becomes some form of similarities and patterns in the responses. Credibility was therefore maintained by paying attention to these similarities and comparing the views to ensure that they reflect the situation on the ground. A process normally referred to as triangulation.

3.7. JUSTIFICATION AND SCOPE OF THE RESEARCH

This study sought to assess private equity funding in agricultural development in Namibia. Agriculture plays a key role in the lives of many people, especially in developing countries. However, many farmers, especially small-scale ones, struggle to acquire debt financing due to the lack of collateral that the traditional banks tend to require. This takes agricultural development back as innovative farmers remain marginalised there, hindering growth that the industry requires. Private equity funding from companies and private individuals in agriculture would enable more farmers in Namibia to expand their farming activities and be able to service local demand. Additionally, private equity funding would enable agricultural growth that would then have spill-over effects on creating employment.

Additionally, it is important to note that this subject is understudied in Namibia, yet Namibia imports the majority of its products from South Africa. This could have been avoided or rather reduced in a case where there is adequate funding for agricultural development so that more farmers could improve their operations and were able to service local demand, especially for farm products that do well in the Namibian climate. Additionally, this study provided a foundation that could be used for future studies as well as the formulation of policy that would attract investment for agricultural development in the country.

3.9. ETHICAL CONSIDERATIONS

It is noted by Naude (2014) that ethical decision-making confirms the likely accountability and respect of the interests of all parties. It is further highlighted that, in research, ethics ensures that the right procedures are followed that do not violate or compromise those that have participated in the study. With the above, the research made it a priority to attain all required permissions from the institutions that took part of the study as well as abide by their code of conduct frameworks.

The researcher further required the participants to sign consent and confidentiality forms to ensure that they fully agreed to take part in the study and that their information would not be used for anything other than the study. Additionally, the participants were not required to put any personal information on the forms that they signed so as to maintain anonymity. The participants were also informed that they had full rights to refuse to participate as well as withdraw from the study if at any moment they felt uncomfortable with taking part in the study. The researcher also ensured to keep all data and information gathered for the study safe in a lockable cupboard up until a time which is deemed suitable for its disposal by the University.

CHAPTER 4

FINDINGS

4.1 INTRODUCTION

This fourth chapter of the research presents the results from the analysis of the data that was collected from the various institutions as well as farmers through the use of structured interviews. The data was gathered, coded, entered, and analysed using thematic analysis. A total of 25 participants took their time to participate in the study. The section is subdivided into two groups, which are the institutions as well as the farmers. This is done so as to establish and have a clear view of the opinions from the two sides and how they may differ.

4.2 COMPANY/INSTITUTION INTERVIEWS

4.2.1 Section A: Demographic information

The demographic information highlighted the respondents' gender, age, company being represented and number of years working in the agricultural sector.

4.2.1.1 Gender Distribution, age range and duration of operations

Table 4.1: Demographic Information (Companies)

Description	Frequency	Percentage
Gender		
Female	3	3
Male	9	75
Age range		
Below 25 years	-	
25- 30 years	1	8.3
31-35 years	2	16.7
36- 40 years	2	16.7
41-45 years	2	16.7
Above 45 years	5	41.6
Duration of operations in agricultural sector		
< 1 year	1	8.33
1 year – 3 years	1	8.33
4 years – 6 years	1	8.33
7 years – 10 years	3	25
>10 years	6	50
Total per section	12	100

As reflected in table 4.1, most of the participants were male: 9 (75%), while only 3 (25%). This gender distribution is a depiction of how the agricultural sector is still mostly male-dominated.

Table 1 above also shows the age range of the participants who represented the various companies and institutions that took part in the study. It is clear that most, 5 (41.6%) respondents, were above the age of 45 years old. There were 2 (16.7%) each representing the age ranges 31–35, 36–40 and 41–45 years. Participants were between 25 and 30 years old, and none below the age of 25.

Additionally, as shown in table 1 above, 6 (50%) who are majority of the participants have been operating in the agricultural sector for more than 10 years. 3 (25%) stated that they have been in this sector for 7–10 years. The age ranges <1 year, 1 year – 3 years and 4 years – 6 years all had 1 (8.33%) participant take part in the study.

4.2.1.2 Participating companies

This question sort to identify the companies whose representatives took part in the study.

- Agribank
- Baobab Capital Namibia (1)
- IIG Namibia (1)
- VPP Namibia (1)
- Hangala Capital (1)
- EOS capital (1)
- Environmental investment Fund (1)
- Ashburton investments Namibia (1)
- Capricorn capital Namibia (1)
- NAM MIC holdings (1)
- Agribank (Agricultural bank of Namibia) (1)
- Development Bank of Namibia (DBN) (1)

A total of 12 companies participated in the study.

4.2.2 Section B: Private equity funding and agricultural development

Part 1: Private Equity

4.2.2.1 Description of private equity funding in Namibia and industries prevalence

The majority of the participants mentioned that private equity funding was not as prevalent in Namibia as it was still in its infancy, especially in the agricultural sector. The participants highlighted how private equity in the Namibian context involved investments from individuals as well as from companies such as equity funds that buy shares in companies or ventures on behalf of their owners. The overriding view, however, in their responses was that less of the private equity in Namibia goes to the agricultural sector. Interviewee 6 who was a representative from one of the participating banks highlighted the following:

"Most of the private equity in Namibia goes to sectors such as hospitality, mining, and property development. Therefore, most farmers are not aware of it or even look for it."

This signified that even though private equity may be an option, the absence of active roles to take it into agriculture has made farmers reluctant to explore it as an option. It was further highlighted by the participants that one of the holdbacks in the agricultural sector is that it is small and underdeveloped. This has resulted in investors fearing the high risks associated with the sector, which does not seem like a sustainable investment in their eyes.

Some participants highlighted that private equity funding is not directed to all sectors in the same amounts because they do not all yield the same returns. Which is what the investors are after. Interviewee 10 who is part of a private equity company that has been operating for over 15 years highlighted the following:

"With our company we allocate private equity to a number of industries however the most important thing especially in a country as small and as competitive as Namibia, we seek opportunities in those that will yield return either at a fast rate or if the returns are long term, they should be very significant. This is because it is difficult to make

money in these tough economic times therefore just investing blindly will yield to significant losses”.

This shows that there is no set industry that is included or excluded when it comes to private equity funding. However, importance by some private equity firms is placed on ensuring that investments are made in industries that will yield them the highest returns possible.

4.2.2.3 Benefits derived from attracting private equity both internally and from abroad

The consensus with regards to this question was that attracting private equity both internally and externally would lead to the growth of the agricultural sector, leading to the boosting of local job creation as well as the creation of more jobs. The participants further added that when the sector grows, it would enable it to be less dependent on imports as it is currently. Interviewee 7 who was a representative from a bank stated the following:

“Being able to bring in private equity from international countries as well as from Namibia equity firms will increase the funds readily available to develop the agricultural sector in the country. This will also help increase production leading to reduced costs per unit that will then also make local products compete well with imports price wise”.

The above point was further emphasized by the participants as they agreed that the potential increase in agricultural development projects that would be increased by the injection of private equity into the sector would be significant. This would solve the issue of lack of financing that many farmers face, especially the small-scale ones that would like to expand their operations. All these activities would then eventually lead to sustainable economic growth for the country as well as other benefits economically and socially that come with industries or sectors such as the agricultural sector working at full capacity or at least close to that.

Another aspect that was raised concerning private equity especially from abroad was that it would enable the country to have access to other markets were they sell their products. With the investors also seeking maximum returns on their investments they would make sure to also look for clients

from other countries or through business partners abroad so as to benefit from exporting the produce. This benefit would be pivotal in expanding the market for Namibian produce, especially if it is of high quality. This was highlighted by interviewee who was a representative of an investment firm and stated the following:

“Small scale farmers would especially benefit more privately equity being made available to them as they can expand production. This will also increase supply in the market therefore open way for Namibian farmers to also export their produce which yields benefits for the industry as well as the country.”

4.2.2.4 Sufficient availability of private equity funding in the agricultural sector

All the participants stated that private equity funding was not sufficient in Namibia, especially within the private sector. This was especially attributed to farmers and institutions using debt financing from the various banks rather than private equity. The participants further highlighted that such a state has left a financing vacuum within the sector as the available options cannot cater for everyone, therefore leaving some farmers shorthanded, especially the smaller ones. Participant 9 from a capital investment company stated the following:

“Farmers in Namibia have become used to borrowing rather than attracting private equity funding. Therefore, their dependency has been on bank loans as well as government subsidies as a way of scaling up. However, whenever these run dry, they are left stranded.”

Some participants also stated that the lack of adequate private equity funding was due to the fact that Namibia does not have many private equity firms that specialize in the agricultural sector. This means that they are funds that have the financial muscle to inject into the agricultural sector and bring about the required development. However, they choose to invest in other industries instead. Interviewee 6 that represented a bank stated the following:

“Although Namibia does attract private equity, little of it is channelled to agriculture due to the nature of the industry. Many companies nowadays mostly go for mining and fishing due to the high returns those industries have”.

4.2.2.5 Potential for all Namibian farmers to benefit from private equity funding

The participants stated that all farmers, big and small, would benefit from private equity funding. The most common view was that through private equity funding, small farmers would be able to scale up their production, be more competent, and satisfy demand better. There was a feeling among the participants that bigger or more established farmers have better access to other financing options compared to small farmers through various loan schemes with support from the government or political parties. However, the smaller farmers had little support, therefore making the prospect of private equity funding more attractive to them. Interviewee 3 from a private equity company stated the following:

"It is important that private equity funding is sourced, especially for the small-scale farmers, so that they can grow and enjoy the economies of scale that come with that. This will also help fill the production gaps that the bigger farmers are struggling to meet, therefore leading to the high amounts of imports."

It is clear that the benefits of private equity funding would stretch beyond just being advantageous to the farmers only but the country as well. The participants stated that the more funds raised then the various farms, big or small, would be able to expand, increase food production, improve the value of their produce as well as create an invaluable agricultural value chain.

It was well highlighted by the participants that private equity funding would play a significant role when it comes to transforming the country as well as the agricultural sector. The livelihoods of farmers and communities that they support would also be ensured, therefore leading to not only economic benefits but also poverty alleviation, especially in the rural areas surrounding farms as farmers are able to employ people and pay them decent wages. Interview 11 who was also from a private equity firm stated the following:

“All farmers have the potential to benefit from private equity funding as it offers an opportunity to transform farms and increase production and enable the farms to grow further. Such growth is important in ensuring food security as well as leading to further development especially in rural communities”.

4.2.2.6 Small scale farmers as suitable targets for private equity funders

The majority of the participants from the various institutions stated that small-scale farmers were not a suitable target for private equity funding because it requires patience, time, and in some cases, collateral, which small-scale farmers tend to lack. Furthermore, the participants emphasized technical requirements such as financial track records that can be backed up by bank statements, which private equity funders typically require but small farmers do not have. This then leads to them not being attractive to private equity financiers. This was highlighted by interviewee 12 who was a representative of an investment company and stated the following:

“Although it is good to invest in small scale farmers because of their bigger potential for growth, the structure of the market and the nature of small-scale farming presents higher risks that private equity funders may not be willing to take”.

Participants also noted that private equity is often expensive, especially when farmers must give up a significant number of shares for long as a guarantee that investors’ capital would be returned. Private equity can take a long time to be paid back, especially if the expansion plans do not go as planned with regards to getting more land or the venture going well. This has led to small-scale farmers being seen as a risk because of the lack of experience dealing with large operations.

On the other hand, there were a few participants that stated that small-scale farmers are suitable targets for private equity funders. The reasons given predominantly revolved around the potential growth that small farmers have, especially those that already have large pieces of land but lack the capital to increase on the production side. Such a situation would make it easier to increase production almost instantly compared to a situation where expansion requires the purchase of more land and then getting it ready for plants or livestock farming. Interviewee 5 from a private equity company stated the following:

“There are a number of farmers and families especially in rural areas that have significantly large amounts of land but are unable to expand their production due to lack of funding. Therefore, these qualify as suitable candidate for private equity though it is important to note that most issues are not with the farmers but rather the nature and size of the industry in Namibia.”

Moreover, it was highlighted by the participants that small-scale farmers are suitable targets for private equity funders because they have less politics within them and are more receptive of the assistance and skills that private equity funders would like to bring into the ventures. This is not always the case with the bigger and more established farming operations, therefore giving the investor little to no say on operations and how to improve them as long as they get their amounts as agreed and do not need to interfere with or impose their ideas on the farmers.

4.2.2.7 Efforts to attract more private equity funding.

One of the most outstanding responses to this question was that farmers should be willing to give up a significant stake in their businesses if they want to attract more private equity funding. This will enable the investors to look beyond the risks associated with the size of the sector and instead focus on the potential for growth that it possesses. Interviewee 1, from an investment company stated the following:

“With the current environment investors want surety that they will be able to at list recoup their funds if things do not go well as they will lose more that the farmers will. Therefore, to attract private equity funding farmers should be willing to sacrifice or offer more attractive terms to agreements. This does not mean that they need to accept being exploited”.

Additionally, the participants highlighted that if farmers are to attract private equity funding, then they need to be well aware of what private equity is and how to broker such deals, especially through competent, trustworthy lawyers and entrepreneurs. One cannot attract something they do

not know about or do not understand. Therefore, farmers need to research more on private equity and do what needs to be done for such funds to be viewed as viable investment options.

It was echoed by some participants that most farmers are only aware of debt financing and usually set themselves up to qualify for that. This then leaves them clueless and ill-prepared when it comes to other financing options. This puts them in poor positions to qualify for or even be considered for options such as private equity funding. Efforts such as keeping their financials in order, ensuring that their operations are profitable, demonstrating the scalability of the venture, and having a willing clientele for the products have been suggested as ways to attract private equity funders. Interviewee 11 7 from a bank stated the following:

“One of the biggest issues is literacy and a lack of understanding of private equity funding. Most farmers especially the small ones know only of loans or grants from government. This makes them miss other funding opportunities due to lack of knowledge and preparedness for them”.

Part 2: Private equity and agricultural development

4.2.2.8 Agricultural activities needing more private equity

The majority of the participants highlighted that more private equity funding is required in agro-processing, animal feed production, citrus production, sunflower production, and wheat production. One of the main reasons given for the above was that they were heavily imported into the country, resulting in high costs for farmers. Producing some if not all of the above would boost production and enable farmers to have more capital left to expand their production levels. This was highlighted by interviewee 9 from a capital investment company who stated the following:

“There are some agriculture sections that are doing well currently and others that need more investments if we as a country are going to get the most out of them. Things like the production of wheat and animal feed will go a long way to improving the section. Many farmers currently have to charge high prices for meat and eggs due to high feed prices that are significantly lower in other countries and helps their products be of a lower price as well.”

Additionally, the participants suggested that private equity funding should also be directed to the production of by-products by farmers. This will go a long way toward adding value to the products that they sell and benefiting them more. Not only will this increase the markets they can tap into, but it will also offer them various avenues and ways to sell their products, therefore leading to higher prices. For instance, instead of only selling fresh meat, farmers can sell packaged biltong to supermarkets and individual buyers as well. Another example would be to not only sell maize as it is but also grind and package it as maize meal or further produce it into instance porridge to appeal to wider audiences. This was highlighted by interviewee 3, representing a private equity company who stated the following:

“Farmers need to be creative and find ways to add value to their products so they can be more attractive to funders. For example, there are funding opportunities in adding value to products such as packaging and these are services that can also be offered to other farmers which would then increase a farms value. More equity funding should go to things like this because it increases the value of the product therefore helping increase revenues for owners”.

Another aspect of agriculture that was deemed to need more private equity funding was the purchasing of highly sought-after breeds of cattle so as to be competitive in the meat-producing industry. Most farmers struggle to attain breeds of livestock that produce the highest quality beef and therefore are less competitive than other farmers. This, according to the participants, has raised the need for private equity funding, especially concerning infiltrating foreign markets.

4.2.2.9 Development brought to agriculture in Namibia by private equity funding

According to the majority of the participants, although private equity funding has not been dominant in Namibia, it has brought some development in the few cases where it has been obtained and used by farmers. Examples mentioned of such developments include the Stampriet agricultural development project and Karan beef feedlots that raise weaners for export to South Africa. This is a clear sign that not only have farmers benefited from private equity funding, but the country has

been able to increase its exports due to private equity funding into agriculture. This was highlighted by interviewee 10 from a private equity company who stated the following:

“There are farms such as Karan beef feedlots that have been beneficiaries of private equity thereby being able to not only grow further but also tap into the export market with the help of the expertise of the funders”.

Some of the participants highlighted that most of the private equity funding has gone to increase beef and fish production. This has led to an increase in the production of these farm products. Just like above, the increases in producing these have led to high volumes of Namibian farm products being exported around the world.

On the other hand, some participants highlighted that there has not been much development that has been brought about by private equity funding, and it is of paramount importance that this is resolved. The participants particularly pointed out the lack of infrastructural developments that will equip farms with better farming methods and equipment to be very competitive across the board. This is especially important when it comes to small scale farmers who are using outdated methods to farm. Interviewee 6, a representative from the bank stated the following:

“Most development has been through loans and government grants and little to be credited to private equity. We can talk about private equity in other industries such as mining and real estate, however in agriculture it has not had any significant impact except with the few probably already established farms”.

4.2.2.10 Factors affecting injection of PE funding in the Namibian agricultural sector

Firstly, the participants mentioned that there is a lack of knowledge and awareness that has affected the injection of private equity funding in Namibia. This is because farmers are not doing much to make themselves attractive prospects deserving of funding. They might be able to sell their products, but they are not holistically operating in a way that would make funders eager to jump in and support them with significant amounts of money. Interviewee 1, representing an investment company mentioned the following:

“There is no immediate push by farmers seeking private equity funding or taking proposals to private equity firms be it locally or sending them to international companies. At times these companies are unaware of the opportunities and need to be alerted. The farmers would be best equipped to do this because of their experience”.

Secondly, the participants mentioned that the size of the country is another reason why most private equity financiers are sceptical of funding Namibian companies, especially in the agricultural sector. The fear that they might not have as highlighted by the participants is that they might not attract as many clients to recoup their investments, and in some cases, it will force the investor to also play an active role in trying to get into other markets, which is not something that all funders are keen on.

Other participants blamed the lack of a policy framework that supports PE deal flows as the reason for poor equity funding in the country, especially in the agricultural sector. Policy frameworks that are pro-private equity funding would make the business environment friendly for funders as well as ensure that all parties involved benefit from the quick and transparent conclusion of such deals and contracts. Bureaucratic processes tend to come into play during the fostering of such agreements, which at times leads to the collapsing of the deals. Interviewee 10 who was a representative of a private equity company highlighted the following:

“There are policy issues or rather lack of action from those in power and those that have influence to convince private equity funders to inject their money into Namibia. This especially within the agricultural sector. Farmers can only do so much with what they know.”

Another issue raised was the lack of information that is compiled on farms and their need for funding on various business platforms. This would attract prospective private equity funders to explore the available options and determine whether they are attractive to them. For instance, if government or agricultural stakeholders developed a quarterly magazine with farm information and the plans to grow it and sent it to various platforms that have access to private equity funders

This would make it easier for farmers in Namibia to garner interest and at least get the chance to present their plans and get access to such funding.

4.2.2.11 PE funding as primary driving force behind the development of the Namibian agricultural sector compared to other options like government and bank loans

All the participants agreed that private funding is the primary driving force behind the development of the Namibian agricultural sector compared to other options like government, bank loans, and other financing options. The main reason that was given by most participants was that private equity funding would increase the capital inflows into the sector and cover the finance gaps that currently exist and hinder the growth of farms. The existence of the financing gap shows that there is potential for growth because the farmers need the investments; therefore, developments would definitely be on the cards with an increase in private equity funding. This was highlighted well by the following statement:

“Private equity funding would have significant benefits to growth and development of the agricultural sector because it not only comes as funds, but also expertise and new networks as well. These are elements that government grants and loans do not come with that are of paramount importance. Some farmers only know about farming and not the technical side of getting funding and marketing their products especially internationally, and this is a bridge private equity can usually help fill”.

Some of the participants further suggested that private equity funding to support the "Green Scheme" project, which has been idle for many years now due to lack of financing from the government, would lead to much needed development. The participants further mentioned that the effects of COVID-19 on the spending of the government have left farmers with limited funding options as the government tries to recover from redirected spending and private companies are cutting jobs.

All participants were aligned with the notion that private equity funding could drive development in the country. Interviewee nine mentioned the following:

"Yes, agriculture is the future of every nation. The more capital injected in this sector, the lower its dependence on imported goods from neighbouring countries, and goods will be cheaper. It will also allow more capital flow in the domestic economy and encourage more employment of labour in the country."

4.2.2.12 Company/institution contribution or private equity investment to any farm to help develop the agricultural sector in the country

Of all participants, only five stated that they had invested in farming to help boost the agricultural sector. The most significant was Agribank, which broke down its contribution to about \$100 million spent on loans to fund agricultural-related projects.

The other companies stated that although they had various interests in the sector and followed it closely, their contributions would come in the future when they were sure they had solid plans to make the most of their investments. Some stated that they saw other markets as better investment options, especially in the country, and therefore were not injecting any capital into the agricultural sector.

4.2.1.16 Benefits of your contribution to agricultural sector development

The participants were required to highlight what benefit their contributions have brought to the agricultural sector. It is important to note that not all companies contributed therefore below is a list of benefits that were contributed by those that did. The benefits are as follows:

Interviewees four from one of the capital investment firms highlighted that they provided financial support to farmers, especially those that could not afford commercial bank loans. This was also echoed by the participating bank representatives.

Another recurring theme among the participants was the empowerment of Black farmers to create wealth for their families. This also led to an increase in the employment of seasonal workers during

harvest time at our farm. This gives communities income to assist their families and contribute immensely to their livelihoods.

It was further stated by the participants that financial support to expand operations and explore other markets was another benefit enjoyed by farmers through the companies' contributions to the agricultural sector.

4.2.3 Section C: Mitigating the challenges of private equity funding

4.2.3.1 Strategies to increase the amount of private equity

The participants stated that there was a need for more funds to be invested in the agricultural sector, and this could be done by creating an environment that raises awareness and publicizes the requirements and terms for private equity funding both internally and externally. This will help farmers know of potential funders as well as about farmers who require private equity funding and the types of deals, they are offering. This will ensure quick access and facilitate negotiations rather than leaving everything to chance and difficult negotiations involving third parties.

Some of the participants mentioned that the government should also play an active role in ensuring that it creates a conducive environment, especially through developing policies that are friendly to investors while at the same time protecting local farmers. Such policies will help create friendlier negotiations and the willingness of parties to enter into mutually beneficial agreements, unlike in a case where one already feels undercut.

Lastly, some of the participants urged the farmers to be proactive in knocking on the doors of private funders while at the same time ensuring that all their things are in order. This may include ensuring that their financial records are well prepared, that they are aware of everything entailed in their operations, as well as their plans for growth and sustainability. This will ensure better preparedness for funding opportunities not only from a private equity perspective but whenever the opportunity for any type of funding arises.

4.3 FARMERS' INTERVIEWS

The following section presented the responses from the farmers that took part in the study.

4.3.1 Section A: Demographic Information

The section below highlighted the gender distribution for the participating farmers that contributed to the study.

4.3.1.1 Gender

All the participants in this category of thirteen participants (100%) were males. This was based on availability and accessibility and not the will of the researcher to only have male farmers participate.

4.3.1.2 Age range

The table below shows the age ranges of the farmers that took part in the study.

Table 2.2: Age range (Farmers)

	Frequency	Percentage
Below 25 years	-	
25- 30 years	1	7.7
31-35 years	4	30.7
36- 40 years	1	7.7
41-45 years	1	7.7
Above 45 years	6	46.2
Total	13	100

As shown in table 4.2 above, the majority of the farmers, 6 (46.7%) were above the age of 45 years at the time of the study while 4 (30.7%) were between the ages of 31 - 35 years. The age ranges of 25–30, 36–40, and 41–45 years all had 1 (7.7%) representative each, while there was no participant younger than 25 years old.

4.3.1.3 Marital status

The table below shows the marital status of the farmers as a gauge of whether they have their own families or not.

Table 4.3: Marital Status

	Frequency	Percentage
Married	8	61.6
Single	5	38.4
Divorced/Separated	-	-
Total	13	100

As shown in Table 4.3 above, the majority of the participants—eight (61.6%)—were married, while five (38.5%) were single. None of the participants were divorced or separated from their spouse.

4.3.1.4 Duration of experience in agricultural sector

The table below shows the amount of experience that the farmers have in the agricultural sector.

Table 4.4: Agricultural sector experience

	Frequency	Percentage
< 1 year	-	-
1 year – 3 years	1	7.7
4 years – 6 years	1	7.7
7 years – 10 years	3	23
>10 years	8	61.6
Total	13	100

As reflected in Table 4.4, most respondents, 8 (61.6%), had been farmers for more than 10 years, with only 3 (23%) having been farmers for 7–10 years. Each participant had 1 (7.7%) who had been a farmer for 1-3 years and 1 (7.7%) who had been a farmer for 4-6 years.

4.3.1.5 Type of farm

The participants owned or represented the following types of farms:

- Poultry farm.
- Commercial farm
- Communal farm
- Livestock farm
- Charcoal farming

4.3.1.6 Most frequent customers for farmers

The participants mentioned the following companies and institutions as their most frequent customers:

- Choppies Supermarket
- Small supermarkets in Okahandja
- Individual buyers of products such as eggs
- Agra
- Blauberg Auctioneers
- Karoo Osche
- Meatco
- Dubai for charcoal production
- Other farmers

4.3.2 Section B: Funding opportunities and agricultural development

4.3.2.1 Farm size

The participants mentioned various farm sizes, with the smallest being about 10 hectares and the largest being 3000 hectares. The bigger farms, ranging from 1 000 to 3 000 hectares, mostly produced charcoal, reared, and sold livestock, and grew crops. These farms specialize in Brahman stud breeds as well as crop division, where they grow maize, forage, and vegetables. Some of the farmers also used a portion of their land to provide training to those interested in farming.

4.3.2.2 Receipt of funding or investments for farming activities

The majority of the farmers that participated in the study got funding from Agribank in the range of N\$10,000,000 to as much as N\$75,000,000. One participant stated that they had received debt financing from Bank Windhoek but did not disclose how much that was. A few farmers made use of their savings and salaries from their office jobs to help fund their operations before quitting being full-time farmers.

4.3.2.3 Understanding of what private equity funding

There was a recurring line of thought with all participants concerning what private equity funding is. Most of the participants defined it as the injection of capital into the company or farm in exchange for shares. These injections are meant to help the business scale up its production and expand its activities. There were a few farmers who stated that they had no idea what it was, or even though they had heard about it before, they never had a proper understanding of it. Interviewee 3 who is a communal farmer and understood better what private equity funding is, stated:

“Private equity funding is money that comes from companies or people that want to invest in different ventures or projects.”

Some of the participants struggled to define and chose to state that they had no idea what it was. Although they knew it was some form of money or investment that is put up for shares.

4.3.2.4 Benefits derived from attracting private equity both internally and from abroad

According to the participants, private equity helps boost the local economy and attracts foreign direct investment in Namibia. The participants also added that it also increases production capacity across the agricultural value chain. This plays a role in the expansion of the farms themselves as well as their operations. A livestock farmer, participant 12 stated the following:

“Attracting private equity funding will help farmers grow their production levels and be able to reduce their prices due to having more crops and livestock. This would then make local products attractive to retailers.”

Additionally, the participants mentioned that private equity funding from both internally and externally would help boost their financial muscle and enable them to be competitive in the markets, be they domestic or international. This would enable them not to be entirely dependent on the local market to sell their produce, especially in times when business is slow.

Another point raised was that private equity funding strengthens the investment climate within the country, which then helps stimulate economic growth. Such a situation further attracts more foreign direct investment in the country, creates jobs, and boosts local food production. Such consequences of foreign direct investment have benefits for the wider economy and for investors as well. The following was stated concerning this:

“If private equity is invested into agriculture, then more companies and people both local and international will start to see the opportunities in the agricultural sector of Namibia and seek to come and invest as well so they may enjoy the benefits.”

4.3.2.5 Sufficient availability of private equity funding in the agricultural sector

All the participants shared the same view that private equity funding was not sufficiently available for the agricultural sector. Firstly, it was mentioned by the participants that due to the small nature of the agricultural sector in Namibia, private equity funders did not see it as a worthy investment opportunity. This reduced the number of willing private equity funders as they sought other opportunities, even within Namibia. This was explicitly explained by interviewee 7, a mixed methods farmer who highlighted the following:

“No there is no sufficient private equity funding in our sector. Namibia is a small country, and our agricultural industry is as well. This makes it very competitive with one needing to be very smart to survive. That is why there are not a lot of people or companies willing to put money into it.”

Moreover, it was highlighted that private equity funding is not sufficiently available due to the high risks that come with the Namibian agricultural sector. This may be in the form of irregular rains and a country with a small population, which translates to farmers fighting for the few customers who are able to buy frequently. This is a situation that does not appeal to most private equity funders because it means it is all a struggle from the beginning. PE funders therefore perceived agriculture to be a high risk and prefer to invest their money in money markets, bonds, treasury bills and other investment commodities.

The participants also mentioned that there was a lack of companies offering private equity funding, especially in Namibia, thereby making it insufficient. This was highlighted by interviewee 9, a commercial farmer, who highlighted the following:

"Private equity funding is insufficient in the country because there are few firms and listed companies in Namibia that can attract equity funding by issuing shares, and most farmers follow traditional approaches of conducting farming activities solely on proprietary principles or with support from internally appointed employees."

It was highlighted that other forms of financing, such as debt, were the ones that were quite dominant in the country. The participants mentioned that farmers in Namibia were more likely to borrow than to give majority equity to external investors. In addition, most commercial farmers in Namibia run family-owned businesses, which make it very hard to bring people out of the family to control the business.

4.3.2.6 Private equity funding use if received

A majority of the farmers stated that they would expand their farms if they received private equity funding. They highlighted that they were currently doing well in all other aspects of farming besides being able to meet the high demand that exists for the various types of produce. This leaves them at the mercy of imports and unable to even offer discounts to their customers. Interviewee 6, a poultry farmer highlighted the following:

"I received private equity funding I would expand the farm from 7,400-layer chickens to about 20, 000 chickens while also venturing into other crops in order to diversify their risks. Doing this will help me significantly expand the farm and make it less reliant on a specific product while also exploring other markets."

Other participants highlighted that they would erect plantations, de-bush, and plant maize, cow bean, and grass to feed cattle for export to South Africa. Additionally, it was mentioned that they would also like to establish feedlots for raising cattle. Not only will the funds be pivotal in

expanding, but also in increasing the amount of working capital available for day-to-day operations of the farm. Interviewee 5, a charcoal farmer stated the following:

“If I obtained private equity funding, I would expand into livestock farming as well. This is because there is a lot of potential for it especially in the export market. Plus, locally at times we must import in order to meet the meat demands of the country especially with beef.”

4.3.2.7 Efforts required of Namibian farmers to attract private equity funding

The participant highlighted that there is a need for them to first understand what private equity funding fully is and what it comes with in order to know how to better prepare themselves for such opportunities. There should also be more public awareness about private equity funding so that farmers understand the requirements and who qualifies for it.

Interviewee 13 mention the following:

“There is a need to formalize the private equity sourcing by establishing an associate/authority through which farmers can register. This would enable businesses to highlight certain compliance requirements, such as preparing and submitting annual financial statements, registering their employees with the Namibia Social Security Commission, and meeting other laws and regulations that apply to businesses, such as registering to pay taxes. Having such an authority will help close the bridge between farmers and private equity funders and establish a one-stop shop for both.”

The participants also stated that farmers need to ensure that they have assets or collateral that is valuable enough for them to use when seeking funding. At times, private equity investors do not seek only shares but also assert that you give them a guarantee. Although this may be risky, it is now up to the farmer to decide if it is worth it or not. Participant 10, a livestock farmer highlighted the following:

“Nowadays it’s rare for people to give you money just with the promise of paying it back with interest. Some form of assurances or collateral is needed. Therefore, farmers should look for ways to structure agreements that would be make business sense and assure funders that no matter how business goes they will get their capital back at the list”.

Additionally, some of the participants urged farmers to stop focusing mostly on local funding opportunities and look for international funders. This especially gives them an advantage if they get funding from countries with stronger currencies. That means investors will view the funding as a cheaper option if it is viable, and they will reap the benefits from it.

4.3.2.8 Potential development by private equity funding in agriculture in Namibia

Most of the participants mentioned economic growth and development as what will happen with more private equity funding injected into the economy. This is because it will increase the food production levels in the country and ensure a surplus that can then be exported and earn the country much-needed foreign currency reserves. The participants further stated that this injection in capital would not only increase production but also create jobs for Namibians across the value chain and lead to economic transformation while also reducing the import bill.

Some of the participants also highlighted that private equity funding would lead to an increase in food security in Namibia as well as foster infrastructural development at farms, which would help modernize their operations. The capital injections would uplift more farmers to increase food production and create sustainable jobs and food security for Namibia.

4.3.2.9 Challenges in attracting private equity funding in the Namibian agricultural sector

Most of the participants highlighted that they consider acquiring private equity funding as being expensive. This is because they have to part with shares and at times then adjust their operations to suite the potential investor of which they do not always agree to this. This then poses as a challenge as there is no cohesion in the goals of the two parties. Interviewee 9 a commercial farmer stated the following:

“One of the challenges that we as farmers have been presenting attractive terms to attract such funding. Most people or companies want too many shares that they at times end up having control or you as a farmer not making much until the agreement finishes.”

Another challenge mentioned by the participants was the lack of adequate collateral to get significant amounts that would really make a significant change to their operations. Not being able to offer such guarantees at times scares away investors as they would also like some form of assurance that even if the venture fails, they can in the list get back their capital. The participants stated that this is normally a challenge faced especially by small scale farmers together with not having a well-articulated financial track record.

One participant posited that the farmers faced obstacles in that they have no idea which companies in Namibia deal in private equity funding. This makes it difficult for farmers to seek these opportunities and take advantage of them. This lack of knowledge and awareness causes farmers to lose opportunities simply because they were not aware of them. The above was stated by a command farmer interviewee 2 who stated the following:

“We at times, if not most do not know the right companies to approach because we are used to governments and loans from banks. Knowing other companies that might give funding is something that many farmers should now see as an option and perhaps those companies offering private equity should also show their visibility in the sector.”

4.3.2.10 Private equity funding as primary driving force behind the development of the Namibian agricultural sector compared to other options like government, bank loans

The participants all agreed that private equity funding can be a primary driving force behind the development of the Namibian agricultural sector compared to other options like government or bank loans. Various reasons were given for this, including that businesses that are backed up by private equity investments tend to grow faster than other businesses without that type of backing,

so it is hard to deny that an increase in PE would lead to development in the agricultural sector. Interviewee 8, who is a commercial farmer stated the following:

“Private equity funding would be good for developing agriculture in Namibia due to the benefits of financially backing the farmers will get as well as equipping them with skills to better market and sell their products in other markets”.

The participants further highlighted that private equity funding may not be cheap, so attributing it as a primary source of funding may be difficult. However, some of the funds are easily accessible, such as by not requiring collateral or at least much of it. Private equity funding can drive the development of the agricultural sector in Namibia. This was highlighted by interviewee 8, a commercial farmer who stated the following:

“It might not be necessary to see private equity funding as the primary source due to farmers also risking losing most of their ownership of the farms. Although its benefits cannot be denied and with the right terms should be accepted”.

The participants further stated that private equity can be a driving force behind the development of the Namibian agricultural sector if it becomes cheaper and farmers do not need to part with significant shares. Also, the participants stressed that the government should create an environment that helps attract foreign investors.

4.3.3 Section C: Mitigating the challenges of private equity funding

4.3.3.1 Strategies to increase the amount of private equity in Namibia agricultural sector

The participants suggested that the government make the agricultural sector finance ecosystem attractive for investment. This would encourage private equity funders to flock to the country as there is an opportunity that will benefit all parties at similar levels. This especially work if the farmers also take the initiative to gain more knowledge an understand these types of investments. Additionally, it was suggested that relevant stakeholders initiate more awareness campaigns at the national level to educate and inform farmers of private equity access and requirements. Moreover,

there needs to be a set of standard requirements and offers to private equity funders that also help protect local producers and their stakes in the companies. This, according to the participants, should be followed up by enacting monitoring and evaluation mechanisms that will ensure that at least local firms are not only protected but that the funding is yielding positive results.

CHAPTER 5

DISCUSSION OF FINDINGS

5.1. INTRODUCTION

This chapter presents a discussion of the findings in relation to the literature. This study was aimed at examining private equity funding in agricultural development in Namibia. The chapter consists of four main sections: (i) Access to Private Equity Funding in Namibia; (ii) Benefits of Private Equity Funding and Agricultural Development; (iii) Strategies for Attracting Private Equity Funding for Agricultural Development; and (iv) Avenues for Future Research. This question was posed against the backdrop of private equity funding becoming a hot topic due to the opportunities it provides for both individuals and businesses.

Moreover, it was identified that private equity funding has the potential for growth and development, which makes it a source of funding that is welcome and would solve issues of financing that especially SMEs face when seeking traditional funding from institutions such as banks. This is in line with the findings of the Agribank (2021), which highlighted that increased private equity funding will go a long way toward bringing further development into the agricultural sector in Namibia.

Despite the time and financial constraints, the researcher faced There was no serious limitation on accessing information or prior studies on the importance of private equity funding. However, it is clear from the data that was gathered by the researcher that there is a need for improvement with regards to private equity funding for agricultural development within Namibia. The data that was gathered was useful to draw decisive conclusions. Based on this, the researcher was able to come up with several recommendations, as presented in later sections.

Interview schedules and semi-structured interview questions were used to collect data. The interview schedule which was used to collect data from individuals (Farmers), Individual Private Equity and Venture Capital firms and Banks, namely: Development Bank of Namibia and Agri-Bank of Namibia. The questions posed to the various institutions sought to establish the extent to which private equity funding plays a role with regards to agricultural development within Namibia.

There were 25 respondents in this study. The chapter is structured in such a manner as to provide answers to the research questions and fulfil the research objectives. The section below provides an account of the conclusions of the study as guided by the research objectives that are listed in chapter one.

(a) Access to Private Equity Funding in Namibia

Private equity funding is still in its infancy in Namibia, according to the institutions interviewed for this study, and will likely be uncommon in the future. However, while there is consensus that private equity funding is in its infancy in Namibia, it is clear from the findings that private equity funding in Namibia has been directed and concentrated in a few sectors such as the hospitality industry, mining, and property development. Further, it is inherently clear that private equity funding for agriculture has experienced low interest and low injections due to market size and lack of development, according to the institutional view. This in line with the assertions made by Goedde (2019) who highlighted the need for more investments through private equity funding in Sub-Saharan Africa especially in the agricultural sector. This showed that there is a lack of such support especially in the agricultural sector.

There is further consensus that there are few private equity firms that provide funding for agriculture. Henceforth, farmers are left with the option of borrowing money from banks due to the lack of access to private equity funding. Moreover, one can then deduce that farmers in Namibia are left to attain finance through bank loans and government subsidies, which may not be sufficient for increasing agricultural production and resultantly boosting agricultural development. Such circumstances are why the government has enacted policies that enable or try to motivate the access to private equity funding for farmers. Government participation was highlighted by Namibia Agriculture Policy (2015) stating that the government would increase its commitment to ensuring that it develops policies and legal frameworks that will foster agricultural development especially in enhancing its contribution to the GDP.

It is clear from an institutional standpoint that access to private equity funding is a very expensive and costly exercise. This is further affected by the fact that most small-scale farmers lack collateral. Henceforth, it is clear that the problem with regards to access to private equity funding is not only

due to a lack of private equity firms providing funding; the farmers are also blocked by the fact that accessing these funds is a costly exercise that they cannot afford. This is backed by Popescu (2013) who stated that although there might be so much good with private equity in some cases it may be very expensive and may compromise the company at the end of the contract depending on who the share is sold to by the investor.

The above statement was reinforced by the farmers. It is clear that there are very few private equity funders (PE) and that PE funders view agriculture as a sector that possesses high risks. Moreover, it is also evident among the farmers that their access to PE funding is further hampered by its being highly expensive to obtain and a lack of collateral.

Furthermore, it is clear from the data gathered that there is a need for more awareness among farmers with regards to access to private equity funding, and farmers should be able to allow private investors an opportunity to acquire equity stakes in their farms. This finding highlighted the assertion of the Canada Venture Capital Private Equity Association (2019) that stated that some of the issues with private equity is that the business/farmer must give up significant shares of the venture which shifts the ownership dynamics. Moreover, there is a serious lack of awareness that has been identified by farmers as a barrier to access to PE funding. This could be attributed by the fact that there are only few private equity firms in the country or a lack of awareness towards private equity funding towards the agricultural sector. There is an understanding among the farmers profiled in the study that the more farmers are willing to dissolve their own equity in the farms, the easier it will be to access private equity capital.

(b) Benefits of Private Equity Funding and Agricultural Development

According to the data gathered, it is clear that the more access to capital aids in driving development and ensuring that more development projects would be implemented. From institutional point of view, it is clear that the more funding grows, this reduces the dependency on importing from neighbouring countries, moreover, leads to more foreign direct investment in order to boost the economy. Furthermore, with more access to finance, this leads to improved agricultural production, strengthens the livelihood of farmers, and strengthens communities, which

leads to economic growth and, in turn, agricultural development. This confirms the findings by According to Mhlanga (2010) who highlighted that private equity firms provide specialists managers so as to ensure for the long-term viability of the business and increased in production.

Also, from an institutional point of view, it is clear that there is a need for more funding to be injected for the purposes of boosting agricultural production. Additionally, it is also clear that access to private equity funding has been instrumental in aiding the development of certain businesses within the agricultural sector. Access to private equity funding has been beneficial in boosting beef production and fisheries, which in turn have aided in increased exports of beef and fish globally. Private equity funding, according to the data collected, has the potential to drive the economy, increasing employment levels and there is a huge financing gap that has the potential to create a sustainable agricultural sector in Namibia. This is supported by the Namibia Statistics Agency (2018) whose statistics showed that the sector contributed 167 242 jobs during 2018 with most of them being especially in rural Namibia and with more investments through private equity funding could increase these numbers.

From the perspective of the farmers, there is an understanding that private equity funding is instrumental in unlocking foreign direct investments into the country. The need for this private equity funding has been especially acute due to difficulties in acquiring traditional finance. As stated by Parkes (2015), the lack of adequate bank credit has over the years affected the growth rate and development of many industries, especially the agricultural sector. Further, there is an understanding that private equity funding helps in boosting agricultural production. The farmers, based on the data gathered, understand that private funding aids in economic development, which in turn could aid in increased food production across Namibia and increase food security in Namibia. Also, from a farmer's perspective, private equity funding aids in boosting the investment climate in the country, which aids in stimulating economic growth.

(c) Strategies for attracting private equity funding for agricultural development

There is a clear understanding in the outcomes that there are very few private equity funds in Namibia and that the sector is in its infancy stage. In an effort to mitigate and address these

challenges, the responses received from all respondents, suggests that there is a need for more private equity funds to be directed towards the agricultural sector. Although, there are companies such as EOS Capital that have sort to invest private equity through, they fund called Euphrates Agricultural Fund with the aim of establishing ‘Agricultural Renaissance’ in Namibia, other companies also need to come in and do more to support the sector as well so it may develop.

The findings in the study suggest that in order to create suitable strategies for increasing private equity funding in agriculture, the government needs create a policy framework for investment in Agriculture. The reason for this suggestion from respondents could be based on an understanding that attracting private investments in agriculture is largely dependent on a wide set of policies that goes beyond agricultural policy. There are policies such as the Agriculture Policy of Namibia (2015), whose objectives included facilitating access to finance for agricultural and non-agricultural co-operatives; however, its success up to date has been average considering farmers still face financing issues. Furthermore, there is also an understanding that creating a policy framework for investments in agriculture has the ability to complement existing national and international initiatives that are aimed at attracting more and better investment into the agricultural sector.

Additionally, there is a common understanding in the findings that access to finance is seen as critical for the growth of the agricultural sector. The respondents surveyed agree that the increase from subsistence farming to large commercial farming is only possible with access to funds. Moreover, it is clear from the findings that most private equity funders or investors are reluctant to invest in agriculture due to the risks that are seen as prevalent in the agricultural sector, such as droughts, diseases, pests, and the transaction costs.

In order to address this, the respondents have identified a need for the government to create a conducive environment that first addresses the risks that tend to chase most investors away from the agricultural sector. Secondly, in creating a conducive environment, the government needs to ensure that there is a sophisticated financial sector and improve on rural infrastructure as a way of mitigating the fears of investors or private equity funders. One can conclude that the strategies for improving private equity funding are dependent largely on creating a conducive environment,

increasing awareness among farmers, and finally, the willingness of farmers to trade equity in their farms as a condition for private equity finance. Although efforts have been made through the National Development Plan (2017/18 – 2021/22) where government sort to help farmers in Namibia get better organised by engaging in cooperatives, access credit and equity funding as well as knowledge and information on acquiring the right equipment, there is still more to be done especially in implementing these practically.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1. CONCLUSIONS

Access to finance is inherently critical for the growth of the agricultural sector. However, the reality is that most developing countries' access to finance for investments in the agricultural sector is scarce, even for large investors. Financial institutions in Africa and most developing countries are known to be reluctant to provide funding for the agricultural sector due to the risks that have been identified as ever-present. The Namibian government has made attempts towards attracting investments into the agricultural sector. This is evident with the increased funding that has gone towards beef production and into the fishing industry. These efforts by the Namibian government have helped boost foreign direct investment and have also driven increased exports of beef and fish into the competitive markets of Europe. While the aforementioned efforts are noteworthy, the lack of understanding of the financial risks and opportunities in agriculture has deprived the agricultural sector of much needed funds to boost production, processing, and marketing.

The Namibian agricultural sector is clearly dependent on two main sources of funding, mainly bank loans and public government funding. This is largely unsustainable because of the high interest rates associated with bank loans, and secondly, the government lacks access to the large amounts of capital that private equity firms have. Henceforth, it is important for government to be active in promulgating laws and regulations with new financial instruments or even raising awareness of existing ones in order to bring them to the attention of the financial and agricultural sectors. Government needs to specialise in agricultural finance in government and in the financial sector in order to drive agricultural development.

Private equity funding is undoubtedly important for the development of the agricultural sector and boosting economic growth. Through investment in agro-processing, irrigation, and horticulture, private equity funding has the ability to increase agricultural production, increase the livelihoods of farmers and communities, and thus aid in overall economic growth. The increase in economic

growth further aids in attracting foreign direct investment and increased exports of local agricultural products. Henceforth, no individual can deny the importance of increasing the presence of private equity firms in the agricultural space. Over and above, it is clear from the findings of the study that private equity finance is still a sector in its infancy stage. This is most likely due to the size of the market and the Namibian economy. However, regardless of the above realities, there is a huge gap that needs to be filled, and this creates an opportunity for the growth of more private equity firms in Namibia. The growth in private equity finance and private equity firms will prove instrumental for economic growth and agricultural growth in Namibia.

6.2. RECOMMENDATIONS

This study uncovered many issues in need of further investigation. To that end, further research in the following areas is needed: research on the importance of private equity funds in stimulating economic growth, in overcoming economic decline, in ensuring food security during the aftermath of a drought, and the role of private equity funding in boosting trade and foreign direct investment. As such, further work needs to be done in the aforementioned areas.

The study relied on perspectives and responses from private equity firms, state-owned banks, and farmers. The study attempted to assess the role private equity funding plays in agricultural development in Namibia. Hence, further research could be conducted on the various forms of private equity and their role in the agricultural sector. Moreover, further study could be conducted on assessing the role of venture capital and non-venture capital in promoting economic growth and agricultural development.

Given that private equity funds play an important role in economic growth and boosting foreign direct investments, it is recommended that the Namibian government play a significant role in supporting the growth of private equity funds.

Recommendation 1: Promotion and Development of Private Equity Funds in Agriculture

The government, together with other authorities, should assume the role of promoting and nurturing the development of the private equity industry. This industry promotion must be assigned

to one specific institution to coordinate the policies and incentives that can stimulate agricultural production and agricultural growth. The investment centre should work together with the Ministry of Agriculture, Water, and Land Reform (MAWLR) to promote the role of these equity funds in the agricultural sector.

Recommendation 2: Public-private partnerships

The Ministry of Agriculture, Water, and Land Reform should establish a public-private partnership in the venture capital industry, and they should both harness resources and avail them for this purpose. The public-private partnership-backed venture capital firm must be encouraged, and they should focus on investments in small-scale farmers and small subsistence farms, particularly with regards to access to finance. These kinds of investments are needed in Namibia to boost the agricultural production of Namibian farms and address issues such as poverty reduction, high inequality, and high unemployment.

Recommendation 3: Stimulate private equity investments in agriculture

The Agribank and the Development Bank of Namibia should actively engage in informational programmes and educate the investment community about the true value and risks found in the agricultural sector as this could improve investors' appetite for such investments. The Development Capital Board should provide mentorship, capacity building, and management support to potential businesses that may qualify for listing.

Recommendation 4: Provision for the formation of venture capital entities

The government should provide a conducive environment for the formation of new private equity funds. These policies should encourage a diversity of venture capital investors, specific tax incentives and spell out the authority's commitment in supporting venture capital and seed firms in various growth sectors.

Recommendation 5: Infrastructure Development

The government should ensure rural infrastructural development, including good irrigation networks and transportation and storage systems, and reliable access to energy and information

and communication technologies to attract private equity firms to invest in the agricultural sector and increase agricultural competitiveness.

6.3. AREAS FOR FURTHER RESEARCH

The primary objective of this study was to assess the role of private equity funding in agricultural development. Furthermore, the study also attempted to establish "strategies" for ensuring private equity funding for agricultural development. The venture capital industry is known to be critical in the promotion of start-up businesses or start-up companies. The phenomenon of agricultural finance requires innovative thinking in practice. This would require further research in the mode of delivery of agricultural finance aimed at the development of the agricultural sector. For this reason, further research could be conducted on how government-supported private equity funds can provide access to finance for agricultural development. the role of government in supporting the development of private equity firms. The role of private equity funding in boosting trade and foreign direct investments

Furthermore, such research could identify the different types of private equity funds in Namibia and identify the methods of accessing these private equity funds. The overarching goal is to create sustainable private equity funding mechanisms for Namibian farmers and the Namibian agricultural sector.

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APPENDICES

APPENDIX A: Research Permission letter

APPENDIX B: Questionnaire

INTERVIEW QUESTIONS: COMPANIES/INSTITUTIONS

SECTION A: DEMOGRAPHIC INFORMATION

1. Indicate your gender.

Female	
Male	

2. What is your age?

Below 25 years	
25- 30 years	
31-35 years	
36- 40 years	
41-45 years	
Above 45 years	

3. Company being represented.....

4. Duration of experience in agricultural sector.

< 1 year	
1 year – 3 years	
4 years – 6 years	
7 years – 10 years	
>10 years	

SECTION B: PRIVATE EQUITY FUNDING AND AGRICULTURAL DEVELOPMENT

Part 1: Private Equity

1. How best would you describe private equity funding in Namibia also highlighting the industries in which it has been prevalent?

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2. In your opinion, what benefits do you think can be derived from attracting private equity both internally and from abroad? Explain.

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3. Do you think private equity funding is sufficiently available in the agricultural sector? Explain.

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4. Do you think Namibian farmers both small and large scale would benefit from private equity funding? Explain.

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5. In your opinion, do you think small scale farmers are a suitable target for private equity funders? Explain.

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6. What do you think Namibian farmers should do to attract more private equity funding? Explain.

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Part 2: Private equity and agricultural development

7. In which agricultural activities do you think more private equity should be diverted to?

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8. What type of development do you think private equity income has brought to agriculture in Namibia? Please explain.

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9. What factors affect the injection of private equity funding in the Namibian agricultural sector? Explain.

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10. Do you think private equity funding can become the primary driving force behind the development of the Namibian agricultural sector compared to other options like government, bank loans etc.? Explain

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11. Has your company/institution made any contribution or private equity investment to any farm to help develop the agricultural sector in the country? If so, please explain as well as give an estimate amount.

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12. What benefits has your contribution if any to the agricultural sector fostered its development?

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SECTION C: MITIGATING THE CHALLENGES PRIVATE EQUITY FUNDING

13. What do you think needs to be done to increase the amount of private equity?

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Thank you for your participation!

INTERVIEW QUESTIONS: FARMERS

SECTION A: DEMOGRAPHIC INFORMATION

1. Indicate your gender.

Female	
Male	

2. What is your age?

Below 25 years	
25- 30 years	
31-35 years	
36- 40 years	
41-45 years	
Above 45 years	

3. What is your marital status?

Married	
Singe	
Divorced/Separated	

4. Duration of experience in agricultural sector.

< 1 year	
1 year – 3 years	
4 years – 6 years	
7 years – 10 years	
>10 years	

5. Type _____ of farm.....

6. Who are your most frequent customers?

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SECTION B: FUNDING OPPORTUNITIES AND AGRICULTURAL DEVELOPMENT

1. What is the size of your farm and what products does it produce?

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2. Have you received any funding or investments for your farming activities? If so, please expand on the source as well as estimated amount.

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3. Do you understand what private equity funding is? If so, please explain your understanding.

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4. In your opinion, what benefits do you think can be derived from attracting private equity both internally and from abroad? Explain.

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5. Do you think private equity funding is sufficiently available in the agricultural sector?

Explain.

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6. If you were to receive private equity funding, what would you use it for? Please explain.

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7. What do you think Namibian farmers should do to attract more private equity funding?

Explain.

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8. What type of development do you think private equity funding will bring to agriculture in Namibia? Give further details:

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9. What challenges do you face when trying to attract private equity funding in the Namibian agricultural sector? Explain.

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10. Do you think private equity funding can become the primary driving force behind the development of the Namibian agricultural sector compared to other options like government, bank loans etc.? Explain

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SECTION C: MITIGATING THE CHALLENGES PRIVATE EQUITY FUNDING

11. What do you think needs to be done to increase the amount of private equity?

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Thank you for your participation.

APPENDIX C: LANGUAGE EDITING CERTIFICATE



The Rev. Dr. Greenfield Mwakipesile
ThD, MBA, HBS | mwakipg@outlook.com

CONTACT

PO Box 99539,
UNAM,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

22nd November 2022

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF WERNER SHIMBAMBA’S THESIS FOR THE MASTER OF COMMERCE IN DEVELOPMENT FINANCE DEGREE OF THE DEVELOPMENT FINANCE CENTRE (DEFIC), GRADUATE SCHOOL OF BUSINESS OF THE UNIVERSITY OF CAPE TOWN

This certificate serves to confirm that I copyedited and proofread **WERNER SHIMBAMBA’s** Thesis for the **MASTER OF COMMERCE IN DEVELOPMENT FINANCE DEGREE** entitled: **AN ASSESSMENT OF PRIVATE EQUITY FUNDING AND AGRICULTURAL DEVELOPMENT IN NAMIBIA**

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Cape Town’s guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters’ Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Eswatini, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,

Signed by candidate

The Rev. Dr. Greenfield Mwakipesile



