



REGIONAL DEVELOPMENT BRIEFING N° 3

Rural Development Briefing in Southern Africa: A series of meetings on ACP-EU development issues

Financing agriculture in Southern Africa
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Executive Summary

The key role of the private sector and agribusiness firms Private equity funds and agriculture: challenges and opportunities in Africa

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Private Equity funds have a significant role to play in capacity building and the development of agriculture in Africa. The key to fulfilling the role is then to fully adopt sustainability as an ethos and bridging the requirements of main stakeholders in agriculture who typically are the communities, smallholder farmers and government.

In the current environment the investment mandates of most private equity funds face some major challenges which can be summed up as follows:

1. Meeting investor expectations and matching targeted returns with the interests and expectations of the main stakeholders who are the local communities, local and national governments.
2. Designing a sustainable framework that ensures salability of agriculture as an investment product to investors.
3. Fully adopting a developmental agenda and socially responsible investing whilst producing sustainable returns.
4. Creating value hence economic activity versus transferring value.
5. Community participation and channeling funds right through to grass roots level
6. More recently the flood of private equity into frontier markets may be causing imbalances as the recipients may be ill equipped. Asset prices have risen while revenues from exports have shrunk due to major currency weakness.
7. Remaining good corporate citizens in an environment with huge market imperfections.

Opportunities and solutions come out of tackling the challenges, through the following:

1. Usage of leverage- sourcing and pooling capital from less expensive debt sources such as developmental financial institutions, which also have a strong focus on developmental and social impact on their investment.
2. Ability to bring together the best international and local technical knowledge through access to international best practice and latest technologies.
3. Expertise to handle large transactional exposures in-house, such as the case of adverse foreign exchange exposure.
4. Exploiting the expanded opportunity set presented by agriculture and land investments.
5. Entrepreneurs are afforded an opportunity to create value filling the myriad of institutional voids.
6. Installation of commercial and professional operating models that focus on improving yields and productivity.