

CEDA

Citizen Entrepreneurial Development Agency

We want the money to take you somewhere!

GUIDELINES

Statement of Intent

Botswana citizens will have improved access to finance and entrepreneurial training and thus will be able to engage in sustainable economic activities better equipped with the requisite skills for running businesses. This will be ensured through systematic training, monitoring and mentoring programmes using Citizen Entrepreneurial Development Agency (CEDA's) co-ordination of financial assistance together with recourse to local private sector business consultants to train, monitor and mentor citizen businesses on management and marketing skills. All stakeholders in the economy will have a role to play and will be encouraged to participate for the benefit of Botswana.

How is CEDA different?

CEDA not only wants to lend you money, no matter how little it is - we want the money to take you somewhere! We want you to know that what is required of you is to succeed in business. We want you to know this in the language of business. You may be small today - but our aim is to assist you in becoming big tomorrow.

1.0 Background

- 1.1 Government has established the Citizen Entrepreneurial Development Agency (CEDA) in response to the recommendations from both the National Conference on Citizen Economic Empowerment (NACCEE), held in July 1999 in Gaborone and the 4th Evaluation of FAP, which was completed in 2000. Both reports have called for support for business development to promote development of citizen entrepreneurship, which has been found lacking among a large majority of citizens. NACCEE also recommended that the CITIZEN empowerment schemes be consolidated and the financial assistance be provided as loans and not grants. It is against this background that Government established CEDA to redirect efforts to deal with the real constraints affecting the development of citizen businesses and citizen participation in the economy.

2.0 Objectives

- 2.1 The guiding principles for Botswana's Citizen Entrepreneurial Development policy calls for the following objectives to be adhered to when programmes for the scheme are developed and implemented:
- 2.1.1 The overriding principle is one of additionality; the enterprises nurtured by CEDA must add value to the economy.
 - 2.1.2 **Foster citizen entrepreneurship and empowerment** through encouragement of local entrepreneurial culture and increasing the level of entrepreneurial skills.
 - 2.1.3 **Achieve economic diversification** in line with the National Development Plan 8 theme of sustainable economic diversification.
 - 2.1.4 **Encourage the development of competitive and sustainable citizen enterprises** by rewarding competitiveness and discouraging inefficiency.
 - 2.1.5 **Create sustainable employment opportunities** through development of sustainable citizen enterprises.
 - 2.1.6 **Promote the development of vertical integration and horizontal linkages between citizen enterprises and primary industries in agriculture, mining and tourism** through effectively pursuing the many small business opportunities associated with the exploitation of natural resources.

- 2.1.7 **Improve efficiency in the delivery of services to business**, in particular the small business support services (e.g. advisory and training services), which have been of inferior quality and poorly marketed in the past, by delivering these services more effectively through more thorough preparation.

3.0 Guiding Principles

- 3.1 The following guiding principles were developed within the framework of Citizen Entrepreneurial Development policy:
- 3.1.1 As a result of globalisation, even smaller firms should find it increasingly easy to source, produce and deliver anywhere in the world, thus gaining access to new markets and new opportunities.
 - 3.1.2 The growth of the services sector provides challenging opportunities for micro and small entrepreneurs, - the greatest challenge being to provide quality services at competitive prices.
 - 3.1.3 There is a need for technology support for both development agencies and businesses to leverage technology and gain competitive advantages by creating value, extending reach and competing with large organisations on a more level playing field.
 - 3.1.4 The cost-effectiveness of citizen enterprises requires that citizen enterprises should be able to manage new and complex external relationships to gain the advantage of flexibility over bigger firms.
 - 3.1.5 There is a need for niche marketing which gives an opportunity to micro and small enterprises to successfully compete against large organisations by identifying and occupying small, tightly defined segments of the marketplace which they can often serve better than the larger firms.
 - 3.1.6 There is a need for businesses to adapt to change and meet market needs.

4.0 Development of these Guidelines has taken into consideration the Background and all of the Principles and the Objectives of CEDA.

5.0 Form of Assistance

5.1 CEDA focuses specifically on the development of viable, sustainable citizen owned business enterprises, through the development of and access to entrepreneurial and management skills training, monitoring and mentoring, provision of finance and sharing of risks.

5.2 **Financial assistance** provided by CEDA is in the form of loans at subsidized interest rates, as opposed to outright grants. This is meant to be a soft window for citizens wishing to start or expand business operations and to buy into existing businesses.

5.3 **A project specific training, monitoring and mentoring programme** is established under the umbrella of CEDA to engage both local private sector business consultants and to facilitate access to other Government programmes to train, monitor and mentor citizen businesses on management and marketing skills. Much as funding has been found to be a constraint faced by citizen enterprises, a greater problem is lack of management expertise. It is expected that this support will equip citizens with the requisite skills for running businesses, thereby enhancing prospects of success of the programme. Training, monitoring and mentoring under CEDA is streamlined with other training programmes provided by Government to avoid duplication of efforts.

5.4 **A Venture Capital Fund** is established and managed by CEDA to provide risk capital to citizen owned projects and joint ventures between citizens and foreigners. This will help relieve the equity capital constraint, which affects most citizen investors. The Fund will invest in ventures of any size, i.e. small, medium and large.

6.0 Criteria For Assistance

6.1 The Scheme is available to:

6.1.1 citizens of 18 years or over wishing to start a legal business,

6.1.2 existing legal businesses that are owned by citizens of 18 years of age and above; and

6.1.3 under the Venture Capital Fund, both citizens and joint ventures between citizens and foreign investors

- 6.2 The scheme is available for:
 - 6.2.1 registered, viable new start-up businesses in all sectors of the economy;
 - 6.2.2 viable expansions to existing registered businesses in all sectors of the economy; and
 - 6.2.3 Viable purchases of equity share capital in existing registered foreign owned businesses, which are expanding.
- 6.3 CEDA does not provide loans to refinance existing loans from other financing institutions.
- 6.4 In all cases, promoters or project sponsors are encouraged to contribute something towards the project cost as equity or owner's contribution to share the risk, show some commitment and confidence in the project as well as to lighten the burden of repayment. The contribution may be in cash or in kind or a combination of both. However, Small/Micro Scale and Medium Scale projects will still be assisted even if equity or owner's contribution cannot be raised.

7.0 Level of Assistance

- 7.1 Small/Micro Scale Projects: The support for projects under this category is reserved for 100% citizen owned projects.
 - 7.1.1 **Loan Limits:** The minimum size of the loan is P500 and the maximum is P150 000.
 - 7.1.2 **Interest Rate:** An interest rate of 5% per annum will be charged on the loans.
 - 7.1.3 **Repayment Period:** Repayment periods vary according to the size of the loan and the project cash flow. The smaller the loan amount, the shorter is the repayment period. The maximum repayment period is 60 months or 5 years, with some flexibility for projects of a special nature in sectors such as agriculture.
 - 7.1.4 **Grace period:** There is a grace period on the repayment of the loan, which varies depending on the implementation schedule and gestation period of the project.

- 7.2 **Medium Scale Projects:** Assistance is reserved for 100% citizen owned projects.
- 7.2.1 **Loan Limits:** The minimum size of the loan is P150 001 and the maximum is P2 000 000.
- 7.2.2 **Interest Rate:** An interest rate of 7.5% per annum is charged on the loans.
- 7.2.3 **Repayment Period:** Repayment periods vary according to the size of the loan and the project cash flow. The smaller the loan amount, the shorter is the repayment period. The maximum repayment period is 84 months or 7 years, with some flexibility for projects of a special nature in sectors such as agriculture.
- 7.2.4 **Grace period:** There is a grace period on the repayment of the loan, which varies depending on the implementation schedule and gestation period of the project.
- 7.3 **Large Scale Projects:** Assistance for large-scale projects is in the form of equity capital and/or loan and management assistance. This is provided under the Venture Capital Fund. However, promoters are required to contribute a minimum of 25% of total project cost as equity and pay market related interest rates.
- 7.4 **A Training, Monitoring and Mentoring Programme** is available to CEDA funded projects to improve on management skills relating to purchasing, production, planning, marketing, financial management, human resource management and other business practices.

8.0 Specific Requirements

- 8.1 The objectives of CEDA require a framework of specific requirements from citizens accessing the loan funds from CEDA. The overriding principle in the specific requirements is to identify and nurture a committed entrepreneur with a viable and sustainable business idea. A single project officer or business development officer will be responsible for each project from application to implementation.
- 8.2 **Business Proposals:** To access assistance under CEDA, businesses need to demonstrate viability. Promoters are therefore required to submit a detailed business proposal.

- 8.3 **Security:** All assets financed by CEDA are automatically used as security by CEDA. In addition, where there are no fixed assets funded by CEDA or CEDA funded assets do not provide adequate security; promoters are required to pledge other properties or assets as security or to sign personal guarantees or sureties in lieu of such securities. However, the Board of Directors of CEDA shall have the authority to set and vary security requirements from time to time.
- 8.4 **Licences:** Promoters are required to secure the necessary licences and permissions for the proposed project as required by law.
- 8.5 **Premises:** Promoters are required to secure necessary land and premises from which the project is to operate.
- 8.6 **Evaluation of proposals:** All project proposals will be evaluated to determine viability and justification for funding by management of CEDA and recommended to the Board of Directors for a final decision.
- 8.7 **Viability:** Viability is evaluated according to the following criteria; (a) management, (b) market, (c) projected profitability, (d) sustainability, and (e) anticipated growth of the business.
- 8.8 **Agreements:** Promoters of approved projects are required to sign a loan or shareholders agreement with CEDA after having met all conditions of approval. The business plan forms part of the agreement.
- 8.9 **Compulsory Reporting:** Regular reports are required of all approved projects. The reports are to be produced for the duration of the loan to a standard acceptable by CEDA as may be determined by the CEDA Board from time to time, depending on the nature of the project. The cost of the reports shall be borne by the promoter.
- 8.10 **Willingness to be guided:** The project promoter must demonstrate willingness to be guided and to be developed as an entrepreneur.

- 8.11 **Number of Loans:** Successful applicants are not given more than one loan at a time and eligibility for a further loan is dependent on the successful retirement of the initial loan and the performance of the project financed, except in cases where; (a) payments on the existing loan are up to date, (b) the existing loan is performing well (i.e. the payments have always been up to date), (c) the financed project is performing satisfactorily, (d) there has been proper, timorous reporting on the existing funded business from the promoter, and (e) the new venture requiring funding will not impact on the promoter's focus on the existing funded business(es).
- 8.12 **Fronting/Misrepresentation:** There will be stiff penalties for fronting/misrepresentation of any kind as set by the Board of Directors of CEDA from time to time, which could include prosecution, should it be discovered that the project being funded under Small/Micro and Medium Scales is or was not effectively citizen-owned and citizen controlled on application for assistance.

9.0 Institutional Roles

- 9.1 **Role of Government:** The role of Government is to provide the capital to be used by CEDA for lending purposes and to enable interdepartmental linkages in such a way that CEDA has access to business development infrastructures, such as field extension officers. In this connection, the role of the Small Business Council, which was set up as an advisory body representing SMME interests and concerns (and not programme delivery) is crucial for the success of CEDA. The mandate of the Small Business Council includes, among others, the following:
- 9.1.1 To review the impact of Government policies and regulations upon citizen enterprises and make recommendations as to policy and regulatory changes in order to promote citizen entrepreneurial development.
- 9.1.2 To monitor the health, problems and needs of citizen enterprises.
- 9.1.3 To develop proposals for new projects and programmes to strengthen citizen enterprises.
- 9.1.4 To oversee the monitoring of all support programmes that impact upon citizen enterprises.

- 9.2 **Role of the Private Sector:** The private sector is encouraged to participate in the development of citizen enterprises by; (a) having policies to use citizen owned businesses for procurement, (b) by providing feedback to CEDA and the Small Business Council, without prejudice to the complainant, complaints of service quality or delivery on specific citizen businesses and (c) joint-venturing with citizen businesses on tenders or procurement arrangements.

10.0 Communication flows

- 10.1 CEDA will endeavour to enhance the quality of available information by leveraging on communication flows through various methods, such as; (a) the use of technology, (b) promotions, (c) road shows, (d) web sites, (e) centralised information services and (f) databases.
- 10.2 There will be regular two-way communication flows:
- a. from CEDA to the private sector and vice versa,
 - b. from CEDA to Government and vice versa,
 - c. from CEDA to the banks and vice versa,
 - d. from CEDA to the public at large and vice versa,
 - e. from CEDA to the international community and vice versa,
 - f. from CEDA to technical experts and vice versa,
 - g. from CEDA to other development agencies and vice versa,
 - h. from CEDA to the Small Business Council and educational institutions and vice versa,
 - i. from CEDA to High Level Consultative Council (HLCC) and vice versa,
 - j. from CEDA to the National Employment, Manpower and Incomes Council (NEMIC) and vice versa, and
 - k. from CEDA to the educational community via colleges, electronic communications and promotions and vice versa.

11.0 Institutional Framework

- 11.1 The institutional framework for the operations of CEDA has been developed with a view to dealing with some key management issues, namely.
- 11.1.1 The need for a sound infrastructure to enable thorough appraisal of projects, mentoring of entrepreneurs, monitoring, and evaluation of the managerial effectiveness of the project.
 - 11.1.2 The need for funding of projects accepted only after thorough evaluation.
 - 11.1.3 The need for the decision on project acceptance or rejection being final.
 - 11.1.4 The need for appropriate communication methodologies and flows to facilitate the provision of high quality information and avoid duplication of efforts.
 - 11.1.5 The need for appropriate communication methodologies and flows to facilitate the provision of high quality training and technical support and to avoid duplication of efforts.
 - 11.1.6 The need for sound financial systems for the disbursement of funds and to receive repayment of loans.
 - 11.1.7 The need for the entrepreneur to take responsibility for his own development.
- 11.2 In order to address these issues, CEDA is an autonomous organization, professionally managed and answerable to Government through a Board of Directors. It is registered as a company, with the mandate to manage and monitor some of Government's financial schemes and to facilitate access to technical assistance schemes by Batswana wishing to go into business or to expand an existing business.

- 11.3 The ratio of staff to management in a branch of CEDA depends on the size of the branch and the number of projects. Guidelines on the qualifications and key responsibilities of the main category of staff are documented in the operation manuals. In addition to CEDA Guidelines, there are specific detailed guidelines for the implementation of the objectives and specific requirements of CEDA. These guidelines are with respect to; (a) the functional roles within CEDA, (b) the marketing strategy and operations, (c) project application, (d) project evaluation, (d) project monitoring and mentoring, (d) project officer evaluation, and (e) evaluation of the efficiency and effectiveness of CEDA.
- 11.4 **Board of Directors:** The Board of Directors consists of representatives from commerce, Government and non-government agencies. In this way, commercial sense balanced with the social responsibility of Government will come to bear on the operations of CEDA. The chief functions of the Board are to direct, monitor and control the strategic direction of CEDA, ensuring that sound business policies are practised and the objectives of the Agency are being met.
- 11.5 **Chief Executive Officer:** The main role of the Chief Executive Officer is to lead the Management Team by providing long-term strategic vision to ensure that the objectives of CEDA are met as an agency for the development of citizen entrepreneurs. Further, it is the role of the Chief Executive Officer to manage the Agency to achieve success in improving the managerial ability of citizen entrepreneurs who borrow from CEDA.
- 11.6 **Research and Development:** The Research and Development Department exists to support the requirement of CEDA for quality information and for the identification of sound business opportunities. The department is tasked with ongoing communication with various Government departments to acquire and to disseminate information impacting on potential entrepreneurs.
- 11.7 **Information Technology Department:** In support of the Operations, Finance and Research and Development Departments, the Information Technology Department is responsible for the provision and maintenance of the infrastructure to enable good communication channels with Government Departments, commerce and other bodies. Information technology is also to be leveraged to cost-effectively manage the operations and financial control of CEDA.
- 11.8 **Internal Audit:** The main function of internal audit is to ensure that there is internal compliance with procedures and that there are sound controls in place to prevent undue risk.

- 11.9 **Operations:** Operations consist of Branch Officers, the Business Development Officers and support staff. The role of the Branch Officer is to review decisions made by the Business Development officers. The Business Development Officers are responsible for projects from application to implementation and through the monitoring and mentoring stages i.e. from application to successful completion.
- 11.10 **Finance:** Financial controls are implemented with the objective of monitoring the successful achievement of projects against certain pre- defined key indices. In addition, there is reporting on the overall financial state of CEDA.
- 11.11 **Technical Advisors:** These are line specialists coming from Government departments or from commerce. The Business Development Officer is responsible for utilising this expertise where necessary in the assessment of business plans and in the ongoing monitoring and mentoring of disbursed projects. Access to Technical Advisors is through a database maintained by the Agency.
- 11.12 **Public Relations and Marketing:** The role of Public Relations and Marketing is to market CEDA and its objectives widely and accurately. Public Relations receive and re-direct complaints and disseminate information to the public at large and the investor community on the achievements of CEDA.
- 11.13 **Fund Management:** Government funds granted to CEDA will be utilised as directed by the objectives of CEDA in the development of citizen owned businesses.
- 11.14 **Human Resources:** this function will help to ensure the employees of CEDA are adequately trained, remunerated and have adequate working conditions to meet the objectives of CEDA.
- 11.15 **Administration:** CEDA's affairs will be correctly, efficiently and effectively administered with the support of the administration department.