



**REPUBLIC OF BOTSWANA**

**CEDA YOUNG FARMERS FUND  
GUIDELINES**

**MINISTRY OF FINANCE AND DEVELOPMENT  
PLANNING**

**December, 2006**



## **1.0 INTRODUCTION**

- 1.1 Botswana like many other developing countries is presently facing a wide range of challenges, such as unemployment, HIV/AIDS and poverty. The most affected section of our society, in this respect, is the youth.
- 1.2 Botswana's population is predominantly young. According to the 2001 Population Census, young people of the age group 0-29 constitute 67.6% of the total population of Botswana. The Household Income and Expenditure Survey of 2002/03 reveal that youth unemployment rate is highest among the age group of 15 to 29 years.
- 1.3 Whilst the contribution of agricultural sector to the GDP is currently low, the national significance of the sector is still highly recognized. This stems from the fact that the agricultural sector has the potential to provide some solutions to the problems of unemployment, particularly if agriculture is undertaken in a commercial fashion. The sector is dominated by elderly people, while the youth, including those with requisite training are unemployed or have found jobs in other occupations.
- 1.4 It is against this background that His Excellency the President, in the State of the Nation Address in November 2005, announced the need to create a fund under CEDA to provide agricultural loans for graduates (degree, diploma and certificate holders) from agricultural training institutions and thus further add impetus to efforts to tackle youth unemployment.
- 1.5 Through the Young Farmers Fund (YFF), as the Fund will be called, young people will have improved access to finance and entrepreneurial training and thus will be able to engage in sustainable agricultural activities better equipped with the requisite skills for running farming businesses.

## **2.0 OBJECTIVES OF THE FUND**

The major objectives of the Young Farmers Fund are to:

- a. Foster youth enterprises in agriculture through effective pursuit of opportunities in the agricultural sector.

- b. Encourage the development of competitive and sustainable youth enterprises by rewarding competitiveness and discouraging inefficiency.
- c. Create sustainable employment opportunities for young people through the development of sustainable agricultural projects.
- d. Promote the development of vertical integration and horizontal linkages between enterprises and primary industries in agriculture.
- e. Minimize migration of young people to urban centres through creation of job opportunities in rural areas.

### **3.0 OPERATIONAL & INSTITUTIONAL STRUCTURES**

- 3.1 There will be a Young Farmers Fund Investment Committee appointed by the Board of CEDA. The Investment Committee shall appoint one of the members, other than the CEDA representative, as Chairperson and the committee will consist of (but not limited to) representatives from Ministry of Agriculture, Local Enterprise Authority, and the Botswana National Youth Council. The major function of the Investment Committee is to make investment decisions for, and on behalf, of the Young Farmers Fund.
- 3.2 There will be a Young Farmers Fund Manager who is responsible for the implementation and management of projects approved under the Fund.
- 3.3 There will be Youth Officers responsible for projects at application, evaluation, monitoring and mentoring stages.
- 3.4 The Young Farmers Fund shall utilize the CEDA infrastructure, information technology platform, etc.
- 3.5 The accounts of the Young Farmers Fund shall be prepared and reported separately from the main CEDA accounts.
- 3.6 An advisory committee will be established under the Ministry of Agriculture to oversee the implementation of the programme. Other members of the Committee will come from the Ministries of Lands and Housing, Labour and Home Affairs and Finance and

Development Planning. Others may be co-opted from time to time if necessary. The Committee, in collaboration with CEDA will, among other things, identify implementation bottlenecks and propose solution/measures thereof.

- 3.7 The Ministry of Lands will support the programme in terms of acquisition of land by beneficiaries. The Ministry of labour and Home Affairs will provide guidance on Youth Policy issues. The role of the Ministry of Finance and Development Planning is to provide capital and advice on financial assistance issues.
- 3.8 The role of the Local Enterprises Authority as provider of entrepreneurship skills training is also important. The involvement of other relevant structures, such as the Botswana National Youth Council, which has been established as a body representing Youth interests and concerns, will also be encouraged for the success of the programme. Other structures, such as the Production Development Committees and Junior Achievement Botswana may be used with a view to dealing with some key management issues of the Fund.

#### **4.0 FORM OF ASSISTANCE**

- 4.1 Young Farmers Fund focuses specifically on the development of viable, sustainable youth-owned agricultural projects, through the development of, and access to funding, and entrepreneurial and management skills training, monitoring and mentoring services.
- 4.2 Financial assistance provided by the Young Farmers Fund is in the form of loans at subsidized interest rates. The loan may be used for infrastructure development required for the project or to cover working capital or both.
- 4.3 Availability and suitability of land required for development of the project will be the responsibility of the promoter.
- 4.4 A project specific training is considered critical for the success of the project. In this respect, requisite training will be provided prior to the disbursements of the loan.
- 4.5 Monitoring and mentoring service is to be provided, and it is expected that this support will equip young people with the requisite skills for running businesses, thereby enhancing

prospects of success of the programme. Training, monitoring and mentoring under the Fund will be rationalized with other training programmes provided by Government, institutions, including Ministry of Agriculture, to avoid duplication of efforts.

- 4.6 Insurance to cover for drought and other natural disasters is critical and will be provided for under the Agricultural Credit Guarantee Scheme, which is currently managed by the National Development Bank.
- 4.7 The Fund will leverage on existing infrastructure in the country to minimize costs and avoid duplication of efforts.

## **5.0 CRITERIA FOR ASSISTANCE**

The Fund will be available to all young people (aged between 18 and 35 years) who are citizens of Botswana or wholly citizen owned companies, wishing to start or expand agricultural projects.

## **6.0 LEVEL OF ASSISTANCE**

- 6.1 The maximum size of the loan for a project is P500 000.
- 6.2 An interest rate of 5% will be charged on a loan.
- 6.3 The repayment periods for loans are as follows;
  - a) up to P100 000 will not exceed 60 months,
  - b) from P100 001 to P250 000 will not exceed 84 months, and
  - c) above P250 000 will not exceed 120 months.
- 6.4 The grace period for loans will not exceed 24 months and the interest accruing during the grace period will be capitalized.

## **7.0 OTHER SPECIFIC REQUIREMENTS**

- 7.1 **Business Proposals:** To access assistance under the Young Farmers Fund applicants are required to submit business proposals and the projects need to demonstrate viability.
- 7.2 **Project Evaluation:** Projects requiring funding will be thoroughly evaluated to determine viability and sustainability.

- 7.3 **Security:** Promoters may be required to pledge assets financed by the Fund as security/sureties and be required to sign personal guarantees or both.
- 7.4 **Agreements:** Promoters of approved projects will be required to sign binding loan agreement with the Fund.
- 7.5 **Reporting:** Regular reports by the beneficiaries about the performance of the projects approved by the Fund will be required by CEDA.
- 7.6 **Willingness to be guided:** The project promoters must demonstrate willingness to be guided and developed as entrepreneurs.
- 7.7 **Number of Loans:** Applicants cannot be granted 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 financed project, 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, timeous reporting on the existing funded business from the promoter, and (e) additional loan is part of restructuring the existing project. Applicants can be extended seasonal loans provided they meet the above criteria.
- 7.8 **Management:** The project should be full time owner-managed, or there should be evidence that the person (other than the owner) engaged to manage the project has requisite technical know-how and basic training in agriculture.
- 7.9 **Project Location:** The location of the project must have been approved with the assistance of the Ministry of Agriculture extension services.