



INDUSTRY SUPPORT FACILITY GUIDELINES



Ministry of Investment
Trade and Industry

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1. BACKGROUND

- 1.1 In April 2020, Government approved a Covid-19 Economic Response Plan, which was a short-term plan aimed at addressing risks facing businesses, workers and households. Some interventions in the plan like the food hampers were implemented up to the end of June 2020 whilst others like the loan guarantee continue to be offered. The key strategic objectives of the Plan, which were supported by Covid-19 Pandemic Relief Fund Order were support to workers; stabilization of businesses; ensuring availability of strategic reserves; and promoting opportunities for economic diversification.
- 1.2 Beyond the Covid-19 Response Plan, Government prepared a medium to long term Economic Recovery and Transformation Plan (ERTP) for mitigating the effects of the pandemic. The ERTP, which was approved by Parliament as an addendum to the Mid-Term Review of NDP 11, resulted in Government appropriating additional resources through the Supplementary Estimates in the form of Industry Support Facility to the tune of P1.3 billion.
- 1.3 To support the Economic Recovery and Transformation Plan, there is a need to extend financial support so as to assist revival of the economy. As part of the extended support for the economy, a dedicated Industry Support Fund has been created under the existing Covid-19 Pandemic Relief Fund. It is against this backdrop that these Guidelines have been developed, mainly to serve as a guide to potential applicants and also as a control measure for administering the support facility.
- 1.4 Due to the magnitude and diverse nature of the eligible sectors, it has been decided that the following institutions would administer the support facility on behalf of the Government. These are the National Development Bank (NDB), Local Enterprise Authority (LEA) Botswana Development Corporation (BDC), Botswana Tourism Organization (BTO) and Citizen Entrepreneurial Development Agency (CEDA).
- 1.5 CEDA will administer the general industry small businesses with working capital loan facilities that are currently capped at a maximum of 10% of annual turnover and towards business with a maximum turnover of P10 Million.
- 1.6 These Guidelines are therefore a set of operating parameters in implementing the allocated funds to provide support for small businesses by CEDA. The funds will be segregated for purposes of monitoring. However, the loan book will form part of CEDA's existing loan book.

2. GUIDELINES PURPOSE

2.1 The purpose of these guidelines is to ensure that there is common and consistent application of parameters used to implement Covid-19 Industry Support Facility.

3. OBJECTIVES

The objectives of the guideline are to ensure that;

- 3.1 Applications are managed effectively within the set parameters for the fund.
- 3.2 Communication to CEDA staff and prospective clients is effective and consistent.
- 3.3 Continuous monitoring and post implementation review of the fund is done effectively.

CEDA primary objectives and guiding principles shall apply as and when it is necessary.

4. ELIGIBLE ACTIVITIES

- 4.1 The funding will be provided towards operating costs and or working capital needs for the short and medium term.
- 4.2 Applicants must be tax registered [have TIN].
- 4.3 The fund excludes tourism and agriculture.
- 4.4 Applicants must not have benefitted on any other program offered by development finance institutions specifically under the Covid-19 Industry Support Facility for the same purpose they are approaching CEDA for.

5. CRITERIA FOR ASSISTANCE

Funds under Covid-19 Industry Support Facility are available to:

- 5.1 Citizens 18 years and above.
- 5.2 Citizen owned businesses with an annual turnover of up to P10 million. Assistance would be in the form of working capital/ operating cost loans not exceeding 10% of the annual turnover.
- 5.3 Businesses that have been in business for at least 6 months.

6. LEVEL OF ASSISTANCE

- 6.1 Micro and Small scale projects Only:
- 6.2 The support for projects under this category is reserved for 100% citizen owned projects.
- 6.3 **Loan Limits:** The minimum size of the loan is P500.00 and the maximum is P1,000,000.00 or 10% of annual turnover (turnover not exceeding P10 Million).
- 6.4 **Interest Rate:** An interest rate equivalent to the prevailing Bank Rate per annum will be charged on loans.

However, for special sectors (currently manufacturing, mining, construction, energy, technology and innovations, creative and industry) as may be selected by the Board from time to time an interest equivalent to prime lending rate minus 3% per annum will be charged.

- 6.5 **Repayment Period:** The repayment period for businesses that have operated up to three years will not exceed 60 months (5 years). Businesses that have existed for more than 3 years will not exceed 12 months' repayment period.
- 6.6 **Grace period:** The grace period will be up to 6 months and no interest would accrue during the grace period.

7. SECURITY/COLLATERAL REQUIREMENTS

7.1 Personal surety.

8. SPECIAL CONDITION

8.1 The borrower to undertake not to reduce employment during the period of the loan facility.

9. FEES

9.1 In line with common practice, CEDA may charge fees for certain services it renders, in order to effect partial cost recovery. The quantum of fees is determined by the Minister of Investment Trade and Industry on the recommendation of the CEDA Board of Directors from time-to-time.

10. OTHER SPECIFIC REQUIREMENTS

10.1 **Business Proposals:** To access assistance under the Covid-19 Industry Support Facility, applicants are required to submit a completed Industry Support Fund loan application form and its stipulated accompanying documents.

10.2 **Licenses:** Applicants are required to secure the necessary licenses and permissions for the operations of their as required by licensing authorities or laws of the country.

10.3 **Evaluation of proposals:** All project proposals will be evaluated to determine their ability to meet the loan obligation requested for working capital or operating cost purposes. The proposal should also demonstrate how the business has been affected by the Covid-19 Pandemic.

10.4 **Viability:** Viability is evaluated according to the following criteria but not limited to; (a) management, (b) market, (c) projected profitability, (d) sustainability, and (e) anticipated growth of the business and economic impact.

- 10.5 **Agreements:** Promoters of approved projects are required to sign a loan or shareholders' agreement with CEDA after having met all conditions of approval.
- 10.6 **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.
- 10.7 **Willingness to be guided:** The project promoters must demonstrate willingness to be guided and developed as entrepreneurs both at pre and post funding.
- 10.8 **Number of Loans:** The number of loans that an individual qualifies for will be determined by the total potential exposure of that individual as guided by existing CEDA lending principles. The working capital facility will not be consolidated into the existing facilities.
- 10.9 **Management:** The project should be full time owner-managed. CEDA reserve the right to waive this requirement, if in its assessment, proper management and experience to be put in the business are satisfactory.
- 10.10 **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 or to be funded is or was not effectively citizen-owned and citizen controlled, or fronting for another citizen, on application for assistance.
- 10.11 **Contribution:** Promoters or project sponsors are required to contribute towards the project cost as equity or owner's contribution to 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.



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