

REPUBLIC OF RWANDA



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**Guidelines on Agribusiness investment facility for  
Graduates projects under National Employment  
Program**

## 1. Introduction

Rwanda's Vision 2020 seeks to transform the economy from a low productivity agricultural economy to a knowledge based economy led by modernized and highly productive sectors with activities which are buttressed by supportive industrial and service activities through active mobilization of private sector and investments towards the achievement of shared goals.

Rwanda prioritizes the "Productivity and Youth Employment" as one of the four pillars of the Economic Development and Poverty Reduction Strategy (EDPRS II) and transformation of the agriculture sector is the engine of Economic growth and youth employment.

It is acknowledged that the interdependences and complementarities between different sectors is very important to address the challenge of youth employment. Thus, strong downstream and upstream linkages between agriculture sector and industry and service sectors are paramount to develop agriculture value chains and skilled youth are vital for the transformation of agriculture to happen. The agriculture sector is not yet attractive to youth as the average age of farmers in the Rwanda is 55 years and it became even more stressed for the graduates given the high rate of unemployment among graduates that stands at 14%.

EDPRS II, in its pillar 3 productivity and Youth Employment, the major focus is put on increasing productivity and Job creation, as a way of turning the Nation into a middle-income country by year 2020 and this can only be attained by strengthening private sector, Financial sector, education, ICT and promotion of entrepreneurship culture.

EDPRS II, targets the creation of 200,000 off farm job each year in order to respond to a big number of people joining the Labour Market which was 125,000 new entrants on the labour market. In that end, in 2014 the Government of Rwanda established the National Employment Program as articulated in EDPRS II to consolidate, rationalise and expand different business support programmes to boost entrepreneurship and job creation.

Considering the EICV 4 results, the overall Unemployment rate in Rwanda is at 2% and among the University graduates is at 14%. This figure includes graduates who have spent long without employment and are at risk of being unemployed for long. The Government of Rwanda through the National Employment Program has come up with interventions tailored for the unemployed University and

secondary graduates. In that sense considering that there are more employment opportunities in agribusiness which University graduates can tap, the National Employment Program decided to come up with jobs rich agribusiness projects financing scheme tailored for University and secondary graduates. This scheme will also be used to mobilise stakeholders to pull together resources to support graduates who have good business ideas in agribusiness and especially Districts are committed to facilitate graduates to have land (usufruit) from which they can operate their agro based projects. Land was also one of the main constraints for graduates to engage in agro based projects.

## **2. Objectives of scheme**

- ✓ Increase graduates self-employment and incomes in market oriented production, agriculture value addition through modern farming and transformation and linking production to market.
- ✓ Sustainable economic growth by enhancing profitable and sustainable investments in agribusiness.
- ✓ Supporting Investments in agribusiness projects with clear developmental effects, such as increased productivity and employment promotion.
- ✓ Mind set change among University graduates (making agriculture attractive to youth) towards agro-based business and ensure agricultural transformation (characterized by increased productivity and creation of sustainable jobs)

## **3. Rationale of supporting University graduates agribusiness projects**

The Government of Rwanda has invested many efforts in putting in place favourable environment for business development which result into job creation. This is evidenced by the level of financial inclusion at which the financial sector is the penetration and outreach of financial Institutions. Today Banks have penetrated to even remote areas, SACCOs are at sector level and this has enabled many people save; borrow money from those banks for investment in income generating activities. Business Development Fund was established to facilitate different groups of people with special focus to youth to access finance from financial Institutions through different access to finance products (Quasi equity, Guarantee, grants, start-up tool loan facility, leasing etc.). For Youth and Women with viable business plans but without collateral security are guaranteed up to 75% for them to access finance.

As highlighted before that unemployment rate among graduates is at 14% so much effort is needed to serve this group. Though graduates are also eligible to the above mentioned products, the existing financial products are not friendly to this group and yet unemployment rate among university graduates is increasing as highlighted above, therefore there is a need for special product tailored to this group and help them access finance at a low cost.

The scheme is of great importance in encouraging/ stimulating entrepreneurship culture and job creation spirit among University graduates and making agriculture attractive to young graduates. .

Increase agricultural productivity through value addition to agriculture production and at the same time creating jobs along those value chains.

#### **4. Financing mechanism**

Young people usually face challenges in the process of accessing finance from financial Institutions and these include; Having no banking history, Lack collateral security, Raising own contribution, these are some of the precondition for a viable business plan to access finance. Therefore while proposing a scheme to support University graduates with good agribusiness projects one has to bear in mind the above mentioned challenges.

The scheme will support agribusiness projects including those in "combined production and agro-processing and agro processing ones" through quasi equity scheme where BDF co-invest with the project owner/owners. The package to be provided to viable agribusiness project shall be made up of: an own contribution of 10% of the value of the business, a grant of 30% and BDF convertible shares of 60%. The grant will be offered basing on the clients compliance to the agreed instalment and period of time to be paid back to BDF.

The loan amount will be determined basing on the value, the nature of the submitted projects and the guidelines of the quasi equity product tailored to this scheme; the ceiling of the loan amount will be 10,000,000frw until when there is a need for revision. BDF shall provide a grace period of up to 6 month and an interest rate of 12% under this scheme and 1% shall be charged by BDF for providing business development advisory to identified eligible projects.

In the first phase of implementing this initiative will start with companies while competent authorities come up with modalities of incorporating cooperative too. BDF will explore the modalities of partnering with a Financial Institution and channel concessional loans to those Financial Institutions after seeking the approval of the NEP Steering Committee.

In order to avoid miss-use of fund by beneficiaries, where applicable a big portion of the loan will be directly paid to the supplier of raw material and other inputs elaborated in the project plan and it will be possible to provide to the beneficiaries a percentage of working capital depending on the nature of the project. The scheme shall benefit projects owned by both Cooperatives and companies

#### **4.1 It is proposed that scheme invests in the following type of projects**

- ✓ Aquaculture projects;
- ✓ Modernized livestock and agriculture farming;
- ✓ Horticulture;
- ✓ Agro processing projects;

#### **5.0 Eligibility/Selection criteria**

For any project to be selected should fulfil the following criteria:

- ✓ It should be an agribusiness project owned by Rwandan/Rwandese.
- ✓ The owners of the project should be secondary school and University graduates but who have spent at least 2 years after graduating, this will be evidenced by presenting academic qualification.
- ✓ The project should be demonstrating job creation potentiality (in position to employ a reasonable number of people more especially university graduates).
- ✓ For anyone to benefit from the scheme, should be in a cooperative or a company
- ✓ The project should have a sense of innovation.
- ✓ The projects to be considered in the scheme are new start-up projects with less than one year of existence and good Agri-business ideas.
- ✓ For the project to benefit from this scheme should be either combining production and agro-processing or agro-processing.

#### **6.0 Roles and responsibilities of Different stakeholders**

##### **Districts, PSF, NCPD, NYC, NWC, MINAGRI**

- ✓ To mobilize University graduates in different Districts towards the scheme.
- ✓ Support the integration of projects in production and supply value chain;

##### **MIEACOM**

- ✓ Coordinate the entire process and key players in implementing the scheme
- ✓ MINEACOM together with MINAGRI mobilize funds to support the initiative

- ✓ Conduct a regular follow-up of the funded projects.

#### **BDF**

- ✓ Design a friendly product tailored to graduate under the agribusiness scheme;
- ✓ Approve the Business model and co finance the project;
- ✓ Report to MINEACOM on the implementation status of the funded projects
- ✓ Business development advisory services and business analysis
- ✓ Follow-up and monitoring the implementation of projects
- ✓ BDF should deliver regular reports to MINEACOM on how the scheme is being implemented

#### **RCA**

- ✓ RCA has an important role to play of facilitating the beneficiaries of the scheme to form cooperatives and get legal documents.
- ✓ Capacity building and close follow-up of the formed cooperative

*Done in Kigali, on 27/11/2016*



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