



## YERF Draft Operational Guidelines

The following are guidelines to be followed when the youths apply for funding from the Youth Enterprise Fund.

### YERF LOAN APPLICATION GUIDELINES

**YEF-LAG-001**

**Version – 01**

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**Approved By:**

**Board Chairperson**

### Change History

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### **1. PURPOSE**

The purpose of the guidelines is to show the process from loan application by a Youth applicant to decision making. This includes the implementation of any changes that may be found necessary from time to time.

### **2. SCOPE**

The guidelines detail the activities involved from the loan application, roles of the YERF officers as well as officers from the different partner organizations and/or institutions involved in the process. Such institutions include the Local Authority (Chiefdom/Zone, Tinkhundla Centres), Training and Mentorship Agents as well as the Intermediary Finance Institutions.

### **3. ACRONYMS**

- 3.1 YERF - Youth Enterprise Revolving Fund  
3.2 BoD - Board of Directors of YERF

### **4. INTRODUCTION**

Swaziland Youth Enterprise Revolving Fund (YERF) is a Parastatal that was established under the Ministry of Sports, Culture & Youth Affairs to contribute to a solution to the challenge of high Youth unemployment and poverty among those between the ages 18 – 35 years. This is being done through the following:

- Providing credit to youth owned enterprises;
- Facilitating training in basic business management or entrepreneurship;
- Facilitated follow-up training, counselling, coaching and mentorship;
- Facilitating linkages with markets and other service providers to ensure business sustainability;
- Operating through individual, company and group lending methodology;
- Monitoring business performance; and
- Promoting graduation of enterprises to mainstream finance.

The mandate of the Fund requires that guidelines are developed to guide the office bearers and share information with stakeholders. These guidelines deal with the loan application process, and, the role that is expected of the YERF and all other stakeholders involved. The stakeholders include:

- The employees of the Fund
- The loan applicants
- The Local Authority
- Training and Mentorship (business development) Agents
- Intermediary Finance Institutions

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## **5. REGULATION**

### **Citation and Commencement**

1. These Regulations may be cited as the Youth Enterprise Revolving Fund Regulations for operations in the application for funding and shall come into force once approved by the Board of Directors.

### **Interpretation**

2. In these regulations unless the context otherwise requires
  - “Board” means the Youth Enterprise Revolving Fund Board;
  - “Fund” Youth Enterprise Revolving Fund;
  - “Intermediary” means a banking or a non-banking financial institution, registered in terms of the laws of Swaziland, that receives and scrutinizes applications and provides professional guidance and expertise to assist the Board with the application process;
  - “Minister” means the Minister responsible for youth affairs;
  - “Ministry” means the Ministry responsible for youth affairs
  - “Principal Secretary” means the Principal Secretary in the Ministry responsible for youth affairs;
  - “Youth” means a person between the ages of 18 and 35 years;

### **Call for Applications**

3. The call for applications process shall have the steps described below.
  - a) YERF shall advertise the call for submission of loan applications on various media houses
    - i. YERF shall ensure that loan application forms are adequately distributed to all access points mainly Tinkhundla Centres. Due to the advent of technology, the application form shall be also available electronically.
  - b) The youth shall be given a period of one (1) month to submit their applications to YERF
  - c) At the beginning of every quarter of the year a call for applications shall be made. The frequency of which may be reviewed as the situation may require.

### **Repeat Funding**

Repeat loan applications shall be process following the steps below:

- d) The loan has been paid in full
- e) The proposed loan is for expansion, manufacturing or processing businesses
- f) The business owner(s) will contribute 10% of financial requirements of the business

### **Submission of Loan Applications**

4. The process of submission of the applications shall be as stated below.
  - a) All loan application forms shall be adequately completed and signed by applicants. Loan applications shall be submitted together with accompanying documents as per the checklist in the application form.
    - i. **All** application forms shall be completed and signed by authorized Umphakatsi/Zone and Inkhundla Officials, regardless where it has been

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accessed and/or submitted. Officials at Inkhundla centre shall sign, stamp and record loan applications for filing purposes.

- ii. The local authorities shall not have the authority to decide whether to grant or to decline an application. Such authority shall be a sole prerogative of the Youth Fund.
- b) YERF shall receive applications from Inkhundla and other agreed partners/ stakeholders like SEDCO and, engage officials where further clarity is required.
- c) Otherwise applications submitted after the deadline shall be considered in the following application cycle.
- d) The applications received shall not be interpreted as deserving for funding.

### **Pre-screening**

- 5. A process of pre-screening shall be done by YERF.
  - a) YERF shall use requirements checklist to determine completeness of documents.
    - i. Evaluation model shall also be used to determine strength of the business case.
    - ii. The purpose is to assess validity, feasibility, soundness of project and prospects for financing.
    - iii. If feasibility, soundness and prospects are negative, customer is advised accordingly and site inspection may not be conducted. Areas of improvement are identified and communicated to applicant and application is deferred. Process is stopped. However further non-financial support can still be provided.
    - iv. If feasibility, soundness and prospects of financing are positive, site inspection is conducted.
  - b) Application is forwarded to Intermediary with Funds recommendation for appraisal.

### **Loan Appraisal by Intermediary**

- 6. An intermediary shall with the approval of the Ministry be competitively engaged by YERF.
  - a) Loan applications with recommendation for appraisal from YERF are received by the Intermediary.
    - i. Intermediary shall use its own appraisal tools and procedures to evaluate loan applications.
    - ii. Evaluation by Intermediary shall be in accordance with the agreed Terms of Reference with YERF.
    - iii. Intermediary may also conduct own project/ site inspection if a need arises.
    - iv. Upon completion of appraisals, the intermediary shall submit to the Fund its recommendations on the loans.

### **Loan Approval by YERF**

- 7. The loan approval shall be made by the YERF Board of Directors.
  - a) The Fund shall receive loan applications with recommendations from the Intermediary.
    - i. Valid justification shall be forwarded to YERF on the rationale for each recommendation.

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- b) The Fund shall review recommendations by the intermediary and make its own decisions on the recommendations.
- c) The following approval limits shall be observed and may be reviewed from time to time as the economic outlook changes:
  - Sole traders/Individuals - E50,000.00
  - Companies - E100,000.00
  - Cooperatives - E150,000.00
- d) YERF shall engage applicants with loans declined with a purpose to assist them improve and re-submit later on.
- e) Approved loans shall be considered for Training by YERF depending on their level of capacity on entrepreneurship.

### **Training for prospective beneficiaries**

- 8. The capacity of beneficiaries shall be built to minimise the risk of business failure. This shall be through a competitive bidding process to select reputable business development service providers.
  - a) YERF shall engage reputable business development service providers to assess and train beneficiaries with approved loans.
  - b) Training shall include review and/or re-alignment of business plans.
  - c) The purpose of training is to ensure that Funds are granted to finance-ready beneficiaries.
  - d) Training shall initially be at the account of YERF and/or partners; however this shall be reviewed later on to ensure sustainability of the Fund.
  - e) At the end of the training the service provider would produce and submit a detailed report to YERF on the performance of each entrepreneur trained.

### **Signing of Loan Agreements**

- 9. The loan agreement
  - a) YERF shall, upon completion of training successful beneficiaries, give the go ahead to sign loan agreements with the finance intermediary.
  - b) The beneficiaries shall also be expected to open bank accounts for their businesses. No funds shall be disbursed to businesses without banking accounts.
  - c) The bank accounts shall be opened with a bank agreed between the Intermediary and YERF.
  - d) Over and above the transactional account, the beneficiaries shall also open separate savings accounts with the same bank. The savings accounts shall be in the name of the beneficiary but may only have access to it once the loan has been fully repaid.
  - e) There shall be no collateral required by the Fund during loan application stage.
  - f) Beneficiaries shall be called upon to provide someone (Parent/Guardian) as surety and sign surety forms as a form of cover for their loans.

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### **Disbursement of Funds**

10. The funds disbursement shall follow the process described below
- a) Upon signing of all necessary loan documents with the Intermediary, the loan applicants can initiate disbursement process by submitting the necessary procurement documents to the mentor for authorization.
    - i. The mentorship agent shall authorise all payment requisitions submitted by the beneficiaries before disbursement by the Intermediary.
    - ii. Fund beneficiaries will provide at least 3 quotations from different, reputable suppliers for each procurement to be done to support requisitions for disbursement.
    - iii. All possible means shall be made to direct all disbursements direct to suppliers and not to beneficiaries. Cash deposits or cheque encashment to beneficiaries shall be minimized as much as possible.
    - iv. Efforts shall be made to minimize stationery through use of soft copies as much as possible.

### **Loan Types**

The Fund shall do all possible means to develop loan products that are youth inclusive, this is the main characteristic that differentiate the fund from other financial institutions. Funding will be categorized into short, to medium term. The following loan categories will be provided:

- a) Seasonal term - 12 Months
- b) Short term - 24 Months
- c) Medium term - 36 Months

The fund shall make all possible means to ensure provision of a conducive environment for lending to youth entrepreneurs. The scheduling of loan repayments shall be aligned as much as possible to the production cycle of the businesses.

### **Loan Repayment**

The loan repayment shall be expected to be done in full covering all costs.

- a) The Fund shall provide loans which must be repaid in full with interest
- b) Loan repayments shall be made through the same bank account through which disbursement would have been made
- c) The Fund shall engage other service providers to facilitate electronic loan repayments
- d) Intermediary Financial Institution, Business Development Agent and The Fund shall endeavour to do all due process to ensure that loans are repaid in full.

### **General Lending Requirements**

The following will be part of the criteria to be used for qualification to lending, it forms the general lending requirements.

1. Certified Copies of ID (Compulsory)
2. Certified Copy of Certificate of Incorporation (for companies & cooperatives)
3. Certified Copy of Form J (for companies & cooperatives)
4. Certified Copy of Memorandum & Articles of Association (for companies)
5. Land right (Chief's Letter, Title deed, Lease agreement) where applicable

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6. Business Proposal
7. Market contract /Letter of Intent
8. Trading licence (where applicable)
9. Quotations 3 of each input or service
10. Brief CV for project manager
11. Water right (where applicable)
12. Parent / Guardian Suretyship

**Approved by Management**