

The city of Gaborone, with a population of 225,000 in 2001, has grown from a very small village to become the capital city of Botswana in a period of less than 36 years. Subsistence and commercial agriculture are both found throughout Gaborone and Greater Gaborone and there are a variety of spatial contexts in which production occurs.



A.C. Moshia

Roasted maize

in Gaborone, Botswana

Focusing Credit on Urban Agriculture

While poverty in Botswana is predominantly rural, the rate of urbanisation (at 8.4% per annum) is the highest in Africa. Rural migration has led to increasing concern about social and physical changes in urban areas. One of the safety nets adopted by the poor has been urban agriculture either as a means of survival or to supplement low incomes, while some entrepreneurs have opted for urban agriculture as a means of making money. Poultry (40%), horticulture (20%) and piggeries (10%) dominate the main activities taking place in the city. However, there is very little dairy (8%). There is a gender imbalance in favour of women within this sector. A key problem to further development of urban agriculture is the lack of financial support.

The government shifted from the policy of issuing grants to giving loans

CREDIT AND INVESTMENT FOR UA INTERVENTIONS

The Botswana government has a long history of assisting the entrepreneurial development of businessmen and women through various schemes and programmes; it also provides credit in the form of outright financial grants, loans, inputs (machinery, seeds and seedlings, etc.), as well as other financial subsidies. In addition, NGOs and donors have mainly invested in the poor sector, while the private sector has provided credit for commercial farms in many areas including periurban areas. Of the various programmes, three have achieved some marked success in urban and periurban

agriculture. These programmes will be examined in depth and evaluated in the following sections of this paper.

THE ARABLE LANDS DEVELOPMENT PROGRAMME (ALDEP)

The ALDEP was conceived in 1977 and has gone through several phases since then. It provides assistance to needy farmers who are capable of increasing production and household income, the prerequisites for eligibility being their number of cattle and their yearly income. The assistance packages provide the approved applicants with an 85-90% subsidy for fencing materials, water tanks, agricultural tools and inputs and cattle. These conditions are attractive enough to attract a great number of citizens to be farmers, but only with minimal involvement.

In the Gaborone area, the target was to reach 11,388 individuals, but to-date only 5,484 farmers have been reached (48%). Packages received vary from a low of US\$852 to US\$4,326 per farmer (GoB-1999). The ALDEP has not been able to significantly improve the performance of urban and periurban farmers as they usually cultivate only small patches of land (GoB, 2000). At present, the ALDEP generally appears to be more of a welfare than a development programme.

THE FINANCIAL ASSISTANCE PROGRAMME (FAP) (1982-2001)

The FAP was introduced in 1982 as an incentive and subsidy policy aimed at creating employment and encouraging investment in a range of economic activities, including agriculture. The FAP has been a significant catalyst to the increase in urban agriculture. Funding has been given to set up chicken farms, horticultural farms, rearing of animals, etc., and is used to purchase inputs, and to help pay for training and

other costs. Women were given priority in the disbursement of grants; hence, 82% of the beneficiaries were women.

The total amount of FAP grants provided to commercial periurban and urban farmers in the Gaborone area is approximately P3, 000,000 (US\$500,000). The grants fall within the small- and medium-scale sectors, which support enterprises with investments in fixed assets of less than P75, 000 (US \$ 12,500) and between P75, 001 (US\$12,500) and P200,000 (US\$33,333), respectively. In a recent study by Hovorka, many respondents noted the FAP as a major incentive to begin agricultural production. Those not receiving FAP assistance, had bank loans or lines of credit, while the remainder used personal savings for financing their agricultural operations (Hovorka, 2001).

CITIZEN ENTREPRENEURIAL DEVELOPMENT AGENCY (CEDA)

In 2001, the government of Botswana shifted from the policy of issuing grants under the FAP to giving loans under the CEDA Programme. The financial assistance provided by CEDA is in the form of loans at subsidised 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.

Since the project is quite new and still trying to find its feet, it is difficult to make an evaluation of its impact in terms of benefits to the agricultural sector in the study area of Gaborone and its environs. However, up until the end of 2000, 229 applications had been accepted in principle, totalling P139 million (US\$23 million). Of these, 22 were allotted to urban and periurban agricultural projects (*Botswana Guardian*, 26 April, 2002).

Encourage investments in people-owned institutions

The minimum size of the loan for small projects is P500 (US\$900) and the maximum is P150,000 (US\$1,250). An interest rate of 5% per annum is charged on the loans. Repayment periods vary according to the size of the loan and the project cash flow, with a maximum repayment period of 60 months or 5 years, with some flexibility for projects of a special nature (urban and periurban agriculture included).

For medium-scale projects the minimum size of the loan is P150,001 (US\$1250) and the maximum is P2,200,000 (US\$366,666). An interest rate of 7.5% per annum is charged on the loans. Repayment periods vary according to the size of the loan and the project cash flow, with a maximum repayment period of 84 months or 7 years, with some flexibility for agricultural projects.

Assistance for large projects (such as big chicken, dairy or pig farms) takes on 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 to pay market-related interest rates.

RESOURCES AND ACTORS

The three schemes benefit a broad spectrum of people. In all three schemes, several actors have played a key role. The central government provided funds, personnel, offices and other support, such as training and extension services. Other actors are local councils, financial institutions like the Women's Finance House and the National Development Bank, a commercial bank owned by the government, some donor agencies, the private sector and parastatals and CBOs.

All the above schemes were and are fully sponsored by central government and donor agencies, and administered by special institutions and banks. Apart from public sector financial assistance, support is also from NGOs, international aid agencies (through poverty alleviation programmes), national parastatals and also from commercial banks (mostly for large scale farmers in the periurban areas). Individuals have also contributed their own savings in starting agricultural projects.

EFFECTIVENESS OF INVESTMENT IN URBAN AGRICULTURE

The government has slowly shifted from giving outright grants or a mixture of grants and loans (as in FAP, and ALDEP) to giving loans (CEDA), which are well-monitored and controlled through a bank, and impose (subsidised) interest rates.

❖ *Financial Grants* were the hallmarks of the FAP and to a small extent, the ALDEP. Such grants are useful in situations when the people are extremely poor and cannot raise credit through the formal or informal systems. However, a reliance on grants leads to complacency and can in the end kill the spirit of self-reliance, like with some people who took FAP grants as free-for-all financial handouts.

Loans are the only financial assistance mechanisms that have sustainability in the long run. Obviously, they suit middle- and high-income earners. People are encouraged to work hard in order to pay back such loans. This is the new philosophy of CEDA.

❖ *Input supports* in agriculture like tractors, seeds, fertilisers, etc. (e.g. under the ALDEP) are justified where promoters cannot afford to buy them. Targeted inputs can be quite effective in getting people started.

❖ *Tax incentives* are useful in attracting major investors in agriculture and manufacturing. If properly targeted and selective, they can be very effective in creating employment and incomes. However, the time factor should not be more than 3-5 years; otherwise they can be abused as in the case of the large-scale FAP grants/loans and CEDA loans.

❖ *Cooperatives* can be quite an effective means of getting people started in urban agriculture. The government, donor agencies, and NGOs find it better to lend to cooperatives than to individuals. It is suggested that the Cooperative Bank should be resurrected and that the government should intensify the promotion

of institutional Savings and Credit Cooperatives.

CONCLUSION AND RECOMMENDATIONS

More and more people are engaging in Urban Agriculture, creating jobs, improving nutrition, providing income and alleviating poverty. There is a need for policy interventions, to improve the access to specific financing for urban agriculture in Gaborone. Specifically policies oriented at financing urban agriculture, credit procurement (especially for the poor) and specific credit lines could be developed.

Central Government should target serious producers. Flexible credit and credit-support systems should be put in place to provide farmers, especially small-scale farmers, with various credit options and market information for developing their enterprises, and attaining training in basic bookkeeping, business skills and marketing. The national and local governments, the private sector and the NGO community could provide farmers with marketing support; for example, opening up a market for fresh produce.

Institutional cooperation is needed. Different ministries, government departments and private institutions should interact and collaborate to improve agricultural partnerships between the government and NGOs. It is highly recommended that specific sources and mechanisms should be introduced to finance urban agriculture as it has peculiar and specific characteristics warranting separate treatment. Credit and investment should be flexible and different for urban and periurban farming, due to the scarcity of land in urban areas and harsh weather conditions in Botswana. Under market forces, urban farmers will be squeezed out; hence, measures such as zoning, price subsidies, and relaxing some of the stringent town planning and environmental laws are necessary.

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