



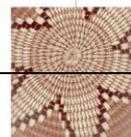
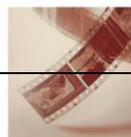
arts & culture

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Mzansi Golden Economy (MGE) Venture Capital Fund Criteria for Proposals

Financial year: 2016/17 to 2018/19



ABBREVIATIONS AND DEFINITIONS

AFS Audited Financial Statements

DAC Department of Arts and Culture

FSB Financial Services Board

GDP Gross Domestic Product

M&E Monitoring and Evaluation

MGE Mzansi Golden Economy

MOA Memorandum of Agreement

NDP National Development Plan

SMME Small Medium and Micro Enterprise

VCF Venture Capital Fund

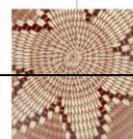
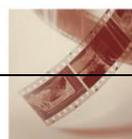


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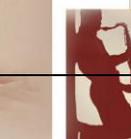
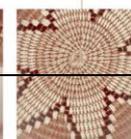
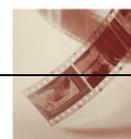
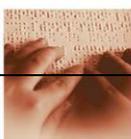
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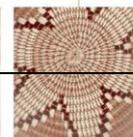
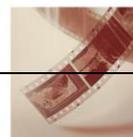
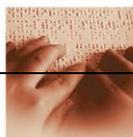
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SECTION A

Venture Capital Fund

Background



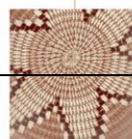
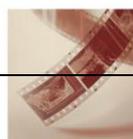
1. Background

Venture Capital is an important source of financing for start-up, companies that have a limited operating history and don't have access to capital markets and financing for start up ventures or expansion. The DAC initiated Venture Capital Fund (VCF) that is seeking to redress past imbalances by addressing the lack of financing instruments for the creative industries and so doing, contribute to economic growth, the creation of decent work and income generating opportunities for creative industry practitioners.

South African economy needs to change from consumption based to production based in order to reach National Development Plan (NDP) targets. It is important that business models are incentivised that empower previously disadvantaged practitioners in the arts, culture and heritage sector to derive maximum economic benefits. DAC sees building entrepreneurs as the vehicle to contribute to the NDP targets of eradicating poverty, addressing unemployment and improving service delivery.

1.1 Aims of the VCF

- To assist Small Medium Micro Enterprises (SMMEs) that do business in the Arts, Culture and Heritage sector to meet financial goals and help them to become skilled business owners by providing finance.
- To develop entrepreneurs to become independent and self-sustaining by providing non-financial support and skills development.



1.2 Strategic objectives

Increase access to and the provision of finance to SMMEs thereby contribute towards job creation

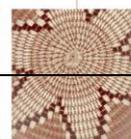
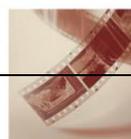
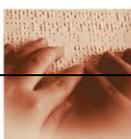
- Provide favourably structured loan finance to eligible and qualifying ventures;
- Expand direct lending through partnerships in all provinces; and
- Expand partnerships with other institutions.

Build a strong and effective VCF brand emphasizing accessibility to SMMEs

- Develop and implement an effective marketing and promotion programme to communicate VCF's product offering to SMMEs.

Build an effective and efficient VCF that is performance driven and which demonstrates good returns on investment

- Create, develop and retain dynamic human capital with values and culture aligned to VCF's mandate and which understands the unique nature of creative industries in South Africa;
- Build an effective VCF with robust and efficient business processes, systems and infrastructure; and
- Build a financially sustainable and viable VCF by sourcing appropriate financing to the VCF.



1.3 The Need for a VCF

A benchmark mapping study conducted by the DAC in 2013, found that while the creative industries make a significant contribution to the South African economy , there are significant constraints to development. The lack of access to appropriate finance was indicated as a major obstacle by 67% of respondents, 22% indicated that a lack of appropriate technology and equipment and market access were major challenges. In response to this, there are two primary needs that the VCF will meet:

- **Access to finance for SMMEs**

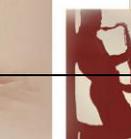
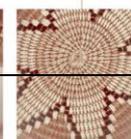
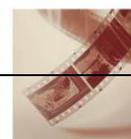
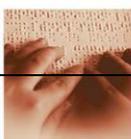
The size of these businesses limits their ability to raise commercial bank financing, due to their limited collateral, a lack of insight and understanding of the industry and history of financial performance.

- **Financing of the projects to yield return on investment**

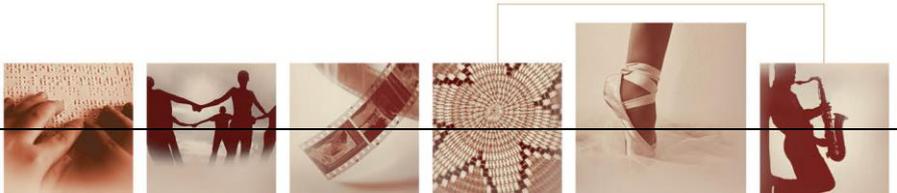
Currently, projects are overly dependent on government for financial assistance. A mechanism to incentivize viable projects, which show potential to be self-sustaining, to support growth and innovation in the sector is required.

1.4 The Role of a VCF

- Financing of new and existing businesses in the arts, culture and heritage sector and take equity share to ensure the viability of the VCF;
- Provide finance for assets and goods and services when a sale has been concluded;
- Financing of companies and ventures in the arts, culture and heritage sector that have secured tenders or purchase orders but have limited start-up capital to deliver the service or goods or projects;
- Financing of ventures within the arts, culture and heritage sector with commercial value after a due diligence process has been concluded;
- Facilitating and incentivizing the sub-contracting with other suppliers with an aim to gain experience;
- Reporting job creation and contribution to the Gross Domestic Product (GDP); and
- Generating return on investment.



SECTION B
Venture Capital Fund
Project overview



2. Operating Model

Financial Support

- Companies/organisations that meet the criteria for financing subject to the company/organization proving financial viability and the ability to repay the loan. Financing will be made available to all projects after a due diligence exercise has been conducted.

Non-Financial Support

- Provides additional services which comprise supplying of information, technical advice and other services to start, run and grow a business.

Skills Development

- Providing training that is relevant to the sector and focused on solving the immediate problems encountered by entrepreneurs starting up, running or expanding their businesses.

2.1 Financial Instruments

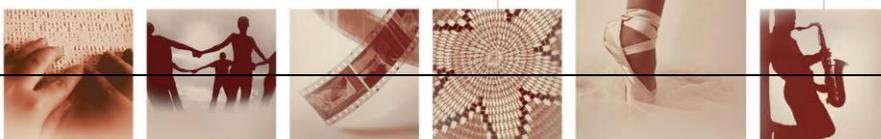
Depending on the SMME's stage of development and its particular financing needs, the VCF will provide different types of instruments namely;

2.1.1 SMME Loans

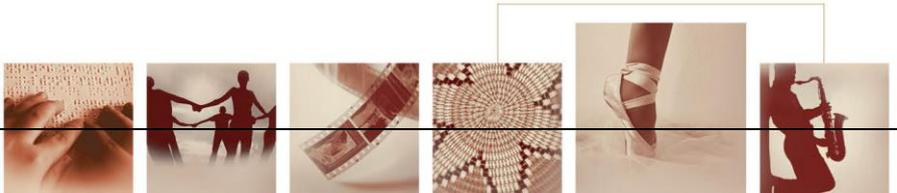
- Loans from R50,000 to R10 million
- Providing SMME Loans for Supply Chain Finance which will be only based on signed contracts/orders with a third party to deliver goods/or services; and
- Loans for start ups and expansions of existing businesses/organizations.

2.1.2 Project Development Loans

Project Development Loans will focus on financing an organisations whose projects are certain to generate revenue over a short-term period such as Festivals.



SECTION C
Venture Capital Fund
Criteria



3. Criteria

Companies and public institutions can apply to host a VCF to finance organisations in the creative industries which include but not limited to the following disciplines: Craft, Dance, Design, Multimedia, Literature and Publishing, Music, Theatre/Drama, Heritage and Visual Arts. When assessing the applications the following will be taken into account:

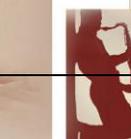
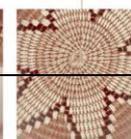
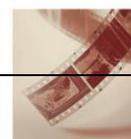
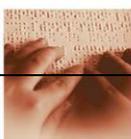
- a. The social, economic and environmental benefits which will result from the initiative;
- b. The level of community support for and involvement in the initiative;
- c. The level of investment from the company/public institution;
- d. The proposed performance of the VCF with regard to:
 - Demonstrable return on investment;
 - The provincial spread of support required;
 - The number of ventures supported;
 - The number of jobs created; and
 - The profile of beneficiaries with specific reference to historically disadvantaged individuals, women, youth and people with disabilities

Other factors will also be considered which must be demonstrated in the application:

- The ability of the applicant to deliver the project;
- How the work will be continued after the project has been completed i.e. its sustainability and legacy;
- Value for money and return on investment;
- The viability of the proposed implementation model; and
- The experience of the applicant and any proposed partners.

Organisations/institutions must be formally registered and be local/South African based. The VCF will be for a period of three (3) years. The budget allocation will be as follows:

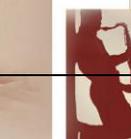
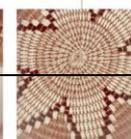
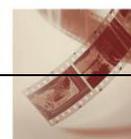
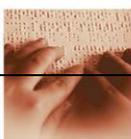
- A minimum of 90% towards the beneficiaries of the VCF; and
- Up to a maximum of 10% inclusive of non-financial support services, towards administration of the fund.



Applicable criteria to all applicants:

Criteria	Description	Weight
Capital injection towards the VCF	Budget allocated towards supporting the VCF (DAC's budget is R100 million over 3 years).	30%
Experience with regard to public sector governance and compliance frameworks	Current exposure with PFMA and Treasury Regulations; Expertise in the Public sector financial management.	20%
Capacity to provide non-financial support	Skills and expertise to provide technical advice and monitoring and evaluation.	15%
Efficiency and reliability of existing facility	Loan and financing facilities	15%
National and provincial presence	Capacity and the existence in all provinces	10%
Insight into the creative industries	Knowledge and understanding of the creative industries in South Africa.	10%
TOTAL		100%

A beneficiary that scores less than 60 out of 100 in respect of the criteria will be regarded as submitting a non-responsive proposal and will be disqualified.



3.1 Standard Requirements

Eligibility

This call is open to all tax and registered financial services organizations, public entities and enterprises that have independent legal status i.e. registered as a Non-Profit Company, a Private /Public Limited Company or a Trust.

Administrative Criteria

The following will lead to automatic disqualification:

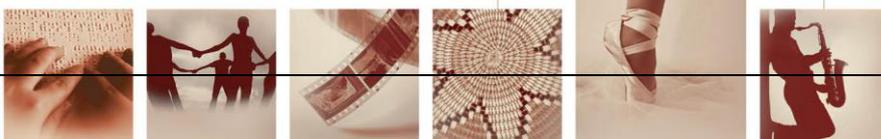
- Provision of dishonest and inaccurate information;
- Incomplete submission of a Proposal and/or Compliance documentation;
- Late submission of any documentation;
- Applications submitted by fax and/or email; and
- Lack of valid certification/registration with the relevant authority.

3.2 Funding Timeframes

Funding of the VCF will be for the period of 3 years from April 2016 to 31 March 2019.

3.3 Compliance Documentation

- Completed application form;
- Registration documents as a legal entity and relevant certification/registration;
- Valid tax clearance or (exemption certificate);
- Latest Annual Report with Audited Financial Statements including comparative information for the last two fiscal years;
- Detailed Proposal that includes the approach to financing SMMEs in the creative industries, detail of the non-financial support to be provided and accessibility systems, detailed budget breakdown and a 3 year implementation strategy; and

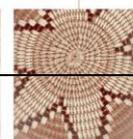
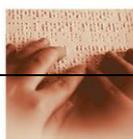


- Letter from the beneficiary governing structure providing the full name and identity number of the individual empowered to enter into contracts (Letter of Authority).

3.4 Submission of Proposals

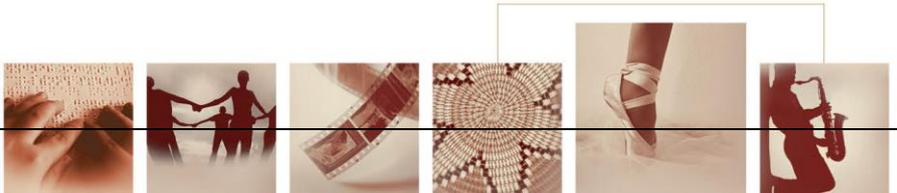
As with most funding applications, organisations must submit original documents and the application form must be fully completed. A detailed proposal (called a Business Plan in this case) and other compliance documents listed in paragraph 3.3 above must be submitted.

The applications will be processed after the closing date which is the **6th of May 2016**. The results will be announced after the adjudication panel has made recommendations which will be within 60 days after the closing date.



SECTION D

Processing of Applications



4. Adjudication Process

4.1 Step 1 : Preliminary Review

DAC officials will conduct a preliminary review of each application to ensure compliance with the administrative criteria. Should the application be disqualified for any administrative reason, the submission will not be submitted to Step 2, however a full list of all received applications will be tabled during the review process at Step 2.

All applications received will be posted on the DAC website, www.dac.gov.za

4.2 Step 2 : Making the decision

A panel of relevant stakeholders and experts have been appointed, comprising of Chief Financial Officer and Chief Executive Officer from DAC funding institutions; Senior officials from the National Treasury and Department of Trade and Industry and the Investment Analyst from the private sector. The adjudication will be based on the merits and meeting the funding criteria. The recommendations of the panel will be tabled for the approval by the Accounting Officer.

No urgent applications will be considered.

4.3 Step 3 : Notification

The DAC will communicate the decision and the conditions of awarding the grants in writing. The successful beneficiary will be provided with a letter of confirming the award and announced on the DAC website, www.dac.gov.za

