

GET FUNDED

GUIDE BOOK



**A STEP-BY-STEP GUIDE TO SECURE
FUNDING FOR YOUR BUSINESS**



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GET FUNDED: GUIDE BOOK

A Step by Step Guide to Secure Funding For your Business

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1 Introduction

You have a great business idea and now you need funding. Where do you start? How do you go about it? Where can you apply? If you feel at a loss or daunted by the process, this guidebook is for you. It is laid out in a step by step format and covers important questions like:

- Do you really need funding?
- What are your funding options?
- Do you qualify for any grants?
- Where can you apply for government loans or grants?
- Should you apply for grants, or loans or perhaps seek equity funders?

Every year more than R25-billion is available to companies in South Africa from the various funding institutions as grants, loans and incentives. Unfortunately, not all of these funds are allocated each year. This is because most businesses do not know about the various options and programs and applicants often don't know criteria and processes.

Here are the major routes you can take to fund your business idea or business growth:

1. Government Grant Programmes
2. Government Loan Programmes
3. Commercial Banks
4. Commercial Funding Organisation
5. Enterprise Development Funds
6. Private Equity and Venture Capital

2 Is Your Idea Viable?

Ready to start your own successful business? To be successful with your start up, you need a great business idea. But a winning business idea is more than just something you're excited about or good at — you should make sure your idea is actually viable.

Firstly, you need to make sure that you have a profitable business idea. The first thing any funder will look for is whether your business idea is viable and profitable, as this will indicate to them whether you will be able to pay back the loan. If it is a grant you're applying for, this will indicate whether your idea fulfils the mandate of the grant.

In order to gauge the viability of your business idea, you need to ask yourself a few key questions. Here are 10 questions you should ask yourself as you develop your business idea:

1. Does it solve a problem?

The best business ideas are those that solve a problem in some way. This will ensure that your product or service will be in demand. If there is a problem that affects you, your friends, family, co-workers, etc., then the chances are high that it affects others, and they are seeking for a solution.

2. Will people pay for it?

An idea is just an idea until you are certain that people will pay for the product or service. From the financiers' point of view, this validates an idea and determine which ones have the greatest chance of success.

3. What's your price point?

While there are many ways to solve problems, a successful business idea does so in a way that is financially feasible for the market, and profitable for the business. Once you have determined that you are solving a legitimate problem in a scalable way, you need to determine not only the value that it delivers to the world, but what people would pay for that value. Once you determine the price, then you can assess if your solution is business-worthy or not.

4. Is there a sizable niche market for it?

Without a large enough market, your business idea may never get off the ground. Your business should cater to a strong niche market. Start by focusing on a niche market you know that can be served better. Make sure the market is large enough and that you can serve those customers better than the alternative. Large companies often won't focus on niche markets, so there is room to compete and exceed customer expectations.

5. Are you passionate enough about it?

Starting and growing a successful business requires a huge amount of time, energy and patience, so make sure you're passionate enough about the field. It's important to feel stimulated and enjoy your field of work too, so that you can stick with it year after year and meet the inevitable challenges with strength and enthusiasm. Funders are also very aware of this. They know that the person behind the business is the most important factor and they often take the approach of "funding the person, not just the business"

6. Have you tested your idea?

You won't know if your business is viable until you test it on prospective customers. Test it — not just with friends (who might be too polite to tell the truth!) but with people who would make up your ideal target audience, and then listen to the feedback. If your target sample is saying your idea is fantastic and asking where they can get it, you know that you're onto something, but if they are less than enthusiastic, it's probably not as good an idea as you thought. In this case, you would have received valuable feedback before launching the business.

7. Are you open to advice?

You need to be open to changing or adapting your idea to fit what your customers will want. Success happens when you are willing to listen and consider others' advice. Most good ideas take some tweaking to get to market. Being closed-minded is a business killer.

8. How will you market your business?

Many entrepreneurs think about the problems their business will solve but not about how they intend to market their business to their target customers. If you have a decent product and a solid go-to market strategy, you'll probably be successful. In contrast, if you have a great product with no idea how to reach your potential customers, your business could still fail! So, marketing and selling are a key part of the mix and thinking through this as early as possible is really key.

9. Are you being realistic about your goals?

As excited as you may be about a new business idea, it's important to stay grounded and be realistic about it. Just because you have a vision and decide to build the business, it does not mean the rest will follow. While you may have an idea that is original, revolutionary or ahead of its time, there should be a real, solid market opportunity to ensure it is successful. Any new business or new endeavor must have an interested market that you believe you can sell now — not theoretically, or on the premise that there is a future for this market.

10. Can you explain your idea in the simplest terms?

Your business may solve a complicated problem, but you should be able to explain it in simple terms so that anyone can understand it. SIMPLE is key here. When you think about your new business idea, ask yourself, 'Can it pass the grandma test?' Perhaps your business is solving a complicated problem, but early on, come up with a way to explain it that makes sense to the masses.

These are tough question for any entrepreneur to ask themselves, because way too often entrepreneurs can fall in love with their idea and be blinded to the realities. But once you have asked yourself these questions, you will come to some very useful insights as you take your business idea forward.

The next question you should ask yourself is, do you really do need funding.

3 Do you really need funding?

Before you consider approaching the funding Organisation, it helps to ask yourself: Are there alternatives? Is there any way to develop your business without securing external funding? In fact, as an entrepreneur you should always be asking yourself if there are alternatives that make more sense!

Don't forget that business loans are subject to interest, and this often is a financial burden for start-ups, so if you can avoid this you might be better off, depending on the circumstances and the nature of your business.

Bootstrapping

What is bootstrapping? In the context of business, bootstrapping is the act of starting a business with no money — or at least, very little money. It certainly means starting a business without the help of bank loans or venture capital firms. It means getting by with what you have and re-investing the money earned from customers back into the business.

While there are lots of old sayings about “pulling up by your bootstraps” — the general idea is that in the context of start-ups, bootstrapping means to roll up your sleeves and doing whatever it takes to grow your business.

- cutting expenses
- networking for a good discount/product
- bartering or trading services
- being resourceful enough to track free products and their availability
- streamlining your business and bundling services together for savings

The disadvantage is that growth is often slow because your business first must meet its operating expenses to stay afloat. But this is nevertheless a valid option to consider if you do not want to take on too much risk, and if you're open to starting smaller and growing a little slower.

If you have thought through this option and decided that it makes more sense to apply for funding, the next step is to get clear about what you need the funding for.

4 For what do you need funding?

Before you approach any funder, you need to know clearly what the money will be used for. No bank or financier will grant you any money if you cannot be clear and precise about this.

When a business requires a loan, generally these are the 3 main purposes: Asset Finance, Working Capital or Order Finance.

Below we will explain each type in more detail:

Asset finance:

Asset finance is when a business requires a loan to purchase assets. This could be for the purposes of motor vehicles, heavy machinery, land and buildings. It generally does not cover smaller purchases like office computers and printers or office furniture. (except in certain cases, for example when purchased for a hotel.)

Finance for working capital

The cash that a business uses to fund its daily operations is known as working capital. It's pretty much the cash that a business has on hand to use instantly. Very often, SMEs who trade with other businesses face lengthy payment terms. This means that it can take months to receive funds after providing your goods or services to a customer and sending out the invoice. As a result, cash is often tied up in the short run, leading to a real working capital problem. Funding agencies recognize this as a valid case to apply for funding.

Order finance

Order finance (also called Purchase order financing) is a short-term commercial finance option that provides capital to pay suppliers upfront for verified purchase orders. Businesses avoid depleting cash reserves or declining an order because of cash flow challenges. It allows companies to accept unusually large orders and adjust the loan amount up/down quickly to meet needs. If order volume drops, there's no long-term commitment so they can stop using it at any time.

Order finance is a debt instrument designed for growing businesses that want to fulfil large orders but have little access to working capital and/or poor cash flow. The types of businesses that usually qualify include Manufacturers, Distributors, Wholesalers, Resellers as well as importers and exporters.

5 How to decide on your funding avenue

Now that you have gone through the process of developing and testing a solid business idea, and have learnt about the different funding instruments, how will you decide which funding route you will take?

Will you be applying for grants or loans via the government agencies? Will you be applying for bank loans? Or are you perhaps seeking equity funding?

In order to decide, you will need to understand what each route entails, and what kind of funding is available from each avenue.

As we outlined in the introduction, here are the major categories of funders.

- 1. Government Grant Programmes**
- 2. Government Loan Programmes**
- 3. Commercial Banks**
- 4. Commercial Funding Organisation**
- 5. Enterprise Development Funds**
- 6. Private Equity and Venture Capital**

As you go through all the options in more detail later in this guide, you need to decide which is the best funding route for your business.

Loans versus grants

Firstly, if you qualify for a Government grant, congratulations! Because it means your business is aligned with some of the South African development initiatives, and it means you will not have to pay back the money. The disadvantage, though, is that it can take up to a year before you can receive the funding. But if you are planning well ahead you can still take advantage of these grants.

Remember that even if you qualify for a grant and most of the time it will only cover 50% of your planned investment, you can still apply for a loan to make up the difference.

If, however, you do not qualify for a grant, then your options are either to secure a loan or to seek equity funding.

By far the easier option is to apply for a loan. Your options are government loans, bank loans or loans from private commercial enterprises.

As you will see later in this guide, the different financiers have different qualifying criteria. First see which loans you qualify for. e.g.: if you are building a business in the agricultural sector your best option is the Landbank, if you are in the business of manufacturing, you can look at Organisation like SEFA, IDC or NEF. And so on.

As you go through the qualification criteria for the different financiers, you should be drawing up a shortlist of possibilities. And once you've created a shortlist, then you can weigh up your options by investigating the different terms. Here you need to consider interest rates, loan repayment periods, amount of collateral and surety required. Naturally you will choose the loans with the most favorable terms for you.

In certain cases, depending on your plans and the nature of your product or business, you may also want to consider equity funding.

Equity funding is a broad term which includes venture capital, private equity investors and angel investors. As you will see, these options have their advantages and disadvantages. Equity funding requires you to give up a percentage ownership of your business. While this may be out of the question for many entrepreneurs, it is nevertheless an effective way to scale a business quickly, so you may want to consider this route. Equity funding is only available to companies, that have already some traction in the market and not for a total newbie. If this makes sense for your business idea, you need to explore this option carefully and learn all about how it works before approaching the relevant financiers.

By following this basic process, you will arrive at the best option to fund your business. This is of course a high-level guide of how to navigate the process and the options. Once you begin the process, there may be many more aspects to take into consideration.

In the chapters to follow you will learn about each of these options in more detail so that, going forward you will be equipped with the necessary information to make the best decision.

6 The different financial products

Before approaching funding agency or bank, it helps to have a basic understanding of the different types of financial products or debt instruments.

If you want to apply for a business loans, you are likely to come across numerous types of loans and names for finance products like wholesale lending, direct lending, bridging finance, asset finance, term finance, bank overdrafts, revolving credit loans, collateral, working capital, debtor finance - and the list goes on!

In order to simplify it, however, you will find that all loans can fall into one of 3 broad categories: **short term, medium term or long-term loans**. Below you will learn about some of the main debt instruments for each category.

Short-term debt: for cash-flow management

The most common forms of short-term debt instruments are credits cards, lines of credit, overdrafts, bridging loans and invoice financing.

Now let's look at these in more detail...

Credit cards

The most familiar type of credit is also one of the most expensive. Credit cards allow you to spend more than you repay to the credit card company up to your credit limit. Any balance on your credit card that is not paid off within the repayment period is charged interest, which is usually higher than what is charged on other forms of debt. Credit card statements are issued for the previous month and must typically be paid within 25 days of receipt, giving you free credit (float) for between 25 and 55 days. Credit cards also offer security with purchases, since the card company usually covers loss through fraud or bankruptcy. Many businesses therefore use credit cards for online purchases. Many banks have dedicated small business credit cards which may offer preferential rates to heavy users. Credit cards are convenient and can help manage short term cash flow bottlenecks but are not a suitable source of finance in the long term or for large debts.

Line of credit

A line of credit operates like a credit card. Your business can borrow money from the bank up to a certain limit, sometimes restricted to the purchase of a specific class of

asset. Interest rates are typically lower than credit card interest rates, but the availability and limit level will depend on the strength of the relationship you have with the bank, as well as the strength of your business. Like a credit card, a line of credit is a revolving credit. It has no repayment schedule but charges interest whenever there is a balance on the account. Another variation of a line of credit is a 'working capital loan'. Banks will often require a minimum payment of a certain percentage of your balance in order to continue using the line of credit. This is also common practice with credit cards.

Overdrafts

An overdraft is similar to a line of credit but is linked to a business's current account. An overdraft allows a business to withdraw more money from the bank than it has in its current account, paying interest and fees on the deficit until it is paid off. Overdraft facilities are often secured with assets and are another useful way of resolving cash-flow problems when waiting for invoices getting paid, grant funding or other one-off payments. However, overdrafts do tend to have higher interest rates.

Bridging loans

Bridging loans (also known as bridging finance) are used when there is a time delay between a business undertaking an activity that costs them money (producing goods, rendering services, investing in assets) and when the income is received in relation to that activity. This is very common with some tenders that are paid in arrears. In this case, there is a short-term cash flow shortage that has not resulted from any weaknesses in the business model. Bridging finance will allow your enterprise to continue to pay its expenses until the payment is received. Bridging loans are usually given for periods of less than one year. Because there is clear risk involved with pegging loan repayments to the payment you stand to receive from clients, lenders will often want to see proof of this future income.

Invoice finance

This is also referred to as Debtor finance / Invoice discounting and factoring. These instruments allow businesses to shorten the cash conversion cycle, at a price. It can

take 30-90 days to receive payment from invoices, and invoice discounting and factoring allow the bank to pay you immediately for the money you are owed. They charge interest on the forwarded amount (usually prime +1%) and other administration fees for this service.

These instruments are another attractive way of resolving short-term cash flow issues, and the cost of this facility will depend on the perceived level of risk associated with those who owe you money. The main difference between factoring and invoice discounting is that under factoring the bank will directly collect payment from your debtors, whereas under invoice discounting you will collect payment yourself. If your Organisation collects other information when billing clients or would rather not inform them that you are using these facilities, then invoice discounting may be the better option. Factoring saves your business the administrative hassle of collecting the payments.

Medium term debt

When it comes to medium term debt, the most common forms are ...Leasing and access bonds. Below you will learn about these in more detail.

Leasing

Leasing is a way to have use of an asset before you can afford to take full ownership of it. There are various permutations of leasing. In an instalment sale, you pay the bank or lender monthly instalments which consist of part of the cost of the asset plus interest.

Once all the instalments have been paid, ownership of the asset passes over to you.

A typical lease involves making monthly payments for a fixed number of months to make use of an asset, after which the bank repossesses it. At the end of a lease, the lessee can buy the asset, refinance it or return it to the bank. Leasing is a better option than instalment sale when the asset is only needed for a limited period, or when its value is very low by the end of the leasing period.

Leasing arrangements are common with vehicles, photocopiers and other large pieces of equipment. A lease can be obtained from a bank or from the producer of the asset (for example, most car companies sell leases on their vehicles). Some leasing agreements will require a deposit to be paid at the start of the lease.

Leases offer a good way to keep cash available that would otherwise be tied up in assets, but in the long term it often costs more than purchasing the asset outright. It

is also worth noting that since leased items are not classified as business assets, they cannot be used as security for other forms of finance.

Access bonds

These loans allow you to essentially treat a loan taken out for an asset as a savings account. Simply put, access bonds allow you to re-borrow what you have already paid back, at the same interest rate as the initial loan. You can use the equity on the asset to take out additional short-term loans at the same interest rate as the original loan, up to the value of the equity.

Since this interest rate is often lower than the rate you would pay for other one-off purchases, access bonds are a good way to pay a lower interest rate on such things as cars and other equipment purchases. They also allow you to pay off the loan more quickly by depositing more than your minimum instalment into the account.

For example: If you have a R1 million mortgage on a property and have paid off R500 000 of it and were paying 10% interest, you could withdraw R100 000 of that equity to buy a vehicle and avoid the 15% interest rate that is usually charged for cars.

Long term debt

In the case of long-term debt, the most common forms are term loans and property financing. Now let's look at these in more detail...

Term loans

This is the most common loan used to fund large asset purchases and is available from major retail banks. Businesses usually deploy term loans to purchase large assets such as land, buildings or expensive equipment, but can also use them to acquire other businesses or restructure long-term debt that is secured on assets.

Term loans tend to have long repayment periods, typically 2-7 years. By making surplus payments above and beyond the basic requirements of the loan, a business may reduce the duration of the repayment period, and therefore the amount of interest that must be paid on the loan.

Term loans usually require security or collateral, which could either be the asset for which the loan was secured, or another asset held by the business whose value

exceeds the loan amount. The lack of security is a major stumbling block for many entrepreneurs looking for finance. Many have chosen to offer their own property or home as security, but this has clear and significant risks.

An important option for enterprises lacking adequate security to succeed in a loan application is a credit indemnity scheme. This scheme guarantees the value of the loan in lieu of security, but the entrepreneur must contribute a certain percentage of the security (usually 10%, based on the loan amount) and convincingly demonstrate an ability to repay the loan.

Most term loans charge interest at a variable rate, which may consist of Prime (published, benchmark rate at which major banks lend) plus an additional percentage based on the perceived riskiness of the loan, the repayment period, and other factors. Since Prime changes with economic conditions, the interest rate on this loan will vary over its duration (a variable-rate loan). Some banks also offer fixed-rate loans, which specify a given rate of interest for the entire repayment period. Such loans can help financial planning and can be beneficial if interest rates are predicted to rise but could cost you more in the long run if interest rates fall.

Term loans are also offered by many of the Development Finance Institutions (DFI's) supporting small businesses or certain sectors, as well as many of the funds targeting black-owned SMMs, often with lower interest rates and longer repayment periods.

Business property finance

Just as you would get a mortgage for your own home, you can also finance land and property for your business with debt. Some banks also offer a 'business mortgage' where you can take out a loan to buy or improve a residential property that will be used as a business, which is common with doctors, lawyers and other professionals, but is also often seen with start-up enterprises.

7 Difference between surety and collateral

When you are applying for loan, financiers will want to know that their money is secure. This security can take the form of collateral and / or surety.

What is collateral?

Collateral refers to the entrepreneur's own contribution to the business. This can take the form of cash, equipment or land and buildings.

Most funding institutions expect a collateral of 10% from the stakeholders. They want to see that beyond taking a risk with secured funding, that you believe in your business idea and you're willing to risk your own capital.

One of the biggest differences between Government Funding Institutions and commercial banks is the amount of collateral required. The Government Institutions are mostly satisfied with a collateral of 10%; while the commercial banks require a collateral of 50-60%.

Note: *While you can use your own money, or borrow the collateral from friends and family, it is stipulated that you cannot borrow the 10% from other funding institutions or take loans with monthly instalment obligations. This does not qualify as collateral.*

Note: *Some government funding institutions, like SEFA, have developed specific programs for youth that do not require collateral. This also means that the business idea must be very solid.*

What is surety?

Surety is an agreement that a financial institution requires to ensure that if the borrower defaults on the loan repayments, they can recover their money.

Banks would generally want a residential property to be given as security, but will also accept business properties, certain insurance policies, investments such as shares and unit trusts, and sometimes even business equipment.

They will only grant you a loan for a portion of the value of the asset. For example, your house may be worth R700 000, but they may only grant you a loan of say R500 000. This protects them from price fluctuations in the market.

Keep in mind that if you approach the government institutions and if you have any assets, they require you to pledge those assets as surety. But if you are not able to offer any assets as surety, they will still consider loan applications.

Note: *If you have no surety, you should not even consider applying for a business loan with a commercial bank as this will be a waste of your time and effort! No matter how fantastic your business idea is or how lucrative your future profits may be, the banks will not be interested. Their business is to lend money safely and earn good interest, so if you cannot provide surety, you still can apply with Government Institutions or Enterprise Development Funds.*

In the chapter to follow we will now look at all the funding options one by one, from Government grants to Government loans, loans from commercial banks, commercial funding Organisation, enterprise development funds and equity funding.

8 Government Grant Programmes

A grant is a financial support to assist companies to grow. It does not accrue interest, and you will not need to pay back the grant.

Government grant funding in South Africa is linked with efforts such as black economic empowerment, job creation and developing the economy. While the government is one of the best sources of grants, its selection criteria are strict and paperwork intensive, and your business is obligated to spend the funds in a manner specified by them.

Why a grant is your first option

If you are ready for funding, we suggest to first determine if you qualify for a grant. This makes sense because if you do qualify, you will not have to pay back the money (unlike loans). Keep in mind, however, there are normally no grants available for start-up's, but only for business expansion plans.

Do you qualify for a grant?

There are different grants available for small businesses, medium sized businesses and large companies.

Most grants cover up to 50% of the investment amount. e.g. If you want to buy equipment for R 500 000, the DTI will subsidise the investment to the amount of R250 000, and you need to finance the remaining amount or pay it out of your own funds. In some cases, the grant amount is lower than 50% (please pay attention to the criteria for each program)

All funds available in South Africa have their own specific requirements, so it's advisable to research each fund carefully to assess their criteria and see if you are eligible.

Note: Keep in mind that all grants are only available for a certain period of time, usually for three years, before the government re-assesses the effectiveness of each program. This is pretty much a standard practice in all countries when it comes to government assistance.

General criteria for grants

Some of the Criteria for receiving grants differs from program to program, but the basic criteria for most grants are:

- Your company must be registered in SA with CIPC (Companies and intellectual Property Commission - www.cipc.co.za)
- Your business must be trading for more than one year. (with a few exceptions – e.g.: The Cooperative Incentive Scheme program will take start-ups into consideration)
- A valid tax clearance certificate is required
- Your business must be BBEEE compliant. Most grant applications expect a minimum of BBEEE level 4.

If the turnover of your company is more than R 1 million, you will need a Vat number.

Minimum and maximum turnovers vary from grant to grant

The Funding Departments

There are 2 major Government departments which are responsible for business grants. The Department of Trade and Industry (DTI) and The Department of Small Business Development (DSBD).

The Department of Trade and Industry (DTI)

The DTI provides financial support to qualifying companies in various sectors of the economy, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment. You can learn more about the DTI on the official website: (www.DTI.gov.za)

The Department of Small Business Development (Dsbdb)

The DSBD has an integrated approach to the promotion and development of small businesses and cooperatives. They seek to achieve this through a focus on the economic and legislative drivers that stimulate entrepreneurship. You can learn more about the DSBD on the official website: (www.dsbdb.gov.za)

AGRO PROCESSING SUPPORT SCHEME APSS

The Agro-Processing Support Scheme (APSS) aims to stimulate investment by the South African agro-processing / beneficiation (agri-business) enterprises. The investment should demonstrate that it will achieve some of the following: Increased capacity, employment creation, modernized machinery and equipment, competitiveness and productivity improvement and broadening participation.

The scheme offers a 20% to a 30% cost-sharing grant to a maximum of R20 million over a two-year investment period, with a last claim to be submitted within six months after the final approved milestone.

The dti may consider an additional 10% grant for projects that meet all economic benefit criteria such as employment, transformation, geographic spread and local procurement.

Do you qualify?

An applicant must submit a completed application form and business plan with detailed agro-processing/beneficiation activities, budget plans and projected income statement and balance sheet, for a period of at least three years for the project. The project/business must exhibit economic merit in terms of sustainability.

The application must be submitted within the designated application window period, prior to start of processing/beneficiation or undertaking activities being applied for. Any assets bought and taken into commercial use or competitiveness improvements costs incurred before applying for the incentive will be considered as non-qualifying.

For existing entities, submit latest financial statements, reviewed by an independent external auditor or accredited person, not older than 18 months.

The approved entity may not reduce its employment levels from the average employment levels for a 12-month period prior to the date of application, and these employment levels should be maintained for the duration of the incentive period/agreement.

Minimum qualifying investment size, including competitiveness improvement cost, will be at least R1 million.

Aquaculture Development Enhancement Programme (Adep)

The ADEP is an incentive programme available to South African-registered entities engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater classified under SIC132 (fish hatcheries and fish farms) and SIC 301 and 3012 (production, processing and preserving of aquaculture fish). The grant is provided directly to approved applications for new projects or the upgrade or expansion of existing projects.

BENEFITS

The ADEP offers a reimbursable cost-sharing grant of up to a maximum of R40 million qualifying costs in:

- Machinery and equipment (owned or capitalized financial lease);
- Bulk infrastructure;
- Owned land and/or buildings;
- Leasehold improvements;
- Competitiveness improvement activities and
- Commercial vehicles and work boats (owned or capitalized financial lease)

ELIGIBLE ENTERPRISES

- **PRIMARY AQUACULTURE OPERATIONS**

- Brood stock operations;
- Seed production operations;
- Juvenile (spat, fry, fingerling) operations, including hatchery and nursery facilities;
- On-growing operations, including but not limited to rafts, net closures, net pens, cages, tanks raceways and ponds.

- **SECONDARY AQUACULTURE OPERATIONS**

- Primary processing for aquaculture (post-harvest handling, eviscerating, packing, quick freezing);
- Secondary processing for aquaculture (filleting, portioning, packaging);
- Tertiary processing for aquaculture (value adding such as curing, brining, smoking, further value adding such as terrines, roulades, pates, patters);
- Waste stream handling for aquaculture (extraction of fish oils, protein beneficiation, organic fertilizers, pet feeds, animal feeds).

- **ANCILLARY AQUACULTURE OPERATIONS**

- Aquaculture feed manufacturing operations;

Research and Development projects related to aquaculture;
Privately-owned aquaculture veterinary services (farm inspections, disease surveillance and control, histopathological analysis, etc. specifically for the aquaculture industry).

Automotive Investment Scheme (Ais)

The AIS is designed to grow and develop the automotive sector through investment in new and replacement models, and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

ELIGIBLE ENTERPRISES

- Light motor vehicle manufacturers that have achieved, or can demonstrate that they will achieve, a minimum of 50 000 annual units of production per plant, within a period of three (3) years; or
- Component or deemed component manufacturers that are part of the Original Equipment Manufacturer (OEM) supply chain; or
- Will achieve at least 25% of total entity turnover or R10 million by the end of the first full year of commercial production as part of a light motor vehicle manufacturer supply chain, locally and / or internationally.

Black Industrialists Scheme (bis)

Definition of Black Industrialists

In conventional terms, the concept of black industrialists refers to black people directly involved in the origination, creation, significant ownership, management and operation of industrial enterprises that derive value from the manufacturing of goods and services at a large scale; acting to unlock the productive potential of our country's capital assets for massive employment locally. The following are important elements of being an "industrialist":

Significant influence in an enterprise or industry;
Control of an enterprise through shareholding;
Board and executive management control; and
Production of products (goods and/or services) with significant wide use.

Brief overview of the Black Industrialists Scheme (BIS)

The Black Industrialists Scheme offers a cost sharing grant ranging from 30% to 50% to approved entities to a maximum of R50 million. The quantum of the grant will depend on the **level of black ownership and management control, the economic benefit of the project and the project value**. This will cover capital investment costs; feasibility studies towards a bankable business plan (to the maximum of 3% of projected investment project cost); Post-investment

support (to the maximum of R500 000); and Business Development Services (to the maximum of R2 million)

Interested entities on the scheme should be operating in the following manufacturing sectors in line with the industrialization path as articulated by IPAP:

- Blue/Ocean economy, including vessel building and repair
- Oil and Gas
- Clean Technology and Energy
- Mineral Beneficiation
- Aerospace, rail and Automotive Components
- Industrial Infrastructure
- Information Communication Technologies
- Agro-Processing
- Clothing, Textiles /Leather and Footwear
- Pulp, Paper and Furniture
- Chemicals, Pharmaceuticals and Plastics
- Nuclear
- Manufacturing related logistics
- Designated Sectors for localization

Business Process Services (Bps) Incentive

The primary objective of the incentive is to create employment in South Africa through servicing offshore activities. The secondary objectives of the programme include:

Creating employment opportunities for the youth; and
Contributing to the country's export revenue from offshoring services.

DO YOU QUALIFY?

This grant is aimed at Enterprises performing Business Process Services. Here are some of the basic criteria:

Must be performing BPS activities;
May be involved in starting a new operation or expanding an existing operation in order to perform BPS activities, which may be operated from more than one physical location in South Africa;
The project must employ at least 80% youth as part of its employment establishment;
Have secured a contract for offshore BPS activities;
Comply with the B-BBEE requirements;

Capital Projects Feasibility Programme (Cpfp)

The CPFP is a cost-sharing programme that contributes to the **cost of feasibility studies likely to lead to projects outside South Africa that will increase local exports and stimulate the market for South African capital goods and services.**

Eligible Enterprises

South African registered legal entities. A foreign entity will only be considered if it partners with a South African registered entity and the application is submitted by the South African entity.

Studies that fulfil the following non-financial criteria will be eligible to apply for a grant through the programme:

- new projects, expansion of existing projects and the rehabilitation of existing projects;
- the programme that is anticipated to emerge from the feasibility study must fulfil the objectives of the programme;
- the minimum local content should be 50% for goods and 70% for professional services which remains at the discretion of the Adjudication Committee;
- projects can be situated anywhere in the world (excluding South Africa);
- the project must have an adequate chance of being declared a success.

Clothing & Textile Competitiveness Improvement Programme (Ctcip)

The Clothing and Textiles Competitiveness Programme (CTCP) is aimed at structurally changing the Clothing, Textiles, Footwear, Leather & Leather Goods manufacturing industries by providing funding assistance for these sectors to invest in competitiveness improvement interventions. It consists of several programmes aimed at creating sustainable capabilities and employment in these industries.

The main objective of the CSP is to assist industry in upgrading processes, products and people to re-position it so it competes effectively against other low-cost producing countries.

Competitiveness improvement interventions could include the following:

- Manufacturing-related interventions to reduce the cost structure of local companies in the clothing, textile, footwear, leather and leather goods manufacturing sectors
- Manufacturing-related interventions to increase the effectiveness, reliability and efficiency of supply.
- Supply chain interventions to integrate the operations of manufacturing entities with upstream and downstream entities in the value chain.
- Business management and good governance interventions are required for successful implementation of the programme. These interventions will establish a business foundation for the long-term sustainability of the sector

and the development of functional relationships along the value chain. More specifically best practice governance structures should be established, for example amongst others, sustainable and appropriate executive remuneration levels, and the development of strategic oriented executives that will ensure a sustainable and adaptable sector.

- Developing appropriately skilled employees to support process and systems interventions. Activities related to market development supported by a specific marketing strategy.
- Innovation that focuses on processes, products, markets and technology to
- establish a culture of continuous innovation in the sectors

Critical Infrastructure Programme (Cip)

The Critical Infrastructure Programme (CIP) aims to leverage investment by supporting infrastructure that is deemed to be critical, thus lowering the cost of doing business. The South African Government is implementing the CIP to stimulate investment growth in line with the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP).

The CIP is a cost-sharing incentive that is available to the approved applicant/s or infrastructure project/s. Infrastructure is deemed “critical” to the investment if such investment would not take place without the said infrastructure or the said investment would not operate optimally.

What types of projects does the CIP support?

The CIP supports the construction of infrastructure that enables the investor to undertake a defined fixed investment; the expansion of existing fixed investment or sustain existing investment.

What elements of infrastructure development does the incentive cover?

The incentive programme covers bulk infrastructure such as bulk water supply, electrical infrastructure, access roads etc.

Who qualifies to apply for the CIP?

The applicant must be:
a registered legal entity in South Africa in terms of the: new Companies Act No.71 of 2008, Close Corporations Act, 1984, Co-operatives Act, 2005 or local government (a municipality)

Export Marketing and Investment Assistance (Emia)

The Export Marketing and Investment Assistance (EMIA) scheme **develops export markets for South African products and services** and to **recruit new foreign direct investment** into the country.

Objectives

- Provide marketing assistance to develop new export markets and grow existing export markets;
- Assist with the identification of new export markets through market research;
- Assist companies to increase their competitive by supporting patent registrations, quality marks and product marks;
- Assist with facilitation to grow FDI through missions and FDI research; and
- Increase the contribution of black-owned businesses and SMMEs to South Africa's economy.

ELIGIBLE ENTERPRISES

- South African manufactures and exporters;
- South African export trading houses representing at least three SMMEs or businesses owned by Historical Disadvantaged Individuals (HDIs);
- South African commission agents representing at least three SMMEs / HDI-owned businesses; and
- South African exports councils, industry associations and JAGs representing at least five South African entities.

Film and Television Production Incentives:

The South African Government offers a package of incentives to promote its film production and post-production industry. The incentives consist of the Foreign Film and Television Production and Post-Production incentive (to attract foreign-based film productions to shoot on location in South Africa and conduct post-production activities), and the South African Film and Television Production and Co-Production Incentive (which aims to assist local film producers in the production of local content.) The South African Emerging Black Filmmakers incentive, a sub-programme of the South African Film and Television Production and Co-Production Incentive, aims to assist local emerging black filmmakers to nurture and grow them to take up big productions and thus contribute towards employment creation.

ELIGIBLE ENTERPRISES:

Special Purpose Corporate Vehicles (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of the film or television project. The SPCV and parent company(ies) must have most South African shareholders of whom at least one shareholder must play an active role in the production and be accredited in that role.

An applicant must be the entity responsible for all activities involved in making the production in South Africa and must have access to full financial information for the whole production.

Only one film production, television drama or documentary series per entity is eligible for the incentive.

The following formats are eligible: feature films, tele-movies, television drama series, documentaries and animation.

The incentive is available only to qualifying South African productions with a total production budget of R2.5 million and above.

Foreign Film & Television Production & Post-Production Incentive

The objective of this grant is to encourage and attract large-budget films and television productions and post-production work that will contribute towards employment creation, enhancement of international profile, and increase the country's creative and technical skills base.

ELIGIBLE ENTERPRISES:

Foreign-owned qualifying productions and South African qualifying post-production work with:

QSAPE of R12 million and above, provided that at least 50% of the principal photography schedule is filmed in South Africa, for a minimum of four weeks.

QSAPPE of R1.5 million and above, provided that 100% of the post-production is conducted in South Africa, for a minimum of two weeks.

An applicant must be a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production and/or post-production of the film or television project.

An applicant must be the entity responsible for all activities involved in the production and/or post-production in South Africa and must have access to full financial information for the whole production and post-production worldwide. Only one entity per production and/or post-production for film, animation and television drama or documentary series is eligible for the incentive.

People-Carrier Automotive Incentive Scheme (P-Ais)

This incentive is designed to stimulate a growth path for the people-carrier vehicles industry through investment in new and/or replacement models and components that will result in new employment, retention of current employment and/or strengthen the automotive vehicles value chain.

Qualifying projects will be evaluated on the following economic benefit requirements:

Tooling;
Research and Development (R&D) in South Africa;
Employment creation / retention;

Strengthening the automotive supply value chain; and
Empowerment

Eligible Applicants

- **Semi Knocked Down (SKD) Vehicle Assemblers**
 - Mono-built motor vehicles for the transport of between 14 and 35 persons including the driver and with a vehicle mass exceeding 2000kg, trimmed or untrimmed and painted but not fitted with engines, transmission assemblies, axles, radiators, suspension components or braking equipment.
 - SKD investment projects should have a start of production of between 01 January 2012 and 31 March 2015.
- **Complete Knocked Down (CKD) Vehicle Assemblers**
 - People-carriers for the transport of between 10 and 35 persons including the driver with a vehicle mass exceeding 2000kg.
 - Floor panels, body sides or roof panels are not permanently attached to each other; the engine and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment or instrumentation are not fitted to such floor
- **Component Manufacturers**
 - A component manufacturer that can prove that a contract is in place / a contract has been awarded / a letter of intent has been received for the manufacture of components to supply into the medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally.
 - A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10million annually by the end of the first full year of commercial production, as part of automotive (medium and heavy commercial vehicle) manufacturer supply chain locally and/or internationally.

Production Incentive (PI)

The Production Incentive (PI) forms part of the overall Clothing and Textile Competitiveness Programme (CTCP) and flows from the implementation, by the Department of Trade and Industry (the DTI), of customized sector programmes (CSPs) for the clothing, textiles, footwear, leather and leather goods industries.

The PI Guidelines seek to enable companies to present their business cases to the CTCP Desk of the Industrial Development Corporation (IDC). They also provide a framework for the CTCP Desk to evaluate such cases.

The PIP is available to the following:

- Clothing manufacturers;
- Textile manufacturers;
- Cut, Make and Trim (CMT) operators;
- Footwear manufacturers;
- Leather goods manufacturers and
- Leather processors (Specifically for Leather Goods and Footwear industries).
- Design Houses (Provided the design house partners with one or more CMT"s)

Section 12I Tax Allowance Incentive (12I)

The 12I Tax Incentive is designed to support Green field investments (i.e. new industrial projects that utilize only new and unused manufacturing assets), as well as Brown field investments (i.e. expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.

The objectives of the incentive Programme are to support the following:

- Investment in manufacturing assets, to improve the productivity of the South African manufacturing sector; and
- Training of personnel, to improve labor productivity and the skills profile of the labor force.

The investment must be:

- Greenfield project (new project). A minimum investment in Qualifying Assets of R50 million is required; or
- Brownfield project (expansion or upgrade). A minimum additional investment in Qualifying Assets of R30 million is required; and
- Classified under 'Major Division 3: Manufacturing' or SIC Edition 7, Section C: Manufacturing.

The project should:

- Upgrade an industry within South Africa (via an innovative process, cleaner production technology or improved energy efficiency);
- Provide general business linkages within South Africa;
- Acquire goods and services from small, medium and micro-sized enterprises (SMMEs);
- Provide skills development in South Africa; and
- In the case of a Greenfield project, be located within a Special Economic Zone

Sector Specific Assistance Scheme (Ssas)

The Sector Specific Assistance Scheme is a reimbursable cost-sharing incentive scheme whereby financial support is granted to Organisation supporting the development of industry sectors and those contributing to the growth of South African exports.

The Objectives of the Sector Specific Assistance Scheme

- Developing industry sectors as a whole
- Developing new export markets
- Stimulating job creation
- Broadening the export base
- Proposing solutions to factors inhibiting export growth
- Promoting broader participation of black owned and SMME's to the economy.

DO YOU QUALIFY?

Organisation supported under SSAS include Export Councils, Joint Action Groups, Industry Associations and those involved in the aimed at the development of emerging exporters

Support Programme For Industrial Innovation (Spil)

The Support Programme for Industrial Innovation (SPII) is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. SPII is focused specifically on the development phase, which begins after basic research and ends at the point when a pre-production prototype has been produced.

The SPII offers two schemes namely, the:

SPII Product Process Development (PPD) Scheme;

Provides financial assistance to small, very small and micro-enterprises and individuals in the form of a non-repayable grant. A percentage of 'qualifying' costs incurred in the pre-competitive development activities associated with a specific project.

SPII Matching Scheme.

Provides financial assistance to all enterprises and individuals in the form of a non-repayable grant. A percentage of 'qualifying' costs incurred in the development activities of a specified development project.

Criteria for SPII Support:

Development should represent significant advance in technology;
Development and subsequent production must take place within South Africa;
Intellectual Property to reside in South African registered company;
Participating businesses should (must) be South African registered enterprises;
Government funded institutions (e.g. CSIR) do not directly qualify for support but may participate as subcontractor(s) and;
No simultaneous applications from the same company.

Technology & Human Resources for Industry Programme (Thrip)

The Technology and Human Resources for Industry Programme (THRIP) was set up to improve the competitiveness of the South African industry, by supporting research and technology development activities, and enhancing the quality and quantity of appropriately skilled people.

This government - private sector partnership programme was established to respond to the shortage of high-level technical skills for industry and the need to improve the competitive edge of South Africa's industry through the development of advanced technologies.

It provides a Cost-sharing grant for projects that:

- promote and facilitate scientific research, technology development, and technology diffusion; and
- include a human resource development component.

DO YOU QUALIFY?

You may qualify if your business exists within the Industrial and growth sectors of South Africa

Black Business Supplier Development Programme (Bbsdsp)

The Black Business Supplier Development Programme (BBSDP) is a cost-sharing grant offered to small black-owned enterprises to assist them to improve their competitiveness and sustainability. This helps them to become part of the mainstream economy and to create employment.

The BBSDP provides a matching grant to enterprises to assist them in improving their competitiveness, through for instance upgrading managerial capabilities, market development and quality improvement projects. The programme provides grants to a maximum of R1 million:

- R800 000 for tools, machinery and equipment on a 50:50 cost-sharing basis
- R200 000 for business development and training interventions per eligible enterprise to improve their corporate governance, management, marketing, productivity and use of modern technology on an 80:20 cost-sharing basis.

Focus of this grant

The focus is on formal black enterprises that have a valid tax clearance certificate and have the potential or capacity to supply goods and or services to general public, the public sector or private sector corporations, on a sustainable basis.

To qualify for funding under the BBSDP the enterprise must at least:

- Be predominantly black-owned (51%);
- Have a predominantly black management team (50%);
- Have R250 000 to R35 million turn-over per year

Co-Operative Incentive Scheme (Cis)

The Co-operative Incentive Scheme (CIS) is a 100% grant for registered primary co-operatives (a primary Co-operative consists of five or more members). The objective of the CIS is to improve the viability and competitiveness of Co-operative enterprises by lowering their cost

of doing business through an incentive that supports Broad-Based Black Economic Empowerment.

OBJECTIVES

- Promote co-operatives through the provision of a matching grant;
- Improve the viability and competitiveness of Co-operative enterprises by lowering the cost of doing business;
- Assist co-operatives to acquire their start up requirements;
- Build an initial asset base for emerging co-operatives to enable them to leverage other support; and
- Provide an incentive that supports broad-based black economic empowerment.

ELIGIBLE ACTIVITIES:

- Business development services (e.g. feasibility studies; business, manufacturing and production systems; and production efficiency and improvement, etc.);
- Technological improvements;
- Machinery, equipment and tools;
- Commercial vehicles;
- Infrastructure linked to the project (e.g. 3-phase electricity; boreholes, etc.); and
- Working capital.

ELIGIBILITY CRITERIA:

- be incorporated and registered in South Africa in terms of the Co-operatives Act of 2005;
- be emerging co-operatives with a majority black ownership;
- have projects in any of the different economic sectors;
- adhere to Co-operative principles;
- be owned by historically disadvantaged individuals (HDIs); and
- be biased towards women, youth and people with disabilities.

National Youth Development Agency (Nyda)

The objective of the Grant Programme is to provide young entrepreneurs an opportunity to access both the financial and non-financial business development support to establish their survivalist businesses. The programme focusses on youth entrepreneurs who are just coming into existence and beginning to display signs of future potential but not yet fully developed.

Just under 600 South African youth owned enterprises will benefit from the grant programme starting from R1000 to R100 000, while thousands more youth will access the non-financial business support services. Young people interested in accessing the grant programme must commit to participate in the NYDA mentorship and voucher programme for a minimum of 2 years.

The qualifying criteria includes:

The applicant must have attained the age of eighteen (18) years at the time of application;

Require the grant for business start-up or growth;

Are youth (18-35 years) with necessary skills, experience or; with the potential skill, appropriate for the enterprise that they conduct or intend to conduct;

(see the rest of the criteria here: <http://www.nyda.gov.za/grant/Pages/Qualifying-Criteria.aspx>)

Grants can be issued to the following:

- Individuals
- Co-operatives
- Community Development Facilitation Projects

Seda Technology Programme (Stp)

The Seda Technology Programme (STP) provides a range of services that enables industry, and small enterprises in the 2nd Economy, to access and transfer appropriate technology.

One of the offerings of STP is the **Technology Transfer Fund** that aims to assist micro- and small enterprises in the second economy to grow. The Fund has defined the “2nd Economy”, as broadly referring to informal, marginalized, unskilled to semi-skilled, and those unemployable in the formal sector, who cannot afford to finance appropriate technology to help them grow and propel them into the mainstream economy.

A further offering is Technology Access, through the creation of opportunities for technology exchange and innovation dissemination, facilitating the introduction to appropriate technology and intellectual property, networking and forming of partnerships when appropriate.

Sectors that are in the scope of the Fund policy:

- All competitive manufacturing and processing sectors with high product demand
- Some service-related industries, that have a manufacturing component

The following are the categories that are eligible to qualify for Technology Transfer Fund (TTF):

- Design, formulation, materials and methods transfer, including design improvement and optimization;
- Know-how, knowledge, skills and expertise transfer, including training and mentoring related to the technology being transferred;
- Designs, equipment, systems, machinery and tooling directly related to the product and process technology being transferred;
- The know-how, knowledge, skills and expertise required to operate and maintain the equipment, systems and machinery, including training and mentoring related to the technology being transferred;
- Expert labor costs regarding the technology, where such costs do not exceed 20% of the total approved TTF funding provided by **stp**;
- Intellectual Property payments (e.g. Licensing Agreements) and expertise transfer payments to enable the TTF transaction.
- Travelling and subsistence claims relating to the technology transfer transactions, subject to Adjudication Panel's prior approval;
- Legal and expert resource expenses regarding the negotiations, agreement and transfer of the technology;
- Business training, development and mentoring; and
- General business services, e.g. equipment, machines, facilities or processes that are utilized to provide repairs, examinations, overhauls, support or assistance in some form or other, as well as specialised equipment, machines or processes are utilized to provide support for manufacturing, mining, Agro-processing or service enterprises.

Tia - The Technology Innovation Agency

This incentive funds Applied Research, Design and Engineering and Technology Development.

TIA supports the development of technologies from proof concept, leading to product prototype and ultimately demonstration thereof in an operating environment.

An initiative of the Department of Science and Technology. Provides funding, and other support, to persons developing and commercializing technologies. Benefits are R 500 000 (minimum amount of funding) – R 50 million (maximum amount of funding) with a funding period of 1 to 10 years. TIA Funds are each tailored to enable meeting specific technology innovation investment needs.

BENEFICIARIES:

Science Councils,
Higher education institutions, s
mall, medium and micro-sized enterprises
and Start-up companies.
Large private companies
Public institutions

9 Government Loan Programmes

If you find that you do not qualify for any of the government grants mentioned above, you can then see if you are eligible for Government loans.

In this section, you will learn all about the various government loan programs. We have attempted to keep the information brief so that you can quickly identify which programs you might be eligible for. Once you identify a possibility, you can click on the relevant link below to go to the official web page for that loan program to explore all the details and conditions.

The South African Government offers loans for business development through different institutions. Each institution has a different mandate and concentrates on specific industries. The financial assistance includes:

- Bridging finance
- Revolving loans
- Asset finance
- Working capital
- Term loans

Loans from the government are available both for start-ups and expansion projects. There are over 20 different lending products currently available from 6 different institutions.

If you receive a loan from the government, you will still be required to come up with collateral and surety, but these departments are not so strict with surety, and only ask for 10% collateral. So, in effect, the Government institutions are willing to take a higher risk than the commercial banks. Most Government Institutions offer the same interest rate as commercial banks, just require less collateral.

Government Institutions like NEF (National Empowerment Fund), the Landbank, SEFA (Small Enterprise Finance Agency) and IDC (Industrial Development Corporation) lend up to 90% of the required amount to start or expand a business. There are various programmes established to support job creation in the country.

*Please note that you can apply for a loan and a grant at the same time, so assuming you are eligible, you may want to take advantage of this fact.

General Requirements

All Government Institutions have similar requirements and here are the most basic requirements.

1. Most funders expect your company to be registered with CIPC.
2. You need a bankable business plan, including financial forecasts
3. You will need minimum 10% collateral

4. You will need offtake agreements. Most funders will invest in companies selling to other companies.

5. Please note if you are in the retail and hospitality industry, it is nearly impossible to raise funding (Franchises are an exemption)

6. If you do not have a clear credit record, you can sometimes discuss this issue with the potential funder. Most of the time if you made a payment arrangement with your creditors and you are paying each month, they will take your application into consideration.

7. Most Government Institution expect surety like the commercial banks, but in some cases if you cannot provide surety, they will still take your application into consideration.

Government Funding Institutions

Development Bank of South Africa (Dbsa)

The DBSA seeks to play a pivotal role in delivering developmental infrastructure in South Africa and the rest of the African continent. The institution currently focuses on large-scale infrastructure projects within the private and public sector. These primary sectors are water, energy, transport and ICT.

The DBSA currently focuses on three major sectors:

- Municipal market
- Other social infrastructure (non-municipal)
- Economic Infrastructure

Note: As a small or medium business you will not deal with the DBSA, as their scope is only for large infrastructure projects.

Industrial Development Corporation (IDC)

The IDC provides finance for industrial development projects, plays a catalytic role in promoting partnerships across industries within and outside our borders, and promotes regional economic growth.

The IDC has contributed to the implementation of South Africa's industrial policy for more than 70 years and established, among others, the petrochemicals and minerals beneficiation industries. They have stimulated massive industrial projects in these industries – acknowledged today as the cornerstones of the country's manufacturing sector – and influenced the establishment of industries in fabricated metals, agriculture and clothing, and textiles.

The IDC offers different funds:

GROW E YOUTH SCHEME

The following sector will be considered

Media pictures production;
Media value chain – broadcasting (radio and television);
Media expansion – including new media;
Music value chain; and
Film production and animation.

MANUFACTURING COMPETITIVE SCHEME

The Manufacturing Competitiveness Enhancement Programme (MCEP) is designed to promote competitiveness in manufacturing while ensuring job retention in the sector.

Qualifying Criteria

Only available for working capital requirements;

Not applicable to start-ups;

Only applicable to manufacturers under Standard Industrial Classification Code 3, but not auto manufacturers qualifying for AIS or clothing and textile manufacturers qualifying for CTCP;

Applicant may not contemplate workforce reductions during the term of the facility;

Applicant required to achieve BBBEE Level 4 within a reasonable period, (usually 18 months); and

MCEP funds are blended at a leverage level of at least 20% funding from IDC.

Instruments and Pricing

Working capital loans (including revolving credit facility);

Limited to R50 million per transaction or applicant? and may revolve depending on the applicant's circumstances;

It is priced at 4% fixed;

Maximum repayment period is 48 months, including moratoria, etc.;

First drawdown within 6 months from approval date; and

YOUTH DEVELOPMENT SCHEME

To improve the readiness of potential applicants and thereby increase their probability for IDC consideration.

Qualifying Criteria:

Available to youth-owned businesses (irrespective of whether it qualifies for Gro-E Youth or not);

Application must meet IDC sector and funding limits;

Applicant can be start-up or expansion;

Pre-BA assistance:

Proposal must pass a readiness assessment and in-principle go-ahead from sector SBU Head;

To bring an application to bankable stage, including detailed marketing studies, mentoring, technical assessments, sourcing and negotiating with suitable suppliers, costing of products, QS costings, EIAs etc.); and

Up to 6% of potential investment amount up to a maximum of R350 000.

Post approval assistance:

Pre implementation – for assistance required in meeting/ clearing of CPs (must be specific and be supported by cost estimates, with clear milestones with regards to objectives and skills transfer);

Implementation – for in depth mentoring and coaching as well as any other business support required for up to 2 years; and

Up to 40% of the investment amount or a maximum of R1.5 million.

Interventions provided during pre-BA and pre-implementation stages must not take more than 6 months to be completed.

Instruments and Pricing:

Loans and grants (50:50); and

Prime; repayable after IDC's normal debt, subordinated in terms of cash-flow and security.

AGRO PROCESSING SCHEME

To facilitate increased competition, growth and development in the agro-processing and beverage sector.

Qualifying Criteria

Applicant can be a start-up and expansion (excludes businesses in distress);

Applicant must be non-dominant players in the market; and

Applicant must be within the Agro processing and beverage sector.

Instruments and Pricing

Equity, quasi equity and loans;

Minimum of R250 000 and Maximum of R30 million per transaction;

Interest free loans and zero return quasi equity; and

Maximum repayment period is 10 years.

EIB SME and MIDCAPS Fund

To assist SMEs and MIDCAP companies to access loan financing for CAPEX, medium- and long-term working capital.

Qualifying Criteria

Application must meet IDC and EIB mandated sectors;

Available to SME and MIDCAP companies. MIDCAP means companies that have up to 3000 employees (full time equivalent);

Funding provided for CAPEX and medium to long term working capital;

Final Beneficiary (company) and project location must be South African;

Total cost of a project must not exceed R450 million;

Only eligible to Autonomous Enterprises, where the enterprise does not hold 25% or more of the capital or voting rights in one or more other enterprises and no enterprise has a stake of 25% or more of its capital or voting rights;

Exempted Investors may hold up to 50% of the capital or voting rights but do not exercise a dominant influence. Exempted Investors are public investment corporations, venture capital companies and business angels, universities, non-profit research centers, institutional investors including regional development funds, autonomous local authorities with an annual budget of less than EUR10 million and fewer than 5 thousand inhabitants;

EIB approval required before drawn down of the Funds' facility; and

Drawdown conditions apply.

Instruments and Pricing

Loans;

Minimum of R1 million and Maximum of R120 million per transaction;

Normal IDC Risk pricing less 0.3%; and

Aimed at transactions with longer repayment periods (8-12 years). Shorter periods may be considered on a case by case basis.

CLOTHING, TEXTILES, LEATHER & FOOTWEAR COMPETITIVENESS SCHEME

The Clothing, Textiles, Leather & Footwear Competitiveness Scheme is a preferential interest rate scheme set up to help improve the competitiveness of manufacturers in the sector.

Applicants can apply for funding for plant and equipment or supporting technology that will result in a substantial improvement in competitiveness. However, second-hand plant and equipment will only be considered if it is current state-of-the-art technology or where it forms an incidental part of a larger capital upgrade.

New (greenfield) projects that will be internationally competitive also qualify.

Working capital loans or revolving credit to fund increased working capital requirements are available. However, the increased working capital must be integral to the business and result in improving the company's competitiveness.

Applicants must demonstrate sustainable competitiveness, with active programmes in place to achieve best practice in operational excellence.

Applicants' projected balance sheet, including proposed IDC funding, must have an acceptable ratio of owners' funds to total assets.

Minimum loan amount of R1-million; and

Maximum of R40-million per project.

Loans will be priced at prime minus 5% for the full period of the loan and the maximum term of the loan will be seven years for capital equipment and four years for working capital. Revolving credit will be renewed annually.

Funding is subject to the availability of remaining funds under the scheme.

TECHNOLOGY VENTURE CAPITAL FUND

The purpose of the TVC Fund is to provide funding and business support to small companies at early stages of commercialization (not development) of innovative products, processes and technologies across all sectors which have the potential to make a significant developmental impact on the South African economy.

Qualifying Criteria

- Viability and sustainability
- Innovation
- Local Intellectual Property
- Market potential
- Competitive advantage
- Developmental returns
- Instruments and Pricing

Equity, quasi equity and loans;

Minimum of R1 million and Maximum of R5 million per transaction;

Minimum RBTIRR of 3% plus upside; and

Portfolio Targets

- At least 26% of the total fund in value should be invested in BEE companies;
- At least 25% of the total fund in value should be invested in companies with women and/or people with disabilities ownership; and
- At least 40% of the total fund in value should be invested outside of Gauteng, Western Cape and Kwa Zulu Natal.

Isivande Fund

Isivande Fund is an exclusive fund that aims to accelerate black economic empowerment by providing more affordable, usable and responsive finance than is currently available.

The IWF targets formally registered, 51% black-owned and managed enterprises that have been in existence and operating for a minimum of 6 months with a loan range of R30 000 to R2 million. It pursues deals involving start-up funding, business expansion, business rehabilitation, franchising and bridging finance.

The Fund is managed by the Industrial Development Corporation (IDC) on behalf of the DTI through a development fund manager.

DO YOU QUALIFY?

- Available for all industries, excluding agriculture
- Funds available for asset procurement & working capital
- Your business needs to be in operation for at least six months
- Finance is usually up to 90% of the amount
- Requirement: 51% black-owned and managed enterprises
- Only applications from R30 000 to R2 million will be considered

Kzn Growth Fund

The mandate of the KZN Growth Fund is to support sustainable growth in KwaZulu-Natal by financing private sector projects that drive economic success, stimulate job creation, promote broad-based black economic empowerment and reduce inequality.

DO YOU QUALIFY?

- Your business needs to operate in Kwa Zulu Natal
- Available for all industries, excluding agriculture
- Funds available for asset procurement & working capital
- Available both for start-ups and expansions
- Finance is usually only for 90% of the amount
- Requirement: minimum 26% BBBEE ownership
- Only applications from R30 million and upwards will be considered

Land Bank

Land Bank is a specialist agricultural bank guided by a government mandate to provide financial services to the commercial farming sector and agri-business and to make available new, appropriately designed financial products that would facilitate access to finance by new entrants to agriculture from historically disadvantaged backgrounds. The Bank is an actual South African development finance institution that serves all farmers equally.

DO YOU QUALIFY?

- Aimed primarily at business in the agricultural sector
- Different funds are available for asset procurement & working capital
- Available both for start-ups and expansions
- Finance is usually available for 90% of the amount
- There is a special fund for emerging farmers
- Some of the funds from the Landbank do not require BBBEE ownership

National Empowerment Fund (Nef)

Established by the National Empowerment Fund Act No 105 of 1998, the National Empowerment Fund is a driver and thought leader in promoting and facilitating black economic participation by providing financial and non-financial support to black empowered businesses.

The NEF's role is to support Broad-Based Black Economic Empowerment. The NEF anticipates future funding and investment requirements to help black individuals, communities and businesses achieve each element of the Codes of Good Practice. These include a focus on preferential procurement, broadening the reach of black equity ownership, transformation in management and staff and preventing the dilution of black shareholding.

DO YOU QUALIFY?

- Aimed at Black-owned businesses
- All sectors except agriculture
- Different funds with different thresholds available
- Funds available for asset procurement & working capital
- Available both for start-ups and expansions
- Finance is usually only for 90% of the amount
- Co-finance with other institutions is possible

Please note NEF also offers equity investment as a BEE partner – please check their website for more details

Small Enterprise Finance Agency (Sefa)

The mandate of the Small Enterprise Finance Agency is to foster the establishment, survival, and growth of SMMEs and contribute towards poverty alleviation and job creation. SEFA has a regional footprint of 9 offices around the country.

SEFA offers both Direct Lending product and Wholesale Lending products

SEFA DIRECT LENDING PRODUCTS

These are loans that sefa provides directly to Small and Medium sized Enterprises as well as co-operatives operating in all sectors of the economy. The facilities range from a minimum of R50 000 to a maximum of R5 million.

BRIDGING LOAN

A short-term loan that is provided to an enterprise to finance working capital needs (i.e. stock and operating overheads). This facility is only provided to businesses that have secured firm contracts (orders) from their clients. It is only applicable to business to business transactions. This type of financing allows an enterprise to meet current obligations by providing immediate cash flow.

TERM LOANS

A loan with a specific amount, which has a specified repayment schedule and a floating or fixed interest rate. The term loan is used to finance assets that have a medium to long term lifespan (e.g. machinery, fixtures and fittings, vehicles, office equipment). Term Loans can also be used for start-ups, expansions and acquisitions of businesses. The loans are usually repayable between 1 and five years

SEFA WHOLESALE LENDING PRODUCTS

Through its wholesale lending, sefa provides facilities (debt/equity) to intermediaries, joint venture, partnerships (Specialised Funds) and other collaborative relationships to extend Sefa's reach of making funding available to small businesses across South Africa.

The target market is survivalists, micro, small and medium businesses including co-operatives (SMMEs) falling in the following funding gap:

- Survivalists and micro enterprises – loans between R500 and R50 000
- Small Enterprises - loans between R50 000 and R1 million
- Medium enterprises – loans between R1 million and R5 million

DO YOU QUALIFY?

- This fund is aimed at all business sectors, excluding agriculture
- Up to R5 million per application
- BEEE participants is not a requirement for this fund
- Available both for start-ups and expansions

10 Provincial Government Agencies

In addition to loans and grants from the major government agencies as discussed above, funding is available from time to time from the provincial government agencies. You can qualify for these only if you are in the province and if your business falls in line with the objective of the fund. Please note that most of the time, these agencies offer smaller amounts.

When you are ready to apply for funding, it is advisable also to contact the relevant agency in your province to enquire what funding is available.

You will find the contact details for all these offices in the accompanying DIRECTORY OF FINANCIERS.

Here is a list of these agencies.

KWA-ZULU NATAL:

- Ithala Development Finance Corporation

FREE STATE

- Free State Development Corporation

EASTERN CAPE:

- Eastern Cape Development Corporation

WESTERN CAPE:

- “Cape Agency for Sustainable Integrated Development in Rural Areas (CASIDRA)

NORTH WEST PROVINCE:

- North West Development Corporation

GAUTENG:

- Gauteng Enterprise Propeller (GEP)
- Gauteng Partnership Fund (GPF)

MPUMUPLANGA:

- Mpumalanga Economic Growth Agency (MEGA)

You will find all the contact details in the accompanying Directory of Financiers.

11 Commercial Banks

In addition to loans from the different Government Institutions, you can, of course, obtain loans from commercial banks. The banks are in fact significant players in this space.

Here we will give you a short overview of commercial banks and loans.

There are numerous banking institutions in South Africa. There are locally controlled banks, foreign-controlled banks, and branches of foreign banks. Amongst all the banks in South Africa, there are what has come to be known as the “big four banks.”

These are:

1. First National Bank
2. Standard Bank
3. ABSA
4. Nedbank

Commercial banks will happily extend a loan to any business which has assets that can act as surety, and if they are assured that you will be able to repay the loan.

What is handy to note from a funding point of view is that all these banks offer pretty much the same type of loans to businesses. The loans may be branded and marketed differently, but you would find that the lending criteria and the loan rates are quite similar.

TYPES OF LOANS

While there are numerous ways to raise the necessary capital for running a business, the most common form of business finance is the business loan. Business loans are available in different types, as follows.

LONG TERM LOAN:

This type of loan is the most common type distributed by large commercial banks. Long term business loans are offered at lower interest rates, and are repayable over a longer period, typically up to 10 years. These loans can be used for purposes like property and asset finance, as well as for expansion, acquisition and refinancing.

SHORT TERM LOAN:

These loans are useful for raising cash for accounts payable (also called invoice and order financing.) Business owners can also rely on this type of loan for other short-term needs, such as maintaining inventory. Some businesses also rely on short-term loans to cover financing for operational costs.

OVERDRAFT FACILITIES:

Many businesses use the overdraft facility from the banks to manage their cash flow. Having an overdraft allows the business to access money even when the business account has run out of funds, thus providing the cash flow to bridge the gap between monthly income and expenses.

Most of the commercial banks offer “Enterprise Development Funds”, providing finance to SMME’s. In many cases, these businesses would not qualify for the normal bank products. Remember, these funds have the expertise and the speed of a commercial bank but take applications with 10% collateral and minimal surety into consideration.

WHAT YOU WILL NEED

- Commercial banks will take start-ups and expansion projects into consideration
- Be prepared to present a solid business plan including financial forecasts
- You will need 50 to 60 % collateral
- You will need sufficient surety to cover the loan amount

Please refer to the accompanying DIRECTORY OF FINANCIERS for more detail.

12 Commercial Funding Organisation

In this section, you will learn about another avenue to fund your business growth - Commercial Funding institutions. These are not Government institutions, they are not banks, and they are not equity partners. Hence, they fall into a category of their own.

These companies do not offer the full bouquet of finance products like the commercial banks. They usually specialised in a few specific funding products. Most of these Institutions concentrate on asset finance. They are also often willing to take a higher risk than the commercial banks, which means that their interest rates are usually higher.

Some of these Organisation, e.g.: business partners, also offer equity funding, where high growth rate is expected. (Equity funding is covered in a later chapter of this guide)

Below you will learn about some of the most traditional commercial funding Organisation and funding companies in South Africa. This list serves to introduce you to the options and is by no means exhaustive. If you feel that you'd like to choose this funding avenue, you can perform an online search to find more offerings in this space.

Business Partners

Business Partners Limited is a specialist risk finance company for formal small and medium enterprises (SMEs) in South Africa and selected African countries. The company actively supports entrepreneurial growth by providing financing, specialist sectoral knowledge and added-value services for viable small and medium businesses.

GENERAL FINANCE SOLUTIONS

The core of the company's focus is on providing funding for formal small and medium enterprises.

Business Partners Limited structures unique individualized financing solutions. Deals are structured using equity, shareholders' loan accounts, revenue sharing and term loans or any combination of these. Business Partners Limited has developed a range of propriety financing models that offer entrepreneurs maximum flexibility to suit their specific needs.

Applications for finance are assessed on the viability of business, which comprises two essential elements – the business, and the entrepreneur

SECTORS AND AMOUNTS

Business Partners Limited considers financing applications up to R50 million in all sectors of the economy. The exceptions are on-lending activities, direct farming operations, underground mining and non-profit Organisation. Business Partners will consider all formal

small and medium businesses, whose gross assets are under R100 million and where the annual turnover does not exceed R200 million and employees are less than 500 in number.

Applications for financing below R500 000 are usually not considered, and the company does not operate in the informal or micro enterprise sectors.

OTHER SPECIFIC FUNDS

In addition to general business finance, Business Partners also offer specialist funding for the following (which you can explore by clicking the links)

- Brand and Franchise Fund
- Education Fund
- Green Fund
- Manufacturing Fund
- Venture Fund
- Women in Business Fund

Rand Trust

If you find yourself reaching the end of your overdraft facility but there are still creditors to pay, and salaries are due shortly, then you can consider this solution. Rand Trust empowers entrepreneurs and businesses through tailor-made SME financial solutions that assist with working capital management. Their funding solutions include solutions include:

DEBTOR FINANCE THROUGH INVOICE DISCOUNTING AND FACTORING

Debtor finance is the simplest way to fund your business growth and manage your working capital efficiently, without having to take on additional debt or extended lines of credit. So, you can use your current sales to fund your next order. Debtor finance is either classified as Factoring or Invoice Discounting.

TRADE FINANCE IN THE FORM OF PROPERTY BACKED LOANS.

This solution can assist in facilitating Purchase Order Funding, Stock Finance and any other type of Asset Finance your business requires. Should your business have a cash flow or working capital requirement, and you don't have sufficient value in existing invoices, they will look to structure a trade finance facility against residential or commercial property where equity exists. This Property Backed Loan facility can be structured as a term loan or Revolving Loan Facility.

Royal Fields Finance

Royal Fields Finance (RFF), a company that was established to ease liquidity problems faced by SME's in South Africa. RFF provides debt funding to Small and Medium Enterprises (SMEs) that are unable to access bank or Development Finance Institution (DFI) capital.

The company provides specialised short-term funding covering project specific finance, supply chain finance, bridging finance, invoice discounting and working capital.

Short term funding is especially suited to fund SMEs with small and intermittent cash flow. This funding is also meant to play a role in bridging the finance gap in economies where there is a lack of angel investors and venture capital.

FINANCE AVAILABLE FOR:

- Working capital
- Bridging finance
- Contract / Project Finance
- Trade finance
- Asset finance

13 Enterprise Development Funds

The SA government recognizes that small businesses are vital contributors to the economy and diversity of opportunity in our society. Small businesses boost productivity, increase competition and innovation, create employment and prosperity, and revitalize our communities.

Accordingly, Enterprise development is defined as investing time, knowledge and capital to help Small and Medium Enterprises establish, or expand businesses including empowering modest income-generating informal activities to grow and contribute to the local economy.

Enterprise development programmes are aimed to pass on knowledge, experience and business support additional to funding to historically disadvantaged persons in South Africa.

Most of the commercial banks offer “Enterprise Development Funds”, providing finance to SMME’s. In many cases, these businesses would not qualify for the normal bank products.

Remember, these Organisation have the expertise and the speed of a commercial bank but take applications with 10% collateral and minimal surety into consideration.

Some of the big corporates also use enterprise development funds to support Smme’s and secure BEE points for their own score card.

Absa Enterprise Development Fund

Are you a 100% black owned business that has been awarded a government contract or tender? You can receive assistance from the ABSA SME Fund loan of between R5 000 and R3 million, structured to meet your needs.

Absa’s Enterprise Development Centers located throughout South Africa can support your business from inception until maturity through unlocking access to finance, access to markets and access to business development support services. They can tailor business development support that’s appropriate to your needs.

Anglo Zimele

Zimele is the enterprise development initiative of Anglo American. It was set up to help previously disadvantaged South Africans with funding and support to build their own successful small to medium enterprise (SME).

Zimele is recognized internationally as a best practice model in supporting SMEs as it enables them to operate within the economy through a mixture of financial assistance and mentorship.

Over the past 15 years, Zimele has supported 1,885 companies, employing over 38,000 people, with a combined turnover of over R6 billion, paving the way for sustainable job creation and socio-economic development in mining communities and labor-sending areas across the country.

COMMUNITY FUND

- Managed through a network of small business hubs around the country which provides funding, training and skills development for business owners
- Finance up to R3.5 million;
- Zimele representatives at the small business centre will assist with the business plan and provide training on how to run a successful business

SUPPLY CHAIN FUND

- Helps the procurement departments at Anglo American's operations to find small businesses that can supply products or services.
- Finance of up to R5 million; Direct support, business guidance and skills transfer;
- Business opportunities from within the supply chain.

GODISA FUND

The focus of this new fund will be the development of black-owned small and medium enterprises (SMEs) primarily in Transnet's procurement value chain, with a focus on the company's rail and port businesses.

SEBENZA FUND

The Sebenza Fund operates with an infrastructure of 20 business development hubs across South Africa. As a result, Zimele has more than 40 hubs nationwide, providing entrepreneurs with access to affordable finance and on-going business development support (BDS) and mentorship.

GREEN FUND

- The Green Fund Targets South Africa's environmental sustainability and green economic growth.
- Anglo American has committed an investment amount of R100 million to the Green Fund, which aims to empower and encourage entrepreneurs to operate in the green economy.

- The Fund will target investment opportunities that mitigate carbon, reduce energy and water consumption and improve waste and emissions management.

Asisa Enterprise Development

The ASISA Enterprise and Supplier Development Fund is administered in alliance with the Association for Savings and Investment South Africa (ASISA). The Enterprise Development Fund invests in the strategic growth and development of SMEs so as to create sustainable shared value for investments, investors, industry and the country at large. It achieves this through an innovative combination of tailored business acceleration and investment support. Their model allows them to provide strategic growth funding and support to businesses that are aligned to the value chains of our funders.

Edge Action Fund

The Edge Action Fund Trust is a pooled fund that combines the contributions of all investors in the form of either ring-fenced or non-ring-fenced agreements.

Growth funding of up to R1 million is channeled into high-potential SME beneficiaries who receive on-going non-financial growth support post-investment to ensure that they remain on a path towards sustainable growth and the long-term success of business operations.

Since inception the Edge Action Fund:

- has provided funding and growth support to 10 SMEs
- has increased the average revenue of investee SMEs by 74%
- has created 140 direct and indirect jobs over a 2-year period

FNB Vumela Enterprise Development Fund

FNB's offering in the Enterprise Development space is called the Vumela Enterprise Development Fund. To date, FirstRand has funded Vumela to the tune of R186-million for investment into alternative SME financing tools.

FNB Commercial, together with Edge Growth, manage the Vumela Enterprise Development Fund and through it makes equity investments into high growth SMEs currently struggling to access finance through traditional channels. They seek to find high potential businesses with the required skills and experience to succeed.

Vumela Enterprise Development offers the following:

- BEE capital
- Growth Finance
- Expert growth support/intensive business development support

Nedbank

Nedbank offers your growing business flexible financial solutions combined with specialised mentorship programmes in business strategy.

They assign you a dedicated business banker who gives you access to some resources:

- Flexible lending to acquire fixed assets, purchase and maintain your inventory and meet your ongoing operating needs.
- Customized credit structured to suit your industry and cash flow cycles.
- Mentorship and training through seminars and accredited institutes to help you improve your business know-how.
- Networking opportunities so you can meet likeminded entrepreneurs in your areas.

Nedbank offers these tailor-made solutions to black-owned businesses that meet specific criteria in either their start up (less than two years) or development (older than two years) phase.

Standard Bank

Standard Bank recognizes the importance of delivery into the BEE market and has created a business unit to provide financing solutions to the Small & Medium Enterprise (SME) market. The focus of the division is to provide black SME's with access to finance.

The Bank has established a specialised Enterprise Development offering to provide financing solutions to primarily BEE companies which have gained access to preferential procurement opportunities from corporates or public sector entities.

Business Development includes Leveraged Finance and Franchising.

Telkom Future makers

Future Makers is Telkom's enterprise and supplier development programme. It supports strategic start-ups and existing small businesses as well as other entrepreneurial ventures aligned to the technology sector and the Telkom value chain.

- Financing solutions
- Idea and business development support
- Virtual and physical business incubation
- Product and connectivity discounts
- Discounted workspace facilities
- Third-party distribution opportunities

IDF Capital, on behalf of Telkom, manages the Future Fund, the funding pillar of the Future Makers Programme.

14 Equity Funding

An equity deal involves giving away shares in the business, which is in effect a percentage of ownership, in return for funding, resources or skills. These deals can be structured in a variety of ways, but the basic principle is the same: equity is given away in exchange for funds or assistance that will help take the business to the next level.

Providers of equity finance may also become involved in the operations of the business and vote on major business decisions. Due to this involvement, founders may not have full control of the business as ownership and decision-making are shared among the shareholders.

3 TYPES

Three major sources of capital are invested in businesses in equity deals. These are Venture capital, angel investors and private equity firms.

Angel Investors

An Angel Investors, (also sometimes known as a business angel, informal investor, angel funder, private investor, or seed investor) is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.

Private Equity Firms

Private Equity firms seek out existing companies that are ripe for expansion or are under-optimized. They purport to help a healthy enterprise fulfil their business vision or expand their products and services by providing the required funds.

Private equity firms usually look for entrepreneurs who have contributed to their businesses using their funds, have a solid credit history, a well thought out business plan and the necessary experience and skills to successfully operate in their chosen field. Also, equity firms look for companies that already have traction in the market. With only an idea, it is unlikely that you will attract equity funding.

A startup that grows into a successful company will usually have several rounds of equity financing as it evolves. Since a start-up typically attracts different types of investors at various stages of its evolution, it may use different equity instruments for its funding needs.

WHY WOULD YOU TAKE THIS ROUTE?

It's no secret, most start-up entrepreneurial ventures are cash strapped. They often can't afford the skills and resources needed to grow into profitability, and because they have a little track record, they are not able to access the funding they need to grow. In many instances, the only thing they possess is the business itself, so in exchange for what they need – whether it is staff, equipment, or operating capital – they are willing to offer shares in the business.

The idea of giving up a percentage of ownership in your business might be daunting, and way outside your comfort zones, but when you think about it, it could mean the difference between getting your business to the next level or not. Would you rather have 100% of a business that is growing extremely slowly, or perhaps 25% of a multi-million-rand business that is thriving?

NOT ONLY FUNDING

It's a common misconception that equity deals only involve funding. Most entrepreneurs lack funding, but resources and skills are equally common reasons for giving away a share of the business.

For example, this might involve taking on a partner who brings to the table certain skills that you do not possess but which are crucial to take your business forward. Alternatively, you might give away equity in return for resources such as equipment or contacts. Someone who can open doors to the right deals can be of immense value to your business, and so it could be a wise move to give away equity to a person who brings such benefits to the table.

NOTE:

If you are considering this route, you should take the time to investigate the pros and cons of each of the options above.

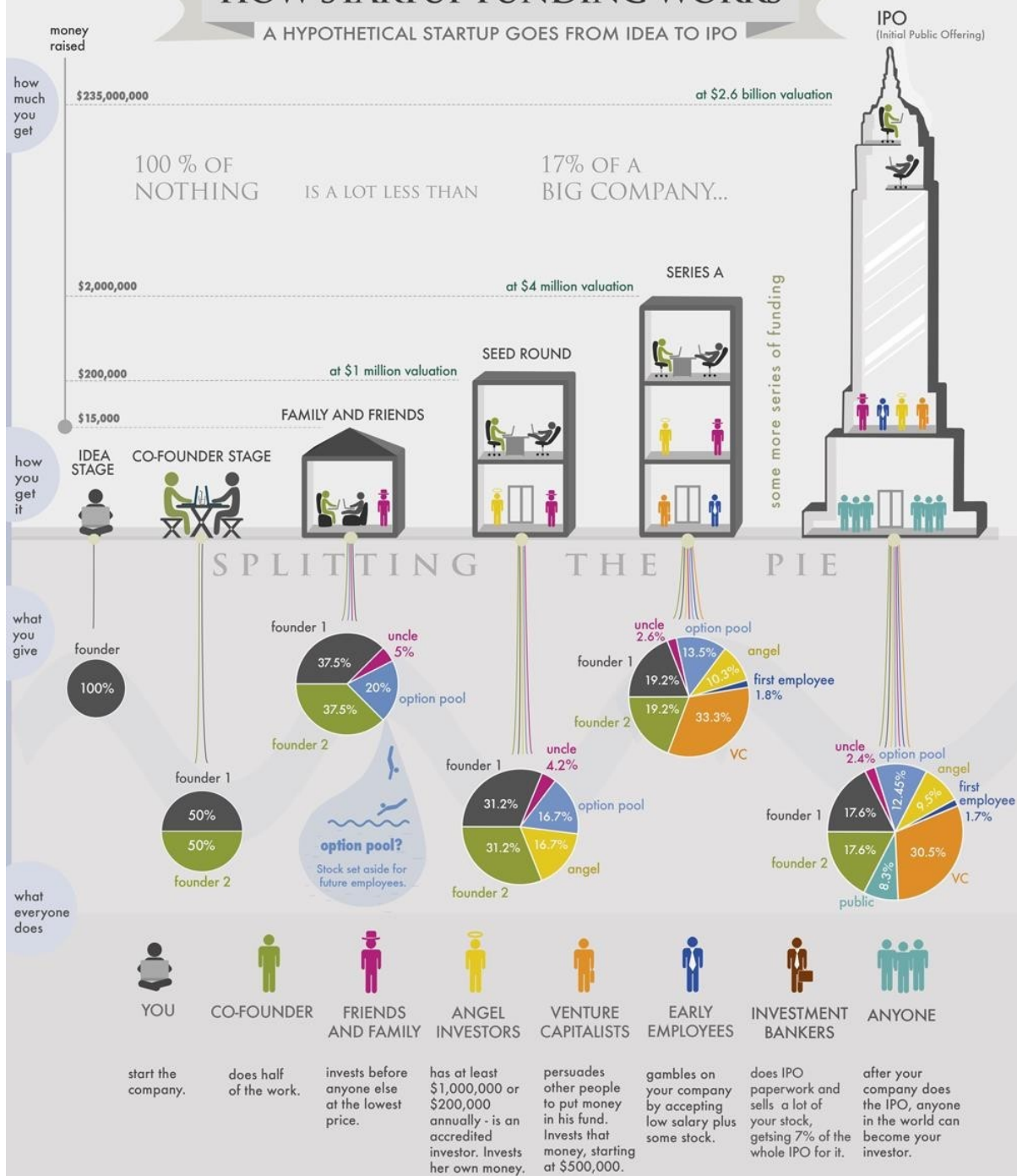
You should also know that securing private equity is not a quick and easy process. Careful structuring of equity finance is imperative so as not to dilute the returns to existing equity holders.

The infographic below will give you a better idea of how all of this works and how the process can evolve as your business grows.

HOW STARTUP FUNDING WORKS

BY ANNA VITAL

A HYPOTHETICAL STARTUP GOES FROM IDEA TO IPO



FundersandFounders.com

sources: paulgraham.com/startupfunding.html, bloomberg.com

We have provided a list of equity investors on the accompanying directory. Please go through each one, click to go to their websites for more detail's information. First, draw up your shortlist of possibilities before investigating in more detail and meeting with several investors.

Venture Capital (Vc)

Venture capital firms invest usually invest in companies which usually have a novel technology or business model in high technology industries, such as biotechnology and IT. The money is provided to seed early-stage, emerging and emerging growth companies.

Typically, in addition to the financial support, these firms offer non-financial support such as capacity development, training and mentorship.

Congratulations you are now empowered to steer the process of securing funding for your business start-up or expansion!

Once you have decided on the basic funding route, we encourage you to learn as much about what it entails and what is required from you. Take the opportunity to approach the fund manager or similar support staff at the relevant Organisation. But make sure you do your homework too. Before applying, you also need to read the fine print of the documentation.

Find out about the all the requirements and the list of documentation that is required from you. Then go ahead and compile these and fill out the application forms.

You also answer the following questions. Since the different funds have different criteria, your answers will help you determine which programme you qualify for.

- What product or service do you offer?
- How long have you been trading or is it a start up?
- If you have been trading, what was the turnover in the previous financial year?
- What are your BBBEE status and your shareholding regarding BEE partner?
- What do you need the funds for? Equipment, vehicle, working capital, property?
- What amount do you need?

Finally, keep in touch with the fund managers to enquire about your application until it is approved.

We wish you every bit of success with the process and with your business venture.

Remember, if you need help with your business plan or funding application, we at Funding Connection have a range of services designed to get you funded.

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