



Arts and Culture Venture Capital Fund Criteria for Proposals

Financial year: 2017/18

Arts and Culture Venture Capital Fund

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Section A

1. Background

The Venture Capital Fund for the Arts and Culture was designed to promote and develop the arts and culture sector by providing affordable loans to start and/or expand small businesses. It is an important source of finance for start-up entities and for companies that have limited operating history which do not have access to capital markets. The Department of Arts and Culture realises that in order to achieve radical economic transformation, access to funding must not be limited to few businesses. The Funds will assist businesses with potential to be self-sustainable and not rely on government for grant funding. Funding will be made available to businesses in all provinces, where more job opportunities will be created.

2. Aims of the Venture Capital Fund

- To assist black owned companies that operate in the Arts, Culture and Heritage sector to meet financial goals; and
- To develop entrepreneurs to become independent and self-sustaining by providing non-financial support and skills development.

3. Arts and Culture domain eligible for funding

Performing Arts or Performance & Celebration	Visual Arts & Crafts	Audio-Visual & Interactive Media	Design & Creative services	Information, Books & Press
Theatre Music Dance Festivals	Fine Arts Photography Crafts Exhibitions	Film Video TV Radio Lighting & Sound Stage	Fashion design Graphic design Interior design Furniture design Landscape design Architectural services Advertising services	Books Newspapers & Magazines Other printed & electronic material Book fairs & book clubs

Primary sector

3.1 Performing Arts

- Theatre
- Music
- Dance
- Festivals

Qualifying criteria:

- a) All compliance requirements listed in paragraph 8 below must be submitted;
- b) A brief profile of artists that will be performing to be included in the business plan;
- c) Justification for proposed pricing of the event and line up of artists. Demonstration of the artists' ability to draw a crowd must be submitted as part of the business plan;
- d) There must be commercial returns at the end of the project, in other words the revenue to be made through ticket sales must exceed the total cost of the event;
- e) The venue to be used must be available, have enough capacity and be suitable for the event;
- f) Reputable distribution channel must be used for ticket sales; and
- g) A demonstration of how the proposed timing of the show is the optimal, that is, it should not coincide with other events that may compromise the ticket sales.

3.2 Visual Arts and Crafts

- Fine Arts
- Photography
- Crafts
- Exhibitions

Qualifying criteria:

- a) All compliance requirements listed in paragraph 8 below must be submitted; and
- b) A copy of a contract or an order or letter of intent must be signed and approved by a reputable customer for a beneficiary to request a loan for visual arts and crafts.

3.3 Design

- Fashion design
- Graphic design
- Interior design
- Furniture design
- Landscape design
- Architectural services
- Advertising services

Qualifying criteria:

- a) All compliance requirements listed in paragraph 8 below must be submitted; and
- b) A copy of a contract or an order or letter of intent must be signed and approved by a reputable customer for a beneficiary to request a loan for fashion design or any other design.

Secondary sector

3.4 Languages and Publishing

- Books
- Newspapers & Magazines
- Other printed & electronic material
- Book fairs

Qualifying criteria:

- a) All compliance requirements listed in paragraph 8 below must be submitted; and
- b) A copy of a contract or an order or letter of intent must be signed and approved by a reputable customer or sponsor for a beneficiary to request a loan for publishing.

3.5 Audio-Visual Interactive Media

- Film
- Video
- Television
- Radio
- Lighting & sound stage

Qualifying criteria:

- a) All compliance requirements listed in paragraph 8 below must be submitted;
- b) Applicants must provide proof of funding such as contracts/letter of award from other institutions such as DTI, NFVF, IDC, etc. and request us to co-fund the project;
- c) Loan repayment must be within 24 months preferably, longer repayment terms to be considered on ad-hoc basis;
- d) Copy of a contract or an order or letter of intent must be signed and approved by a reputable customer(s) or sponsor(s) for a beneficiary to request a loan for **purchase of asset/audio-visual instruments**;
- e) Distribution agreement(s) must be submitted;
- f) Deferments of the Producers' salaries can be considered as own contribution;
- g) Success rates observed in the chosen film genre. It would be beneficial to include the performance of both international and local productions in this genre;
- h) Experience of the director and the financial performance of films that he/she has directed to be submitted;
- i) Experience of the producer and the financial performance of films that he/she has produced to be submitted;
- j) Production budget to be part of the submission;
- k) An assessment of the film script that is carried out by the NFVF to be submitted;
- l) Letter of intent from a completion guarantor; and
- m) The revenue projections must be supported by independent sales estimates. It would be beneficial to have pre-sale agreements.

Section B

Non-financial business support

4. Pre-Investment Unit (PIU)

- Provide information on the Arts and Culture fund;
- Provide guidance in completing the funding application form and submitting of other necessary documents;
- Identify and screen applications which meet the administrative criteria;
- Keep clients informed on the progress of their applications;

5. Post-Investment Unit (POIU)

- Regular portfolio monitoring of the beneficiaries and assist them to account for expenditure and fund utilisation;
- Report on social impact and economic empowerment targets;

- Provide mentorship and technical assistance where necessary;
- Collect financial reports or audited financial statements including the budgeted and actual financials as well as the variances;
- Consolidate the lessons learned to assist future businesses to avoid pitfalls;
- Report on impairments of investments, bad debt write-off; and
- Exits on matured investments.

Section C

6. Standard Requirements

a) Eligibility

This call is open to all organisations that have independent legal status and that are tax compliant.

b) Administrative Criteria

The following will lead to automatic disqualification:

1. Provision of dishonest and inaccurate information;
2. Incomplete submission of a Proposal and/or Compliance documentation;
3. Late submission of any documentation; and
4. Applications submitted by fax and/or email (only originals couriered/hand delivered)

7. Funding Timeframes

Short-term loans are preferred to enable the fund to re-invest and grow faster to assist many other entrepreneurs.

8. Compliance Requirements

8.1 Completed NEF application form;

8.2 Business plan and projected Income Statement, Balance Sheet and Cash

Flow Statement for the duration of the funding period;

- 8.3 Cash flow projections indicating how the loan will be repaid over the term and the loan duration;
- 8.4 Registration documents as a legal entity;
- 8.5 Valid tax clearance certificate;
- 8.6 Minimum of 50.1% shareholding by black South African citizens as defined in the BBBEE Act who are resident within the borders of South Africa;
- 8.7 In need of start-up or expansion capital;
- 8.8 Require loan from Arts and Culture Venture Capital Fund of not less than R250,000 and not more than R5 million; However applicants are welcome to apply for normal NEF funding above R5 million;
- 8.9 Loan repayment should be within twenty four (24) months;
- 8.10 Own contribution of 5% or more towards the project;
- 8.11 Audited/reviewed financial statements for the past three years along with management accounts not older than three months ONLY for businesses that have been in operation;
- 8.12 A minimum of three (3) months must be provided between the closing date of the advert and the actual date when the first disbursement on the loan is required to allow enough time for the project;
- 8.13 All quotations must be submitted with the application form which amounts to the funding requirement. A minimum of three quotations for procuring goods and services unless if it is a procurement of a unique service such as artists;
- 8.14 Business must have an active bank account;
- 8.15 Financing any asset such as equipment or infrastructure must be for the purpose of start-ups or expansion with existing contracts or orders;
- 8.16 Social impact in the form of job creation and economic empowerment by indicating how many job opportunities will be created; Employment numbers must be stated by race, gender, disability, etc. for the project to be funded;
- 8.17 Applicants should be actively involved in the day-to-day operations of the business. If applicant is employed full time, he/she may be required to resign from his/her employment and provide the Fund manager with proof of resignation;

- 8.18 Necessary skills, experience or with the potential skill appropriate for the enterprise to succeed;
- 8.19 Have a profit motive and clearly indicate how the loan will be repaid;
- 8.20 Applicant's projections must show growth prospect in order to be self-sustainable in future; and
- 8.21 Brief profile and financial strength to settle projected receipts when due of the applicant's customer(s) or sponsor(s)

9. Submission of Proposals

As with most funding applications, organisations must submit original documents and the application forms must be completed. A detailed proposal (called a Business Plan in this case) and all compliance documents listed in paragraph 8 must be submitted.

The applications will be processed after the closing date which is the **7th of September 2017**. Initial feedback will be provided within two weeks from the closing date. The results will be announced after the adjudication panel has made recommendations and the approval by the Fund Management Investment Committee (FMIC) has been granted, which will be within 60 days after the closing date.

Section D Processing of Applications

10. Adjudication Process

a) Step 1: Preliminary Review

Investment Associates will conduct a preliminary review of each application to ensure compliance with the administrative criteria. Should the application be disqualified for any administrative reasons, the submission will not be submitted to STEP 2. However, a full list of all received applications will be tabled during the review process by the Steering Committee at STEP 2.

All applications received will be posted on NEF website, www.nefcorp.co.za

b) STEP 2 : Making recommendations

The adjudication team formed in terms of the Memorandum of Agreement with the Department of Arts and Culture will adjudicate the applicants and make

recommendations to the Credit Committee or Fund Management Investment Committee (FMIC) after a due diligence has been concluded.

The adjudication will be based on the merits and meeting the evaluation criteria. The recommendations of the Steering Committee will be tabled at Credit Committee and/or FMIC for approval.

c) STEP 3: Notification

The NEF will communicate the decision and the conditions of approving the loans in writing to all the applicants. The successful beneficiaries will be provided with a letter of confirming the loan amount approved and announced on the NEF website, www.nefcorp.co.za

d) STEP 4: Contracts

Legal Agreements will be drafted by the NEF, stipulating the terms and conditions of the loan. Clients will be required to sign the agreements which will be binding.

(e) STEP 5: Disbursement

Drawdown of funds will only happen once all the conditions precedent (CPs) are met.

