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DENTONS

Funding Applications in South Africa

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Introduction

This Guide is developed in partnership between Dentons and Wesgro, the official tourism, trade and investment promotion agency for Cape Town and the Western Cape. Dentons is a global law firm with a strong presence in South Africa, providing comprehensive legal services across multiple practice areas, including corporate finance, regulatory compliance and public sector advisory. The firm brings extensive expertise in structuring funding applications, navigating government incentive programmes and advising on investment strategies. Wesgro works to promote investment and trade in the Western Cape, connecting businesses with funding opportunities and supporting economic growth in the region.

1.1. South Africa offers a diverse landscape of funding opportunities aimed at promoting business growth and innovation. This guide equips entrepreneurs and enterprises with practical insights into navigating the funding ecosystem, highlighting where to find support, how to prepare, and what steps to take to access financial assistance effectively.

1.2. Businesses seeking funding in South Africa can choose options from either the private sector or government agencies. Investors generally look for businesses with strong leadership, a capable team, and a clear plan for growth. Products should be innovative, protected, and competitive. A large, scalable market with proven traction or pilot results is essential. Profit potential, existing clients, and a clear exit strategy also matter. These are key in the private sector.

1.3. The South African government prioritises funding mechanisms that support infrastructure development, social welfare, and small business growth. The 2025 national budget reflects a strategic allocation of over ZAR1 trillion toward infrastructure

projects, including energy, transport, and digital infrastructure, aimed at stimulating economic activity and attracting private investment.

1.4. In addition, social spending remains a cornerstone, with 61% of the budget over the next three years allocated to the social wage covering healthcare, education, housing, and social grants.

1.5. Funding is also directed toward employment creation, particularly through public employment programmes and support for youth, women, and black-owned enterprises.

1.6. Before approaching funders, businesses must be prepared. This means having a registered entity, a clear funding strategy, and a well-developed business plan. Funders assess readiness and credibility, so having the right documentation and clarity on your funding needs is essential to strengthen your application and improve approval chances.

2. Preparing for a Funding Application

2.1. When seeking funding in South Africa, businesses must meet specific requirements and prepare a comprehensive set of documents. These vary depending on the funding agency and the type of funding (grant, loan, equity) and whether it is a private or government funding application. However, regardless of the type of funding being sought, funders will expect a well-prepared application containing the following essential documents;

2.1.1. **Business Plan**: Clearly outlining the business model, market analysis, competitive landscape, financial projections, and growth strategy;

2.1.2. **Proof of Business Registration**: Certificate of incorporation or registration with the Companies and Intellectual Property Commission; and

2.1.3. **Banking Information**: Bank account details, recent bank statements, and possibly a letter of good standing from your bank;

2.1.4. **Proof of Market or Clients including**:

2.1.4.1. letters of intent or contracts with clients;

2.1.4.2. market research reports; and

2.1.4.3. sales history or pipeline projections.

2.1.5. **Financial Statements**:

2.1.5.1. Income statements, balance sheets, and cash flow statements (preferably audited but, depending on business size, these could be managed). It is important to note that certain small to medium enterprise focused grants have turnover and funding limits; and

2.1.5.2. in respect of startups, projected financials for 3 to 5 years.

2.1.6. **Tax Compliance Documents**: Valid tax clearance certificate and proof of tax registration with the South African Revenue Service.

2.1.7. **Broad Based Black Economic Empowerment ("BEE") Documentation**: BEE certificate which is particularly important for grants/funders with transformational/strategic sector goals. It is worth noting that BEE status requirements are not mandatory for many investors. However, measured entities may include both government and businesses who are already doing business with the government. A measured entity is any organization – whether a public entity, organ of state, or private business – that engages in economic activity and seeks to establish its BEE compliance status. These entities are categorized based on annual turnover: (i) Exempted Micro Enterprises with turnover of R10 million or less, (ii) Qualifying Small Enterprises with turnover between R10 million and R50 million, and (iii) Generic Enterprises with turnover above R50 million.

2.1.8. **Project Documentation** (for new ventures):

2.1.8.1. Pre-feasibility or feasibility studies.

2.1.8.2. Technical assessments including costing of equipment or services where specific grants require descriptions of the assets for consideration.

2.1.8.3. Environmental impact assessments (if applicable).

2.1.9. **Directors and Ultimate Beneficial Owner Information**: Certified copies of identity documents or passports. It must be noted that certain funds/grants require 100 percent South African ownership but that these requirements will be less important for pre-seed and level 1 funders. Nonetheless, scalability as well as exit are at least partially dependant on a firm's ability to contract with the South African government and the potential anti-competitive effects of a black beneficial owner leaving. As such, black ownership is an important factor to consider.

2.1.10. **Employment Equity**: Certain funds/ grants require the majority of employees to be South African citizens and meeting the requirements of a scaled up business will inevitably become necessary.

3. Types of Financing

3.1. Debt Financing

3.1.1. Debt financing involves borrowing money that must be repaid with interest although the rates and timing of repayments is variable depending on the fund/grant and typically sourced through (i) banks, (ii) development finance institutions, (iii) microfinance agencies, or (iv) private lenders.

3.1.2. The benefits of debt financing are (i) that the borrower retains full ownership, (ii) interest payments are tax-deductible, and (iii) repayment schedules are ordinarily predictable.

3.1.3. The drawbacks to borrowing in this fashion are (i) that it typically requires collateral/security or a strong credit history, and (ii) the monthly repayments can strain cash flow.

3.1.4. The agencies offering debt financing include (i) **SEFA** (Small Enterprise Finance Agency); (ii) **IDC** (Industrial Development Corporation); (iii) **NEF** (National Empowerment Fund); and (iv) **SEDFA** (Small Enterprise Development and Finance Agency).

3.2. Equity Financing

3.2.1. Equity financing involves selling an interest in a business in exchange for capital. This usually takes the form of (i) angel investors, (ii) venture capitalists, (iii) private equity funders, or (iv) strategic partners.

3.2.2. This type of funding is generally described as "expensive financing" but has certain advantages including (i) the lack of repayment obligations, (ii) involvement of investors who may bring expertise and networks, and (iii) the fact that it is suitable for high-growth ventures. Nonetheless, most applicants dislike (i) that ownership of the venture becomes diluted which may lead to a loss of control, (ii) the pressure on the venture to yield high returns, and (iii) the potential exit of the investor and their networks.

3.2.3. The government may also invest directly or partner with private entities in Public Private Partnership arrangements which may result in a joint venture structure.

3.3. Grant Funding

3.3.1. Grants are non-repayable and are typically provided by NGOs/ foundations, government development programs, innovation hubs, or donor agencies. Particularly sought after due to the lack of repayment obligations and equity dilution, grants are also a source of encouragement of innovation and social impact. However, due to their highly competitive nature they often come with strict reporting and compliance requirements as well as limitations on amounts, scope and/or grantee.

3.3.2. Examples of fund schemes include (i) **NYDA** (National Youth Development Agency) Grant Programme; (ii) **DSBD** (Department of Small Business Development – Western Cape) asset assist for equipment and raw materials; (iii) **TIA** (Technology Innovation Agency) Seed Fund; (iv) **TTF** (Tourism Transformation Fund) - Blended model; and (v) **CIS** (Cooperative Incentive Scheme).

3.4. Incentivisation

3.4.1. Incentive programs often include cost-sharing or rebate-based programs. For more information please refer to our guide describing the most applicable incentive programmes.

4. Public and Private Sector Funding and Grants

4.1. General

4.1.1. South Africa's public funding landscape offers a range of financial support mechanisms for businesses. These include SMME funding programmes aimed at startups and small enterprises, government grants for specific sectors or development goals, and performance-based incentives such as tax allowances and rebates. Formal equity funding is available through institutions like the National Empowerment Fund and the Industrial Development Corporation, while debt funding is offered via agencies such as SEFA and the IDC for working capital, expansion, or equipment. These funding options are designed to stimulate entrepreneurship, industrial growth, innovation, and inclusive economic participation.

4.1.2. Incentive programmes are designed to promote industrial competitiveness, job creation, and transformation. These include tax allowances, grants for manufacturing and services sectors, and support for innovation and infrastructure through schemes like the Critical Infrastructure Programme **("CIP")** and the Automotive Investment Scheme **("AIS")**. The

Department of Trade, Industry and Competition **("DTIC")** administers these incentives to align with national priorities such as localisation, export growth, and green industrialisation. Special Economic Zones **("SEZs")** and targeted investment promotion through InvestSA further enhances the incentive landscape, offering streamlined access to opportunities for both domestic and foreign investors.

4.2. **Incentives Rationale**

4.2.1. DTIC incentives are strategically designed to drive industrial growth, job creation, and economic transformation by supporting investment, innovation, and competitiveness across key sectors of the South African economy. The above constitutes a brief overview of the incentives available. However, the intricacies of application and timings thereto often require professional advice in order to increase the chances of success.

4.3. **Private Sector**

4.3.1. In South Africa, private sector funding is available through a range of institutional categories that cater to different business needs and stages. Commercial banks offer traditional debt financing such as loans, overdrafts, and asset finance, typically requiring strong financials and collateral. Private equity firms invest in established businesses with high growth potential, often taking equity stakes and providing strategic guidance. Venture capital firms focus on early-stage, high-growth startups, especially in technology and innovation sectors. Angel investors – usually high-net-worth individuals – support startups with capital and mentorship. Development Finance Institutions (DFIs), although publicly backed, often operate with private-sector principles and include entities like the IDC and NEF, which fund strategic sectors. Philanthropic organisations and impact investors provide grants or patient capital to businesses with strong social or environmental missions. Lastly, alternative lenders and fintech platforms offer fast, flexible funding solutions for SMEs, often with less stringent requirements than traditional banks. Each category plays a unique role in the funding ecosystem. In addition, various agencies now act as fund connectors mediating between investors and fund seekers in the market.

5. Important Considerations

5.1. Due to the competitive nature of the market, it is recommended that a pitch deck contains additional information such as (i) a company overview, (ii) the history and mission of the venture, (iii) the legal structure, (iv) what key milestones or lessons have the team learnt, and (v) ownership and shareholding structures that speak to the transformational/sustainability goals of the fund and/or grant.

5.2. Funders expect to receive a team profile including bios of the founders and key team members with their relevant experience and qualifications. In addition, it is recommended to include an organisational chart.

5.3. Demonstrate a proactive approach to risk management by identification of key risks (financial, operational, market, regulatory) and correlative mitigation strategies as well as including insurance coverage (if applicable).

5.4. Equity funders will ordinarily have exit strategies which can be negotiated on in certain circumstances including (i) initial public offerings, (ii) acquisition, buyback, or secondary sale, (iii) timelines and expected returns, and (iv) whether the strategic goals align with investor interests.

6. A Strong Application

6.1. Tailoring the application to the funder's criteria and priorities is essential.

6.2. It is preferable to make use of visuals such as charts, infographics, and timelines in pitch decks.

6.3. In respect of government funding applications, align with national priorities on projects that promote job creation, innovation, youth/women empowerment, or rural development as these are prioritized.

7. Conclusion

7.1. South Africa offers a diverse and evolving funding landscape for investors, combining public grants, private capital, and blended finance models. Early preparation, compliance, and a clear and strong business plan are key to successful funding applications.

About the Partners

Wesgro

Wesgro is the official tourism, trade and investment promotion agency for Cape Town and the Western Cape. The investment team assists Western Cape companies seeking expansion, South African companies investing in the region and foreign companies entering the market for the first time. Wesgro offers a comprehensive range of services to investors, including providing market intelligence, navigating South Africa's policy and regulatory landscape, assisting with site location identification, addressing regulatory challenges and facilitating referrals to specialist advisory services such as legal firms, recruitment agencies and property professionals.

Dentons

Dentons is the world's largest global law firm, connecting talent to opportunity across more than 80 countries. As a trusted legal partner to investors, Dentons South Africa combines local insight with global reach to help clients navigate complex legal and regulatory environments. The firm advises across key sectors such as finance, energy, infrastructure, real estate, technology and private equity, offering expertise in corporate and commercial law, mergers and acquisitions, employment, competition and regulatory compliance. With a strong track record in supporting businesses entering or expanding in Africa, Dentons helps investors establish operations, secure project financing and achieve sustainable growth.

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For further information on setting up or expanding your business in Cape Town & the Western Cape, please contact Wesgro's Investment Team

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