



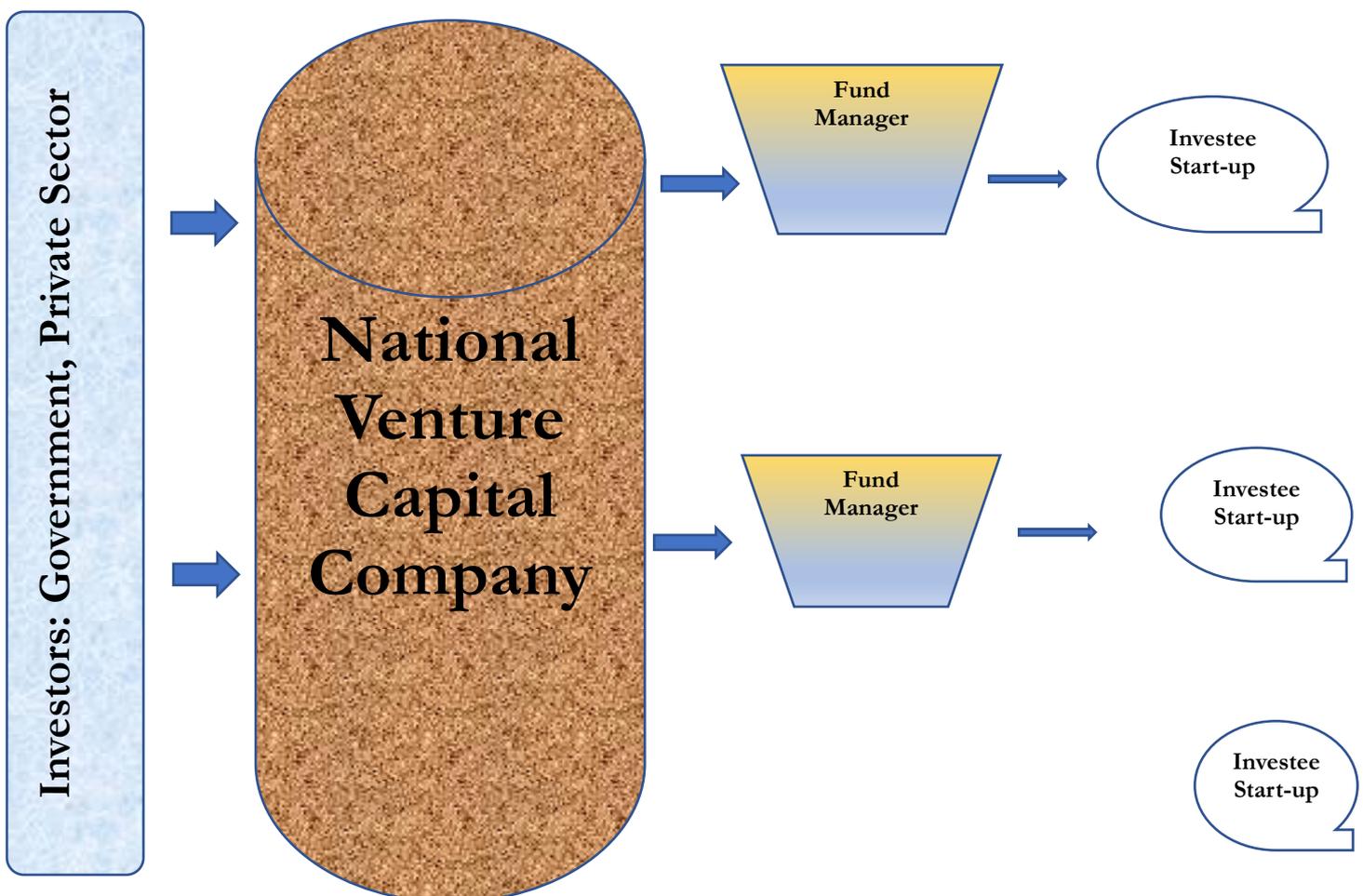
REPORT TO THE PORTFOLIO COMMITTEE ON YOUTH, SPORTS, ARTS AND RECREATION ON THE PROGRESS IN IMPLEMENTATION OF THE NATIONAL VENTURE FUND

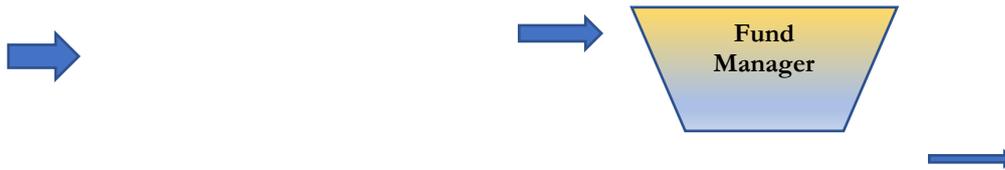
1. You may be aware that in the 2020 National Budget Statement Government of Zimbabwe announced the establishing a National Venture Capital Fund. The main objective of the fund is to encourage good entrepreneurship and innovation by SMEs especially those owned by the Youth and Women. The fund will be expected to invest in qualifying start-up enterprises, help them to grow, and therefore generate new employment opportunities, which will stimulate economic growth. The project to be financed by the initiative should be commercially viable in order to stimulate growth.
2. In this regard, ZWL\$500 million has been set aside for this cause. In addition, Government set aside resources to capitalise Entities such as Empower Bank, The Women's Bank and Smedco.
3. Under the National Venture Fund, Government will prioritise projects that have capacity to meet the following criteria, so as to yield meaningful impact on the economy: -
 - Technological Innovation and impact;
 - Sustainable Job creation;
 - Import Substitution;
 - Forex generation and Export Growth;
 - Promoting Women & Youth Entrepreneurship;
 - Projects outside the big cities (Economic Growth Nodes); and
 - IRR greater than 15% - However, investments with a high developmental impact will also be given great preference.
4. Since the approval of the National Budget the Ministry of Finance and Economic Development has been working on establishing the National Venture Capital Company. A Steering Committee has since been set following an internal approval process within the Ministry of Finance and Economic Development. The Steering Committee comprises members of the following Ministries: -
 - Ministry of Finance and Economic Development – Who will also Chair;

- Ministry of Information, Communication, Technology and Courier Services;
- Ministry of Industry and Commerce;
- Ministry of Land, Agriculture, Water, Climate and Rural Resettlement;
- Ministry of Higher and Tertiary Education, Innovation Science and Technology Development;
- Minister of Youth, Sports and Recreation
- Minister of Women’s Affairs, Community, Small & Medium Enterprises Development; and
- Representatives from the Private Sector.

5. To date all the representative from Government have been invited and nominations have been received for most of the nominations. The Steering Committee is working on identifying the private sector representatives. Possible candidates have been submitted and work is currently underway to collect CVs from the proposed candidates before shortlisting and interview.

Proposed Implementation Structure





6. The above structure has been proposed for the management of the Fund. It is still however subject to further refinements.
7. The National Venture Capital Company will appoint various independent fund managers that will be responsible for appraising business opportunities to invest, together with an investment committee that will be drawn from the board and management structures of the company in line with the rules laid out in both the Public Entities Corporate Governance Act as well as the Public Finance Management Act.
8. As this is an important and urgent exercise, the steering committee has been meeting, at least once weekly, to deliberate on progress and agree on next steps to be implemented. The representatives from other line Ministries have already joined the Steering Committee their first meeting was on 12 March 2020.

Company Registration

9. One of the important steps for the establishment of the NVC is the registration of the company. The steering Committee has been in consultation with relevant Government departments to facilitate the registration of the entity. Currently work is underway to identify a consultant that will draft the Articles and Memorandum of Association. The draft will be presented to the legal advisors for guidance and advise. Once the internal processes are complete the project will be submitted to the Company registrar.
10. The steering committee also developed a business case for the National Venture Capital Company. The business case involved desk research, which was done by official from the Ministry on the best practices in national venture. The business case looks at the structure of other countries and lessons we can learn. It also gave justification for the national venture capital company.

Possible Fund Managers

11. Concurrently, efforts have been in place to identify the possible Fund Managers and partners to the Fund. Various meetings have already been held with Empowerment Bank, Women's Banks & Smedco, CBZ, Finsec and International Finance Corporation (IFC).
12. Empowerment Bank, Women's Banks & Smedco are Government entities that have experience in venture capital, as well as lending. The entities showed enthusiasm to participate as partners of the fund. In this regard, resources will be set aside for these Government entities to spearhead support to the investee companies whilst the other processes are being put into place.
13. You should also be aware the Ministers of Finance, Youth and Women's Affairs will be issuing a joint press statement on the resources released by Treasury. The resources will be channelled to commercially viable projects that meet the criteria set by Government. As Treasury, we are calling on Empowerment Bank, Women's Banks & Smedco to identify projects that are commercially viable which will yield desired returns to the Fund. We need to note that the resources will be exchanged for shares that will be held by the National Venture Capital Company on behalf of the Government of Zimbabwe.
14. A tele-meeting was held with the IFC where technical support was requested. Discussions are also underway on the possibility of considering IFC as a potential investor. This can be done at many levels IFC can come and invest in the company or it can be a fund manager and can take shares directly in the investee companies in partnership with the National Venture Capital Company.
15. With regards to other Fund Managers, the Ministry through the Steering Committee is assessing various proposals. Appraisal of the potential Fund managers partners will be done and the envelope of resources will be apportioned accordingly.
16. It is envisaged that The Fund managers will be remunerated on the basis of performance of their portfolio. The model of the NVCC is evolving in nature. Once the company is well established, the investee company or other shareholders can buy out the Government shareholding for value. The revenues receivable by Government will be used to plough back into the Fund.

FINSEC

17. FINSEC is a newly established company that is a trading platform for SMEs who wish to raise resources between \$250 000 to \$9.9 million. Government has also invited FINSEC to

make a submission following previous engagement. A meeting was held where FINSEC proposed a model that they could adopt. This is still under evaluation

18. The model involves using the portal developed by FINSEC. Government will then set the selection criteria that would be used to come up with an online application procedure. The model will be screening potential investees as they are completing the application. Those that are above the approved threshold will move to the next round those that do not qualify may review their applications (government and fund managers also have a window to view the unsuccessful candidates).
19. Government can approve Fund Managers who will have investment committees that will further review those applications. It is expected that Government will be represented in these investment committees. Rules for the management of the Fund will be approved by SEC as well as all relevant Government agencies before sharing with fund managers.
20. Government will also work with innovation hubs, industrial parks and centres of excellences. These hubs and centres will be responsible for the development of ideas. Once ideas have been tested, a project proposal can be developed for financing. Government will also get shareholding in the development of ideas.

Terms of Reference

21. The committee has drafted the terms of reference (TOR) which is currently under discussion and is nearing approval stage.

Capacity building

22. In order for the steering committee to implement its work a request was made to the Ministry of Higher and Tertiary Education, Innovation and Science and Technology Development for capacity and development appraisal. The proposed course will have the following content: -
 - Technology Development and Transfer;
 - Intellectual Property Rights asset management;
 - Trade in Intellectual Properties assets;
 - Reporting on balance of payments on trade in technologies generated from public financing.

Other issues still pending

23. Work still underway includes;

- Company Registration – Work in progress;
- Approved Terms of Reference – Almost complete;
- Meeting with Stakeholder Consultations is an on-going project;
- Presentation to Development Partners, Industry and Bankers – It was agreed to come up with a draft programme that will be presented to development partners. It was also indicated that a lot of potential investors had been submitting proposals to participate in the Fund;
- Launch of the NVCC – proposed for April when all the members will be expected to be present;
- The Committee is also working to engage various development partners to support the initiative by assisting with Technical arrangements and funding. This will be critical for those projects that may require foreign currency financing.

Familiarization with potential investment opportunities

24. Arrangements to visit national projects sites and inspection of facilities for potential fund management firms are being arranged as soon as there is clarity on travel embargo associated with the Coronavirus.
25. The steering Committee is also studying successful venture fund model from regional and international markets.

G. T. Guvamatanga

SECRETARY FOR FINANCE AND ECONOMIC DEVELOPMENT

19 March 2020

cc: **Hon. Prof. M. Ncube**, Minister of Finance and Economic Development
Hon. Dr. K. Coventry, Minister of Youth, Sports and Recreation

Hon. Dr. S.G. Nyoni, Minister of Women's Affairs, Community, Small & Medium Enterprises Development

