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South Africa  
**STARTUP ACT**

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**Co-Creating a National Startup Act**





# Overview

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# 1. Who are we

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- We are a collective of African investors, incubators, accelerators & founders who aim to support startups in SA.
- We are in pursuit of a policy environment that supports startups.
- We have rallied together to create a Startup Act for South Africa.



## 2. Vision & Mission

- To unlock the full entrepreneurial skills of people in South Africa;
- To promote the growth of new, innovative enterprises;
- To provide adequate incentives for the formation of such enterprises for individuals, shareholders, and companies alike;
- To establish a fair, accessible framework for identifying promising enterprises;
- To clarify the responsibilities of the Ministry charged with administering the requirements of the Act; and
- To promote equitable growth and economic development within the Republic.

# 3. What is a Startup Act

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Many countries around the globe, and most notably several in Africa, have in recent years adopted pieces of legislation called ‘Startup Act’, in a goal to make them “Startup Nations” and embrace the value and job creation opportunities of the new economy.

These policies are meant to complement existing measures in place for small business and to support high growth, high impact enterprises which are primarily based on intellectual and technological proprietary innovation (technology startups or startups); which operate in a local, regional or global scale and need to raise investment to be able to sustain exponential growth.

Startup Acts typically are enablement policies which are supported by action plans around investment attraction and development; skills and ecosystem development initiatives.



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Rigorous counter-factual evaluations of Startup Acts indicate statistically significant increases in revenue, value-addition and assets as a direct result of the support, and find that labelled startups are more likely to receive venture capital than comparator firms.

The Italian Startup Act, for example, generated ***a 10-15% increase in the revenue and value-addition of labelled startups at an average fiscal cost of €3,300 / startup enterprise.***

Startup policy frameworks in Africa are more recent. However, initial macroeconomic indicators from Tunisia show that ***venture capital flows have tripled*** after their Startup Act was introduced. There is also evidence to suggest that a national Startup Law raises general awareness about entrepreneurship.



# 4. Purpose of a Startup Act

**The purposes of this Act is to advance economic development in South Africa and to achieve the purposes outlined in section 7 of the Companies Act, 2008, among them most notably—**

- A. Promote compliance with the Bill of Rights as provided for in the Constitution, in the application of company law.
- B. Promote the development of the South African economy by:
- C. Encouraging entrepreneurship and enterprise efficiency;
- D. Creating flexibility and simplicity in the formation and maintenance of companies; and
- E. Encouraging transparency and high standards of corporate governance as appropriate, given the significant role of enterprises within the social and economic life of the nation.
- F. Promote innovation and investment in the South African markets.
- G. Reaffirm the concept of the company as a means of achieving economic and social benefits.
- H. Continue to provide for the creation and use of companies, in a manner that enhances the economic welfare of South Africa as a partner within the global economy.
  - I. Promote the development of companies within all sectors of the economy, and encourage active participation in economic organisation, management and productivity.
  - J. Create optimum conditions for the aggregation of capital for productive purposes, and for the investment of that capital in enterprises and the spreading of economic risk.
- K. Provide a predictable and effective environment for the efficient regulation of companies.

**The primary objects of this Act are:**

- To set up an incentive framework for the creation and development of startups based on creativity, innovation and the use of new technologies; and
- To create strong added value and competitiveness at the national and international levels.

# 5. How does it complement the Small Business Act

## Small Business Act (SBA)

1. Forming of a Council and Agency (Ntsika Enterprise Promotion Agency) as juristic person to support Small Businesses
2. Politically led structure
3. Broad definition of Small Businesses
4. Funding facilitated by government funding (tax payers money), grants and donations



## SBA + Startup Act

1. Forming of an ecosystem of support for startup businesses
2. Led by Public, Private, civil society organisations
3. Broad definition of Startup businesses
4. Funding facilitated by investments (Private Equity, Venture Capital, corporate venturing), ESD, tax incentives, etc.

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# 6. Methodology & Plan to co-create

We see the work of co-creating the Startup Act will take place in two phases

## Phase 1 Defining a Joint Ecosystem Vision

Listening to startups, investors, service providers, and prospective entrepreneurs to understand their challenges and the opportunities. They see to support the acceleration of indigenous innovation of entrepreneurship

## Phase 2 Co-Creating Policy Reform with the Government

Working together with government as partner to co-create policy and legal reforms to realize their vision

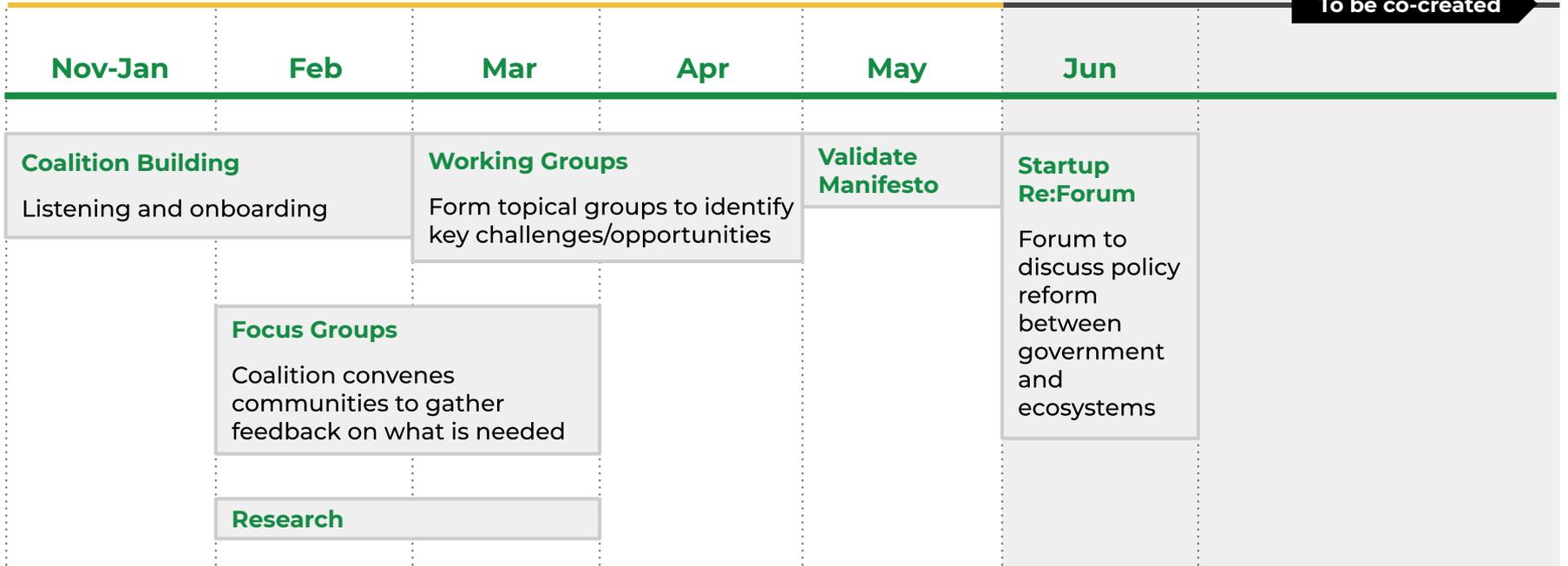
Proposed timeline

# Phase 1

Co-Creating a Joint Ecosystem Vision

# Phase 2

Co-Creating Reforms with Government



# 7. Lessons from other nations

## Best-Practice on Developing a Startup Act

- 1 Adopt a participatory approach!
- 2 Laws should recognize ecosystems, be holistic, long-term and address the framework conditions for growth entrepreneurship.
- 3 Adopt clear and rational policy and beneficiary targeting and avoid discretionary selection of beneficiaries.
- 4 Ensure the quality of execution and implementation.
- 5 Embed Monitoring & Evaluation into the law to ensure learning and iteration.
- 6 Acknowledge the limits of SBAs and Startup Acts, and mitigate potential adverse impacts.

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# Would you like to take part in this process? We need you!

**South Africa**  
**STARTUP ACT**

Co-Creating Entrepreneurship Policy Reforms

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