

[illegible]

South Africa
STARTUP ACT

SOUTH AFRICA
STARTUP ACT
PROGRESS REPORT
2023/24

A photograph showing three people sitting side-by-side against a plain white wall. On the left, a Black man with glasses, wearing a brown blazer over a striped shirt and blue jeans, sits with his arms crossed. In the center, a woman with dark hair tied back, wearing a beige sweater over a light blue collared shirt and black trousers, holds a red notebook. On the right, a woman with short dark hair, wearing a yellow jacket over a white top and grey trousers, works on a laptop. They are all smiling or looking down at their work. The floor is dark grey tile.

Compiled by

SiMODIS
ST^AR-T-UP

TABLE OF CONTENTS

01 FOREWORD FROM CHAIRPERSON: SIMODISA 10TH ANNIVERSARY – Pieter de Villiers

02 THE IMPACT OF STARTUP ACTS IN DEVELOPING NATIONS

1. **South Africa Startup Act Movement** – Matsi Modise
2. **Tunisia** – Salma Baghdadi
3. **Nigeria** – Oswald Osaretin Guobadia
4. **Kenya** – Mercy Chez
5. **Tanzania** – Zaharo Muhaji

03 DIGITAL SKILLS

1. **TechXit Collective** – Pieter de Villiers
2. **DigitA Whitepaper** – Oswald Osaretin Guobadia

04 FUNDING ECOSYSTEM LANDSCAPE

1. **Upcoming Areas of Investment in Climate & Sustainability** – Blanca Ribas Pombo
2. **SA Funding Landscape** – Sanjay Soni
3. **Levelling the playing field for SMEs through an inclusive economic ecosystem** – Sibusiso “Busi” Raphekwane

With thanks



CONNECT WITH US

102 Western Service Road, Gallo Manor,
Johannesburg, South Africa, 2191
www.startupact.co.za
011 037 4536

01

FOREWORD





10 YEARS OF SiMODiSA: A DECADE OF BUILDING ENTREPRENEURSHIP ECOSYSTEMS

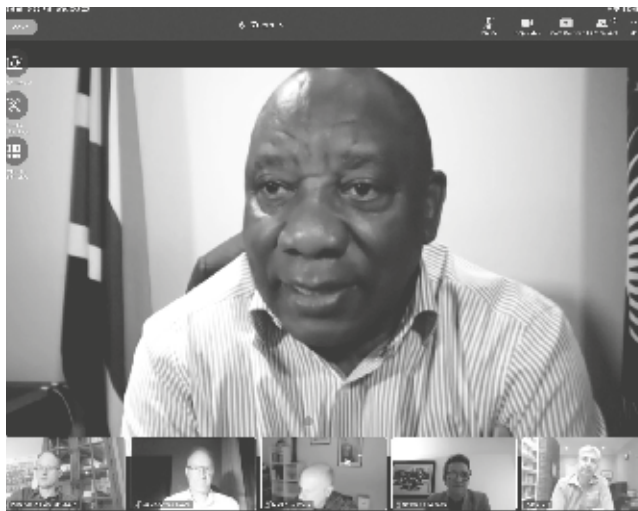
SiMODiSA'S
10TH
ANNIVERSARY

Ten years ago, a spark ignited in the South African entrepreneurial landscape. SiMODiSA, a collaborative effort between public and private sectors, emerged with a bold vision: to catalyze and amplify entrepreneurship

on the Southern tip of Africa in order to create a burgeoning startup ecosystem. Today, as we celebrate a decade of unwavering dedication, we reflect on the journey, the milestones achieved, and the exciting road ahead.



SiMODiSA's story is one of recognizing roadblocks and taking decisive action. Early on, it became clear that a significant challenge for South African startups was navigating a complex regulatory environment. SiMODiSA took the mantle of policy advocacy, working tirelessly to bridge the gap between policymakers and entrepreneurs. This crucial intervention aimed to streamline regulations, fostering a more supportive and enabling environment for startups to flourish.



Our next policy focus is the Startup Act, a groundbreaking legislation proposal designed to turn South Africa into a more conducive environment for high-growth entrepreneurship and laying the foundation to future proof funding aimed at simplifying the path to attracting risk capital from abroad to fund innovation. The SA Startup Act Progress Report

This involved fostering collaboration between various stakeholders including but not limited to government, corporates, investors, and startups themselves.

**World Class
Entrepreneurship Events**

Religion and Social Justice in the Entrepreneurial Classroom

From that initial spark, a vibrant network of meetup groups mushroomed across the country. These informal gatherings, often organized by passionate individuals and supported by SiMODiSA, provided a platform

The Rise of VCs and Incubators

Furthermore, SiMODiSA catalyzed the startup ecosystem with the support of Silicon Cape that led to the establishment of business incubators and accelerators. Organizations like Cape Town-based LaunchLab, founded in 2015, and The Bandwidth Barn, established in 2015, provided startups with mentorship, co-working space, and access to resources, significantly increasing their chances of success.



Beyond the initial launchpad event, SiMODiSA played a key role in establishing a community through monthly and annual events such as Start-up Thursdays and the Venture Train, that brought the startup community together. Other events started taking hold such as the Johannesburg Venture Capital Indaba (founded in 2015) and the Africa Tech Week (established in 2016) provided a platform for showcasing African innovation on a global scale, attracting international investors, and fostering cross-border collaboration, allowing SiMODiSA to return to its core policy reform work and spending less time and resources on Amplification.



LEFT (FROM TOP): INDUSTRY BREAKFAST
2020, LEADEREX 2018 **RIGHT (FROM TOP):**
DATAHACK4FI SOUTH AFRICA FINAL,
INDUSTRY BREAKFAST, VENTURE TRAIN,
LEADEREX 2019



Delivering Value

The annual SiMODiSA Startup Ecosystem Report serves as a testament to the progress within the South Africa entrepreneurship ecosystem. This comprehensive report, meticulously researched and compiled by SiMODiSA, provides valuable insights into the state of South Africa's startup landscape, highlighting key trends, challenges, and opportunities. It serves as a crucial resource for policymakers, Investors, and entrepreneurs alike, guiding future growth strategies. The 2021 edition, for instance, identified the rise of female-led startups and the increasing focus on sustainable ventures as key trends within the ecosystem.

RIGHT (FROM TOP):
FASHIONOMICS,
SIMODISA @LEADEREX,
START-UP THURSDAY
AND POLICY DIALOGUE



The past decade has been a period of remarkable transformation for the South African startup ecosystem. Yet, SiMODiSA acknowledges that the journey is far from over and there is a lot of work ahead. It is imperative that the Start-up Act gets passed if South Africa hope to become relevant in the race for high growth businesses and retaining its top entrepreneurial talent. With the ever-evolving global landscape, new challenges and opportunities will also present itself and SiMODiSA will continue to be the voice of, for and by entrepreneurs in South Africa.

THANK YOU

A big thank you goes to the Entrepreneurs whom are core to our mission, our ecosystem partners, our Advisory Board members, the SiMODiSA Exco, our Sponsors (see below) and a special shout out goes to Matsi Modise our Vice Chairman & fierce warrior whom has poured many hours of passion and dedication to our mission “ the amplification and catalyzing of Entrepreneurship in South Africa as entrepreneurs are the #1 driver of economic and job growth.



Pieter de Villiers

Pieter de Villiers

#SiMODiSA10 #SASStartupMovement
#Entrepreneurship #StartUpSA

02

**THE IMPACT OF STARTUP
ACTS IN DEVELOPING
NATIONS**

South African Steering
Committee Chairperson

A STARTUP ACT IS ON THE HORIZON

The South African startup ecosystem has long advocated for a more supportive legislative framework that fosters innovation and growth. The need for a Startup Act has become increasingly apparent as digital transformation continues to reshape industries and create new opportunities. A dedicated Startup Act would not only provide a more conducive environment for startups to thrive but also ensure that South Africa remains competitive in the global digital economy. A dedicated Startup Act could address several challenges faced by startups in South Africa. It could provide legal protections for intellectual property, facilitate access to funding and investment, streamline bureaucratic processes, and offer tax incentives to encourage entrepreneurship. By addressing these challenges, a Startup Act would create an enabling environment for startups to grow and contribute to the country's economic development.

In 2021, the Presidential Office held a special meeting with individuals from various organizations that are invested in the growth and support of local entrepreneurs and businesses to discuss what is needed to eliminate the red tape obstructing the growth of small and medium enterprises. Among them were representatives of the South African Startup Act Movement Steering Committee.

“With regards to the South African Startup Act, I would like us to consider that... If we are serious about promoting entrepreneurship, we need to think about how we boost startup activity.” President Ramaphosa addressed the SA Startup Act Steering Committee, emphasizing the need to foster a more conducive environment for startups in South Africa.

SA STARTUP ACT MOVEMENT STEERCO



Growth of the Ecosystem

Key Players

African Countries Startup Act Progress



- **Access to Funding:** Despite a burgeoning startup scene, South African startups often struggle with securing adequate funding for growth and expansion. Venture capital investment returns in the region are notably weak when compared to global standards, which can deter future investment.
- **Regulatory Hurdles:** Startups additionally face a complicated regulatory environment



that can hamper swift business operations and growth. Different standards and regulations across provinces can create a fragmented marketplace, making it difficult to scale quickly and efficiently.

- **Skill Shortages:** Finding the right talent with the necessary tech skills remains a significant challenge. This shortage can impede the development, deployment, and scaling of innovative solutions for startups. Establishing teams with proper expertise is critical to the success of tech-oriented startups.

Opportunities Available in the South African Market

- **Growing Tech Ecosystem:** South Africa presents a robust tech ecosystem supported by both private and public sectors, creating a fertile environment for startups to thrive. organisations like the Silicon Cape Initiative and Digital Collective Africa enhance growth by fostering networking and development opportunities.

- **Government Support and Incentives:** There is increasing governmental support aimed at boosting the startup ecosystem. This includes various incentives for tech startups and collaborations that aim to ease the business operations across the tech industry.
- **Increasing Foreign Investment:** Despite the funding challenges, there is a notable increase in foreign investments. South Africa remains a significant destination for foreign investment within the African startup ecosystem. This trend is bolstered by the high rate of successful startup exits in the region, showcasing promising investment returns and stability.
- **Market Size and Potential for Scale:** The size and diversity of the South African market afford startups substantial opportunities to scale once they have established a solid local footing. The presence of major cities like Johannesburg, Cape Town, and Pretoria provides diverse testing grounds with different consumer profiles and needs.

SOUTH AFRICA STARTUP DATA (2019 – 2023)



2,455

This figure represents the number of funded startups in South Africa

Total amount of funding received by startups

\$18,75 mil+

ZAR337 mil+

Average funding per startup

\$7,64 mil+

ZAR137 mil+

No. of venture capital firms vs. angel investors

1,400+



525+



Top 10 Incubator and Accelerator Programmes

-  **GRINDSTONE** 1. Grindstone
-  **INJINI** 2. Injini
-  **FOUNDERS FACTORY AFRICA** 3. Founders Factory Africa
-  **Startupbootcamp** Cape Town 4. Startupbootcamp Cape Town
-  **seedengine** 5. Seed Engine
-  **esquared.org.za** 6. E Squared Investments
-  **AKRO** 7. Akro
-  **SAVANT** 8. Savant Technology Incubator
-  **TuksNovation** 9. TuksNovation
-  **AURIK** Business Accelerator 10. Aurik Business Accelerator

10 Key Innovation Hubs in South Africa

-  **invotech** 1. InvoTech
-  **ALPHACODE** VENTURE PARTNERS 2. ALPHACODE
-  **jozihub** 3. Jozihub
-  **IMPACT HUB** 4. Impact Hub
-  **SILICON CAPE** INITIATIVE 5. Silicon Cape
-  **IA** IMPACT AMPLIFIER 6. Impact Amplifier

CODEBRIDGE 7. Code Bridge



8. E. Cape Information Technology Initiative



9. Cape Innovation and Technology Initiative



10. House4Hack

Top 10 FinTech Startups

-  **YOCO** 1. Yoco
-  **TymeBank** 2. TymeBank
-  **VALR** 3. VALR
-  **OZOW** 4. Ozow
-  **adumo** 5. Adumo
-  **Naked** 6. Naked
-  **entersekt** 7. Entersekt
-  **mukuru** 8. Mukuru
-  **JUMO** 9. Jumo
-  **nftfi** 10. NFTfi

Top 10 Renewable Energy Tech Startups

-  **ALIEN ENERGY** 1. Alien Fuel Group
-  **BRAYFOIL** TECHNOLOGIES 2. Brayfoil Technologies



3. Centurion Solar



4. Rubicon



5. Hya Power.



6. Lige



7. Ekoguru



8. Power made



9. Jager



10. Apollo Africa

Top 10 Green/Sustainability Tech Startups



1. Aerobotics



2. Matinas Biopharma



3. The Sun Exchange



4. Cloudline



5. Plentify



6. Hydrox Holdings



7. Kudoti



8. H2O Security



9. Int. Housing Securities.



10. Energy Capital & Power

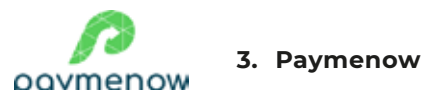
Top 10 MedTech Startups in SA



1. Broad Reach



2. Reco Med



3. Paymenow



4. EMGuidance



5. Health Dart



6. Guide Post



7. Affinity Health



8. LocumBase



9. Vula Mobile



10. Contro

Top 10 Agriculture & AgriTech Startups in SA



1. Aerobotics



2. Nile



3. KHULA



4. Livestock Wealth



5. Acorn Agri



6. Tessera



7. Green Fingers Mobile



8. Inseco



9. Swiftvee



10. Hello Choice

Top 10 Education Tech Startups in SA



1. Hyperion Development



2. D6 Group



3. GetSmarter



4. The Student Hub



5. ITSI



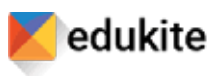
6. Eduze



7. Watobe



8. Cognitian



9. Edukite



10. Abisoft

South Africa STARTUP ACT



JOIN THE SA STARTUP ACT MOVEMENT

Visit www.startupact.co.za for
more information

[View SA Roadmap](#)

OUR PARTNERS



OUR SPONSORS



Empowering Innovation: The Impact of the Tunisian Startup Act



aims to create an environment conducive to the growth of innovative and scalable tech solutions. What sets it apart is not just its ambitious goals but also the collaborative process that brought it to life.

A Collaborative Effort

Unlike traditional top-down approaches, the Tunisian Startup Act emerged from a collaborative effort that involved stakeholders from all corners of the ecosystem. From public administrations to venture capitalists and startups themselves, everyone had a seat at the table. This inclusive approach ensured that the law reflected the needs and aspirations of the tech startups and investors alike.

Catalyzing Growth and Transformation

Since its inception, the Tunisian startup ecosystem has undergone a profound transformation. What was once a nascent community has blossomed into a thriving hub of innovation, boasting over a thousand startups and a burgeoning pool of talent eager to join the ranks. This growth can be attributed in large part to the Startup Act, which provided the necessary framework and support for startups to flourish.

Setting the Stage for Success

Central to the success of the Tunisian Startup Act was the vision of Startup Tunisia, built on

Startup as a Stamp for Innovation and High Growth Potential

A Tailored Recipe for Startup Support and Growth

A Blueprint for the Future

Conclusion

In the ever-changing landscape of the global economy, innovation is the key to success. The Tunisian Startup Act serves as a shining example of what is possible when visionary leaders come together to create a supportive environment for startups to thrive. With Salma Baghdadi at the helm, Tunisia is poised to remain at the forefront of innovation, paving the way for a brighter future for generations to come.

DISRUPTING THE STATUS QUO: Harnessing collaborative governance for innovation and policy success

A black and white portrait of a man with a shaved head and a light beard, wearing a light-colored shirt. The portrait is enclosed in a circular frame.

Harnessing Disruption for Positive Transformation

A Symphony of Continental Collaboration: The Big Tent Beyond Borders

- **Rwanda's Agricultural Innovation through Collaboration:** In Rwanda, the "Agripreneur Development Program" stands as a beacon of collaborative success. This initiative harmoniously blends the efforts of farmers' cooperatives, private investors, and government bodies to revolutionize the agricultural sector. By prioritizing joint action, it has not only sparked innovation but also strengthened rural economies, showcasing the approach's potential to uplift entire communities.
- **Kenya's Leap into Digital Empowerment:**

- **South Africa's Unified Vision for National Development:** South Africa's National Development Plan³ illustrates the power of collective vision in addressing broad social and economic challenges. Crafted through the concerted efforts of government entities, businesses, labor unions, and civil society organizations, this plan embodies the Big Tent Approach. Its development process has not only ensured a more legitimate and effective strategy but also fostered a sense of shared ownership and commitment among all stakeholders.

The Recipe for Success

complexities of today's world underscores the invaluable role of the Big Tent Approach in policymaking. Here's how collaboration unfolds as a vital recipe for crafting successful policies:

- **Expertise Buffet:** Collaboration invites policymakers to feast on a smorgasbord of expertise from various sectors, blending the regulatory acumen of government officials with the market insights of entrepreneurs, enriched by the unique perspectives of citizens. This multidisciplinary convergence amplifies the effectiveness of policy solutions, integrating comprehensive views that address complex issues holistically.
- **Stakeholder Buy-In:** When stakeholders are actively involved and feel their contributions are valued, their commitment to the policy's success deepens. The Big Tent Approach transforms individuals from mere observers to engaged participants, fostering stronger support for implementation and ensuring broader compliance. It empowers everyone to play an active role in shaping the future, ensuring policies are grounded in the needs and aspirations of the community.
- **Innovation Symphony:** Collaboration creates an arena for the exchange and refinement of diverse ideas, fostering an environment ripe for innovation. This cross-pollination of perspectives yields solutions that might elude traditional, isolated approaches. The collective intelligence of entrepreneurs, policymakers, and the public crafts forward-thinking policies that resonate with the community's immediate and future needs.
- **Taming Implementation Challenges:** By pooling resources and leveraging collective strengths, stakeholders can effectively navigate through resource constraints, administrative hurdles, and political

- **Adaptability for a Changing World:** Policies crafted through collaboration are better equipped to adapt to evolving circumstances. Keeping communication channels open allows for the ongoing integration of feedback and the flexibility to adjust strategies as needed, ensuring policies remain relevant and effective in the face of change.
- **Building Trust Together:** The collaborative process fosters a sense of shared responsibility and mutual accountability among all stakeholders, building a foundation of trust that is crucial for the long-term success of any policy. This collective investment in the policymaking process enhances its legitimacy and fosters a community-wide commitment to achieving desired outcomes.

The ultimate measure of the Big Tent Approach's success extends well beyond the drafting of policies; it is firmly rooted in their tangible and prompt application. This emphasizes that the merit of any policy is not solely in its creation but in its actualization. Policies, no matter how thoughtfully crafted, lose their value if left unexecuted, akin to seeds that never germinate. Such instances are not just lost chances but reflect a deeper disconnection between planning and action.

and shared ownership that is the hallmark of the Big Tent Approach. It is an ironic twist when policies, born from a diverse coalition of ideas and voices, are implemented without regard for the collaborative spirit that breathed life into them. This misstep not only undermines the potential for achieving the intended outcomes but also diminishes the trust and partnership cultivated during the policy formulation phase.

The effective implementation of policies requires the same level of collaborative energy and commitment that fueled their development. It necessitates a continued alliance among government entities, private sectors, and the citizenry, ensuring that the transition from policy to practice is seamless and inclusive. This approach recognizes that true progress is achieved not in the isolation of conference rooms or executive chambers but in the lived reality of communities where these policies take root and flourish.

In essence, the power of implementation lies in honouring the collective input and vision that guided a policy's inception, ensuring that it moves from paper to practice not as a unilateral decree but as a collective journey towards societal advancement.



KENYA

ENHANCING KENYA'S INNOVATION ECOSYSTEM: The Role of the Startup Bill in Creating Growth and Investments



By Mercy Kimalat

The growth and profile of Kenya's innovation ecosystem are largely attributed to the Startup ecosystem as we have seen more than \$800 million raised by startups which is also having a ripple effect in accelerated job creation and product and service innovation that is leading to increased access to good and services at a more efficient but also inclusive way to the marginalized communities.

The Startup Bill is a framework to recognize the Startup as a legal entity thereby creating a conducive and enabling structure for startups to establish and grow their ventures while being shielded from heavy compliance and regulation measures until they are out of the valley of death i.e. past 5 years. With this framework, it is seeking to create more high-impact and high-growth ventures that would accelerate job creation, solve societal challenges and also seeks to increase the investment deal flow into the country.

Back in 2018, after the formation of ASSEK, the vision was clear that we needed to strengthen the Startup ecosystem and the policy angle was most critical as it has a long-term positive effect on the emergence and sustainability of startups in Kenya.

With the support of partners and individuals, we prepared the initial draft that sought the following: to legally recognize the startup as an entity and be clearly differentiated as

an SME so as to be able to access critical government services, the Start-up Fund and other support to establish it as a homegrown venture that can be supported to scale across the counties in Kenya but also across Africa/ global. The other incentive was to cushion investors who would invest in early-stage startups which were perceived as risky ventures. The other was to also recognize Entrepreneur Support Organizations are key enablers in providing innovation and enterprise advisory support to support the sustainability and investment readiness of these startups to grow and scale.

As the Bill is still in discussion since 2018, we are yet to ascertain when it will be passed but we shall continue to champion its adoption as an act. The startups are still continuing to be supported to develop and improve their innovations as they seek foreign-based funding as the market demand is available and growing. With the East Africa region opening up and now with a growing population of 400 million people and growing, startups will continue to leverage technology to provide borderless solutions that attract Pan-African investors, market facilitators and even some Governments work closely with the startup community to offtake tailored made solutions.

It is important to note that startups do not only focus on ICT technology but also leverage hardware technology thereby improving



product and service innovation to cater for the ever-changing consumer trends.

With the emergence of Artificial Intelligence, Cyber Security and other 4th Industrial Revolution technologies, policy must adapt to these critical trends as they affect consumer behaviour, investment landscape and trust – a key ingredient for successful partnerships and collaboration.

I urge the Kenyan Government to work more closely with the entrepreneurship and innovation ecosystem to not only have the Startup Bill as an act but to ensure existing policy and regulation frameworks are amended to continuously increase the ease of doing business in Kenya and thereby raising Kenya's profile as a global destination for innovation and investment.



TANZANIA

STARTUP POLICY: THE JOURNEY

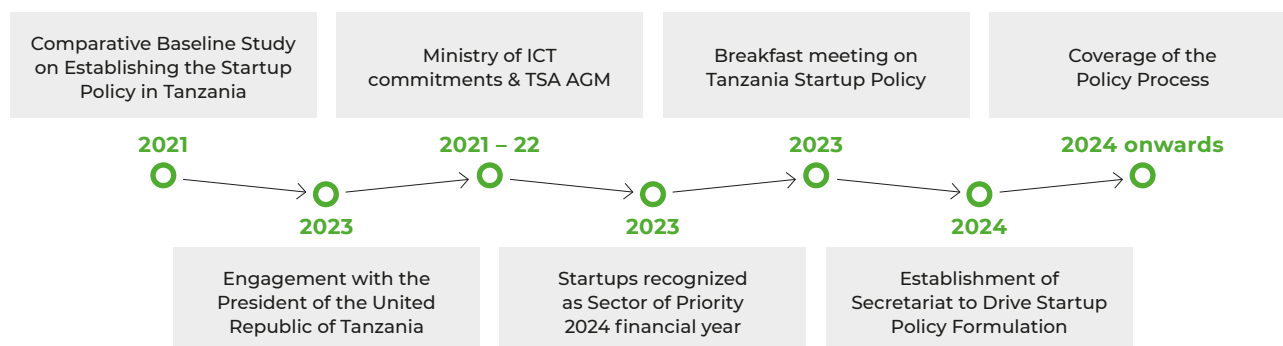
By Zahoro Muhaji



Tanzania's startup ecosystem has experienced significant growth in recent years. As of 2023, Tanzania has 842 known startups, creating 112,119 jobs, coupled with substantial attracting foreign direct investment totalling USD 205 million from 2020 to 2023. In recent years, the entrepreneurial landscape has witnessed a significant shift, with young individuals emerging as key players in driving startups and innovation forward. TSA envisions Tanzania with a conducive legal and regulatory business environment that facilitates and

supports the growth and sustainability of the startup ecosystem. This article sheds light on the journey undertaken to establish Tanzania's Startup Policy, Act, and Sector Regulations and highlights the process achieved thus far.

The journey of establishing Tanzania's Startup Policy, Act, and Sector Regulations began from the collaboration between TSA and the Government of Tanzania commissioned the Economic and Social Research Foundation (ESRF) to conduct a comparative baseline study from



TSA commends the government for its continued support of the startup ecosystem, particularly in light of President Dr.Samia Suluhu Hassan's recent End-of-Year address. The address underscored key priority areas for the financial year 2024, with a notable emphasis on startups. This recognition of startups as a sector of priority is immensely encouraging and reaffirms the government's commitment to fostering innovation and entrepreneurship in Tanzania. This reflects a

deep understanding of the key role they play in driving economic growth, job creation, and technological innovation. This also demonstrates its proactive approach towards nurturing a vibrant entrepreneurial ecosystem and sends a strong message of encouragement and confidence to entrepreneurs, innovators and investors across Tanzania. It signifies the government's readiness to provide the necessary support, resources, and a conducive regulatory environment to enable startups to thrive and succeed. TSA applauds the government's proactive stance in prioritizing startups in the 2024 financial year. This recognition validates the importance of startups and also sets the stage for accelerated growth and development of the entrepreneurial landscape in Tanzania.

In a significant development aimed at advancing the startup ecosystem in Tanzania, a secretariat “special committee” has been established to drive the process of formulating the Startup Policy, Act, and Regulations. Policy formulation being the government process, this will be hosted by the Ministry of Information, Communications, and Information Technology (MICIT). The secretariat comprises key stakeholders with vast experience and significant contributions to promoting and supporting entrepreneurship and innovation within the country. Collaborations aim at ensuring inclusiveness, extensive reach, and a broader representation of actors. The assignment will be carried out by a core team from The Ministry of Information, Communications, and Information Technology (MICIT), the President's Office - of Planning and Investment, Tanzania Commission for Science and Technology (COSTECH), Information and Communication Technologies Commission (ICTC) and Tanzania Startup Association (TSA) from the private sector side. The Secretariat will lead, monitor, and evaluate the entire policy process from the beginning to

The process for startup policy formulation will adopt a hybrid approach that combines physical consultations and virtual engagement, the policy process endeavours to maximize participation and input from stakeholders across Tanzania. The harnessing of virtual platforms ensures a broader reach of stakeholders that cannot be covered physically. For physical consultations, the team will visit the centres of the seven regional zones in Tanzania, including Zanzibar. This will focus on capitalising on engaging the stakeholders in vibrant cities and towns who are key drivers of innovation and technology. Those zones include

the Northern, Western, Eastern, Central, and Southern Highlands, Lake Zone, and Zanzibar. The remaining part of the country will be reached virtually through an online platform that will be developed by the Secretariat. The platform will allow people to log in and submit their opinions on the policy themes. The Secretariat and experts will be able to access and analyse all submissions. Given their policy formulation and implementation roles, the team will exclusively meet stakeholders from the private sector, academia, and governmental sector regulators. This will focus on ensuring concerns are well captured, deliberated and reflected in the policy. The adopted inclusive approach is essential for developing a robust and comprehensive startup policy that addresses the diverse needs and priorities of the country's entrepreneurial ecosystem.

03

DIGITAL SKILLS





EMPOWERING COMMUNITIES THROUGH DIGITAL SKILLS



Pieter de Villiers

Co-Founder & CEO, Clickatell
& Chairman Of SiMODiSA

In the global landscape of progress and innovation driven by profound digital transformation reshaping industries and economies, South Africa emerges as a nation with immense potential but grappling with formidable challenges.

The country faces sluggish economic growth, soaring youth unemployment, persistent poverty, and staggering inequality. However, amidst these obstacles lies hope—a potential windfall of R5 trillion in added value for the local economy through digitalisation, poised to breathe new life into the fintech, ICT, and corporate sectors.

Digital skills have transformative power, but South Africa faces a digital skills crisis.

South Africa's Digital Skills Crisis

Over the past decade, South African businesses have rapidly adopted digital technologies, creating an insatiable demand for digital skills. A 2020 report by Harambee Youth Employment Accelerator revealed that approximately 60,000 high-value digital jobs were available in the local market, two-thirds of which are suitable for entry-level youth.

Despite this surging demand, formidable challenges persist. The cost of education is a barrier, and the rapid pace of technological evolution outpaces the capacity of South African educational institutions. Consequently, a significant shortage of adequately skilled individuals in the digital sector has emerged.



Nearly 70% of South African businesses resort to offshoring their digital jobs to bridge this gap, resulting in an annual loss of approximately R8.5 billion in export revenue. This not only hampers economic growth but also erodes the competitiveness and resilience of local industries.

Rebuilding South Africa's Digital Skills Talent Pool & Pipeline

Recognising the situation's urgency, SiMODiSA launched the TechXit initiative in 2021. Its mission was clear—to address the widening digital skills gap and devise a ten-year action plan for reconstructing South Africa's digital skills pipeline. TechXit engaged with over 100 local stakeholders to chart the path forward.

Simultaneously, the Harambee Youth Employment Accelerator partnered with the Presidency of South Africa, the Public Private Growth Initiative (PPGI), Digital Council Africa (DCA), and Business Process Enabling South Africa (BPESA) to launch the Digital Work Accelerator. This public-private initiative aimed to create inclusive job opportunities within the digital technology sectors, aligning with the national Presidential Youth Employment Initiative (PYEI).

A Unified National Digital Skills Initiative TechXit and the Digital Work Accelerator recognised that addressing South Africa's digital skills gap required concerted efforts, resources, and a unified approach, which is why, in 2023, these two initiatives merged to form The Collective X—a singular, national endeavour committed to advancing digital skills development in South Africa. This consolidated entity brings together demand-side stakeholders (potential employers) and

supply-side entities (training providers), with the government serving as an enabler.

Empowerment Through Digital Skills

At the heart of The Collective X's mission lies a dedication to empowering communities through digital skills training. Central to this vision is the mobilisation of a national digital skills training ecosystem across South Africa. Recognising the need to grow the talent pool from marginalised backgrounds, The Collective X is focused on sourcing individuals from diverse and underrepresented communities. Through strategic partnerships and collaborations, it is working towards putting 1 000 marginalised youth through digital training programmes and into sustainable employment in its first year, thus laying the foundation for a more inclusive and equitable workforce.

Promoting Inclusivity and Diversity

Inclusivity and diversity are core principles that underpin The Collective X's approach to closing the digital skills gap. It understands the importance of breaking down barriers and providing equal access to opportunities for individuals from disenfranchised backgrounds. In partnership with various organisations, The Collective X is actively sourcing youth from marginalised backgrounds, putting them through short yet high-impact skills training, and facilitating their integration into real and sustainable digital jobs. By prioritising diversity, equity, and inclusion, The Collective X is building a more skilled workforce and fostering a culture of empowerment and belonging.

Digital Skills for Social Impact

The case study of Inga, a young woman from

appropriate channelling of digital skills.

South African employers have countless unfilled digital positions annually and believe there is no pipeline of talent to meet this demand. This situation compounds the fact that the country is off-shoring too many digital jobs, and the country is losing substantial amounts of much-needed export revenue.

Looking ahead, Collective X is committed to driving inclusive growth, fostering diversity, and harnessing the power of technology for positive change. Through its ecosystem approach, it will continue to pave the way for a future where every individual has the opportunity to thrive in the digital age.

Its truest measure of success lies not only in our country's economic growth but also in the empowerment of communities and individuals. As we navigate the digital age, it becomes increasingly apparent that access to digital skills is not just a pathway to personal advancement but a catalyst for collective empowerment.

Her annual starting salary far exceeded the country's basic minimum wage. She is now in a position to put her two siblings through further education and to make various and significant lifestyle changes, illustrating the ripple effect of economic empowerment through the



DIGITAL POLICY DEVELOPMENT AND ADVOCACY IN AFRICA: A PATHWAY TO INCLUSIVE GROWTH AND INNOVATION



Oswald Osaretin Guobadia
Managing Partner of DigitA

The digital revolution has transformed the global landscape, presenting unprecedented opportunities for economic growth, innovation, and social development. Africa, with its burgeoning youth population and increasing internet penetration, stands at the cusp of a digital transformation that could redefine its socio-economic trajectory. However, realizing this potential requires robust digital policy frameworks and effective advocacy efforts. The report titled “DigitA - Policy Development and Advocacy” provides a comprehensive analysis of the digital landscape in Africa, emphasizing the critical role of policy development and advocacy in driving digital transformation on the continent.

The Importance of Digital Policy Development

Digital policy development is crucial for creating an enabling environment that fosters innovation, protects consumer interests, and promotes inclusive growth. In Africa, where digital infrastructure and access to technology vary significantly across regions, well-crafted policies can bridge the digital divide and ensure that the benefits of digitalization are equitably distributed.

The report highlights several key areas where digital policy development is essential:

- **Infrastructure Development:** Robust digital



infrastructure is the backbone of any digital economy. Policies that promote investment in broadband networks, data centres, and other critical infrastructure are vital for enhancing connectivity and enabling digital services.

- **Digital Literacy and Skills:** To fully participate in the digital economy, individuals need the necessary digital skills and literacy. Policies that support education and training programmes can help build a digitally literate workforce capable of driving innovation and economic growth.
- **Data Protection and Privacy:** As digital services proliferate, the need for data protection and privacy becomes paramount. Policies that establish clear guidelines for data handling and protect user privacy are essential for building trust in digital platforms.
- **Innovation and Entrepreneurship:** Supporting innovation and entrepreneurship is key to fostering a vibrant digital economy. Policies that provide incentives for startups, protect intellectual property, and facilitate access to funding can spur innovation and create new economic opportunities.

The Role of Advocacy in Shaping Digital Policies

Advocacy plays a critical role in shaping digital policies that reflect the needs and aspirations of all stakeholders. Effective advocacy efforts can influence policy decisions, raise awareness about digital issues, and mobilize support for initiatives that promote digital inclusion and innovation.

The report underscores the importance of advocacy in several areas:

- **Stakeholder Engagement:** Engaging a

diverse range of stakeholders, including governments, the private sector, civil society, and academia, is essential for developing inclusive digital policies. Advocacy efforts can facilitate dialogue and collaboration among stakeholders, ensuring that policies are well-informed and broadly supported.

- **Public Awareness and Education:** Raising public awareness about digital issues and educating citizens about their digital rights and responsibilities is crucial for fostering a digitally inclusive society. Advocacy campaigns can help inform the public and promote digital literacy.
- **Policy Monitoring and Evaluation:** Continuous monitoring and evaluation of digital policies is necessary to assess their effectiveness and make necessary adjustments. Advocacy organizations can play a key role in tracking policy implementation and advocating for improvements based on evidence and feedback.
- **International Collaboration:** Digital challenges and opportunities are often global in nature. Advocacy efforts that promote international collaboration and knowledge sharing can help African countries learn from global best practices and develop policies that are aligned with international standards.

Key Recommendations for Enhancing Digital Policy Development and Advocacy in Africa

The report provides several key recommendations for policymakers and stakeholders to enhance digital policy development and advocacy in Africa:

- **Foster Collaboration:** Collaboration between governments, the private sector,

user behaviour can provide valuable insights for policymakers and help inform evidence-based policy decisions.

- The “DigitA - Policy Development and Advocacy” report underscores the critical role of policy development and advocacy in driving digital transformation in Africa. By implementing the recommended strategies, stakeholders can work towards creating an enabling environment that fosters digital innovation, promotes inclusive growth, and addresses regulatory challenges. The report calls for collaborative efforts, capacity building, and the establishment of balanced regulatory frameworks to ensure that the benefits of digitalization are equitably distributed across the continent.

As Africa continues to navigate the digital age, the insights and recommendations provided in the report can serve as a valuable roadmap for policymakers, industry players, and advocacy organizations. By working together, stakeholders can harness the power of digital technologies to drive sustainable development and create a prosperous future for all Africans. To access the full insights and recommendations outlined in the whitepaper, interested parties are encouraged to download the document from the provided link.

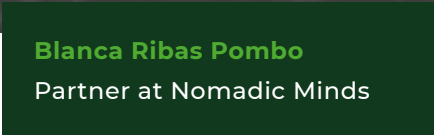
Download Here

04

FUNDING ECOSYSTEM LANDSCAPE



100



In recent years, the climate tech industry has experienced significant growth, reflecting an increasing awareness of the urgent need to address climate change. Global climate tech investments reached a record high of \$1.8 trillion in 2023, marking a 17% increase from previous years. Notably, investments in clean energy have surpassed those in fossil fuels by 80%, signaling a shift towards renewable sources. Transportation emerges as the most invested segment, with \$18.6 billion allocated in 2023, surpassing the energy sector by 50%.¹ Electric mobility remains a dominant focus.



AN OVERVIEW OF THE FUNDING ECOSYSTEM LANDSCAPE IN SOUTH AFRICA



Sanjay Soni Chief Visionary & Venture Architect, Jozi Angels and SA Startup Act Movement member

The old adage of “when the developed capital markets sneeze, Africa catches a cold” could not have been more truer than in the 2023 calendar year. Being in the midst of a ‘global funding winter’, funding invested in the startup sector dropped significantly in 2023. Globally, the funds invested in this paramount segment of the global economy dropped by over 38% in relation to 2022. South Africa, as with many of our fellow African countries, experienced a decline of some 34% year-on-year.

In this article, I will provide an overview of the funding ecosystem in South Africa (with primary reference to the 2023 calendar year), with focus on key trends, challenges and opportunities.

Key funding ecosystem trends:

- The summary below provides an overview of key trends in the South African startup ecosystem in 2023.
- Equity funding of \$548m, reflecting a decrease of 34% year-on-year (Y-o-Y);
- There were 83 reported deals concluded in 2023 (13% Y-o-Y decrease);
- Debt funding in the amount of \$155m was raised by South African startups, mainly in the cleantech and fintech sectors;
- Fintech as a segment continues to attract the largest share of equity funding. There is growing investment in some traditional and new segments including e-commerce, cleantech & energy, agritech, healthtech, logisticstech and edutech.

- ## The startup ecosystem in SA challenges

- **The current exchange control framework:** the approval processes make the inflows and outflows of funds a particular lengthy process in various aspects, including payments of dividends, interest, loans and royalties.
- **Tax incentives:** there are currently limited (if any) tax incentives available to startups to either attract funding into this segment or to continue to grow and scale their businesses.
- **Access to funding:** Securing capital is often difficult due to limited venture capital and angel investment networks, as well as stringent lending criteria from traditional financial institutions.
- **Economic instability:** South Africa's economy has faced challenges such as high unemployment rates, currency fluctuations, and political uncertainty, which can affect startup growth and stability.
- **Regulatory hurdles:** Navigating complex regulatory frameworks and bureaucratic processes can be time-consuming and costly for startups, especially in industries like fintech and healthcare.
- **Skills shortages:** Finding skilled talent, particularly in technical and specialised fields, can be challenging due to a mismatch between education and industry demands.
- **Market size and competition:** South Africa's market size is relatively small compared to other countries, leading to intense competition and limited growth opportunities, especially for niche startups.
- **Infrastructure constraints:** Inadequate infrastructure, such as unreliable electricity supply and limited internet access in some areas, can hinder operational efficiency and technological innovation.
- **Access to networks and support:** Limited access to mentorship, incubators, and support



networks for startups can impede their ability to scale and succeed in the market.

Addressing these challenges requires concerted efforts from both the government and private sector to create an enabling environment for entrepreneurship and innovation.

The startup ecosystem in SA – opportunities for growth:

To grow the startup ecosystem in South Africa, several opportunities can be explored:

- **Government support:** Increase government support through funding initiatives, tax incentives, and streamlined regulatory processes to encourage entrepreneurship and attract investment in startups. Incentives similar to Section 12J could be re-introduced.
- **Access to funding:** Expand access to funding by developing more venture capital funds, angel investor networks, and alternative financing options tailored to the needs of startups, particularly in underserved sectors and regions.
- **Education and skills development:** Enhance educational programs and vocational training to bridge the skills gap and cultivate a workforce with the necessary skills for the digital economy, including Science, Technology, Engineering, and Mathematics (STEM) fields and entrepreneurship.
- **Incubators and accelerators:** Establish and support more startup incubators, accelerators, and co-working spaces to provide entrepreneurs with mentorship, networking opportunities, and access to resources, helping them navigate the challenges of starting and scaling a business.
- **Technology and innovation hubs:** Develop technology and innovation hubs in key cities to foster collaboration, knowledge-

sharing, and cross-pollination of ideas among startups, corporates, academia, and government institutions.

- **Market access and export opportunities:** Facilitate market access and export opportunities for startups by promoting trade agreements, supporting participation in international trade fairs and expos, and providing assistance with market research and entry strategies. In addition, larger corporations could focus their procurement into set-aside initiatives aimed at supporting startups.
- **Infrastructure development:** Improve infrastructure, including reliable electricity supply, high-speed internet connectivity, and transportation networks, to support the growth of technology-enabled startups and enhance their competitiveness in the global market.
- **Diversity and inclusion:** Promote diversity and inclusion within the startup ecosystem by supporting women, youth, and historically disadvantaged entrepreneurs through targeted programs, funding initiatives, and mentorship opportunities.

By leveraging these opportunities and fostering a supportive ecosystem, South Africa can unlock the full potential of its entrepreneurial talent and drive sustainable economic growth and job creation.

The opportunities in South Africa and the continent are abundant. It is time for 'back to basics'. For startups its time to focus (again) on building sustainable entities with the appropriate foundation and building blocks. And for ecosystem role players (including Government, investors, funders policy makers) its opportune again to re-write the 'rules of engagement' and facilitate a more enabling environment for startups to grow, thrive and succeed.



LEVELLING THE PLAYING FIELD FOR SMES THROUGH AN INCLUSIVE ECONOMIC ECOSYSTEM



Sibusiso "Busi" Raphekwane
Chief Empowerment Office at
Transformation Legacy

Small and medium-sized enterprises (SMEs) play a crucial role in driving economic growth and development in many countries around the world. They are the backbone of many economies and significantly contribute towards creating jobs, driving innovation and entrepreneurship. In many cases, SMEs are the force behind the development of new products and services that can transform industries and improve people's lives.

However, despite the significant role that SMEs play in driving economic growth, they often face significant challenges in terms of accessing the resources and support they need to grow and flourish. For instance, accessing financing, talent, entrepreneurship skills and education, as well as markets, are a struggle for many SMEs, which can limit their ability to compete effectively and grow their businesses.

As such, there is a growing recognition of the importance of evolving the economic system to be more inclusive of SMEs and create an environment that allows them to grow and flourish. This includes creating a more supportive ecosystem that allows all players to thrive and contribute to economic growth.

The importance of successful and sustainable SMEs in the market cannot be overstated. SMEs are critical contributors to the economy,



they have the potential to create jobs and new markets. Therefore, by supporting the growth and development of SMEs, we can help to create a more robust and diverse economy that benefits everyone. Moreover, the success of SMEs can bring about more economic contributors by growing future consumers in the market. SMEs often cater to specific niches in the market and are more likely to tailor their products and services to the needs of their customers. This results in the creation of new markets, which can expand the overall consumer base and drive further economic growth.

However, for SMEs to succeed, all parties in the economic ecosystem need to play a role in their growth and development. While SMEs are ultimately responsible for identifying and creating new opportunities for themselves, support from a well-coordinated economic ecosystem goes a long way. For instance, corporates are responsible for giving back through

initiatives such as enterprise and supplier development (ESD) for the development and growth of SMEs. ESD initiatives provide SMEs with access to business skills, mentorship, business opportunities and financing, which can help them grow and compete effectively. Furthermore, when an ESD programme has been tailored to meet the needs of an SME, the effect has a long-term impact which sustains the SME way past the point where the ESD initiative has ended.

Government, on the other hand, is responsible for creating an enabling environment that allows both corporate and SMEs to grow. This includes creating policies and regulations that promote entrepreneurship, innovation, and economic growth. By creating a supportive

environment for SMEs, governments can help to unlock the potential of small businesses and drive economic growth.

Additionally, another element that is often overlooked is the responsibility of the public in supporting proudly South African businesses. This is crucial for the growth and development of the local economy. When consumers choose to buy products or services from local businesses, they are not only supporting the entrepreneurs behind these ventures, but they are also contributing to job creation and community development. Part of supporting locally developed products, services and innovations also means, making the time to provide business owners with feedback on your personal customer experience, this too, will help a small business grow and refine their service or product so that it meets your needs. Furthermore, supporting local businesses often means buying products that are unique to South Africa, which can help to showcase the country's diversity and rich culture. Essentially, by rallying around South African businesses, individuals can help to build a more sustainable and prosperous future for the country as a whole.

Therefore, to create an environment that levels the playing field, all role players must do their part and become active participants of the economic ecosystem. This includes creating opportunities that afford SMEs the same opportunities as larger corporations. Often, the tendency is, SMEs are judged for their size and not the expertise they bring. In an effort to defy this narrative, government and corporates should give SMEs a chance to compete for contracts and business opportunities. This will encourage healthy competition and spur innovation, which could benefit the overall economy.



Additionally, business and tax regulations that are sensitive to the journey of an SME play a critical role in creating an enabling environment. Regulations should be designed to encourage entrepreneurship and innovation, and not be overly burdensome for small businesses. By creating a more supportive regulatory environment, SMEs can more easily navigate the challenges they face and focus on growing their businesses.

In summation, SMEs are critical contributors to economic growth and development. By evolving the economic system to be more inclusive of SMEs and creating an environment that allows them to grow and flourish, we can unlock the potential of small businesses and drive economic growth. Further, by creating a supportive ecosystem that allows all ecosystem players to thrive, we can create a more robust and diverse economy that benefits everyone.

**WITH THANKS TO OUR PARTNERS AND
CONTRIBUTORS FOR MAKING THIS
REPORT POSSIBLE**



WITH THANKS



www.startupact.co.za

tel 011 037 4536