

South Africa

When placed next to Sub-Saharan African Nations, South Africa remains vigilant in its attempts to build a cohesive entrepreneurial ecosystem. Second to Botswana in the Global Entrepreneurship Index Ranking (Ács, Szerb and Lloyd 2017), the country benefits from an ever-growing network of entrepreneurial support. With a goal to provide further economic growth and development opportunities, South Africa remains steadfast in its progress to overcome numerous structural barriers. Yet still, with these governances in place, the country continues to experience relatively slow economic growth, high unemployment rates and lower rates of entrepreneurship compared to other emerging economies.(OECD 2017)

Studies indicate that a lack of financing options, access to domestic and international markets, entrepreneurial skills, skilled workers, certainty in regulations and mentorship are all barriers to entrepreneurship in South Africa.(OECD 2017) (The Global Entrepreneurship and Development Institute, The Global Entrepreneurship Network South Africa, and SEA Africa 2017) Despite these bottlenecks, South Africa offers plenty of opportunity for bright young entrepreneurs, including in the growing advanced manufacturing, agriculture, infrastructure and natural gas sectors. (McKinsley Global Institute 2015).There are many reasons why South Africa should aim to attract young entrepreneurs. First, by encouraging young migrant entrepreneurs to pursue their ventures in South Africa, it may provide employment opportunities for locals.Second, a thoughtful immigration policy can be used as a tool to educate and train the local workforce.

Third, research shows that migrant entrepreneurs may help create trade opportunities for the host country by lowering trade-related transaction costs associated with their originating countries through their use of contact networks and knowledge of the markets in their countries of origin. (European Economic and Social Committee 2012) Finally, mobility programs can improve global networking and cross-border collaborations. With early-stage entrepreneurial activity in South Africa being lower than other emerging economies, an influx in migrant entrepreneurs could serve to rejuvenate the overall entrepreneurship culture. (OECD 2017).

Only **10.1%** of adults in South Africa say they intend on starting a business in the next three years (Herrington, Kew and Miwanga 2017).

South Africa ranks **2nd** in Sub-Saharan Africa, **57th** in the world, in terms of the quality of entrepreneurship & entrepreneurial ecosystem. Invalid **source specified**.

Visa programs currently available

South Africa currently does not have a dedicated entrepreneur visa scheme. There are two other programs that may be available for entrepreneurs to explore.

Business Visa

Duration: Up to 24 months, with possible extension for an additional 24-month period.

Eligibility:

- Foreigners who intend on making a minimum investment of ZAR 5million into the South African economy by starting a new business or investing in an existing business in the country, may be granted temporary residence for 24 months (with option to renew for an additional 24 months).
- Visa holders will also be permitted to study part-time without the need to apply for permission.
- The aforementioned capital requirement may be reduced or waived where the applicant intends to pursue the following industries or business types:
 - Information and communication technology
 - Clothing and textile manufacturing
 - Chemicals and bio-technology
 - Agro-processing metals and minerals refinement
 - Automotive manufacturing
 - Tourism crafts
- Applicants must also ensure that at least 60 percent of the total staff will be comprised of South African citizens or permanent residents.
- Applicants will require a recommendation from the Department of Trade and Industry, regarding the feasibility of the business and the contribution of the business to the national interest of South Africa.

Intra-Company Transfer Work Visas

Duration: Maximum of four years with no option to extend or renew.

Eligibility:

- For entrepreneurs already established and operating in a country abroad, South Africa offers the option to transfer an existing employee in a key position to a branch, subsidiary or an affiliate of that company in South Africa.
- Intra-company transferee may be eligible for a work permit if:
 - They demonstrate they have been continuously employed by the transferring company in a similar position for at least six months;
 - The South African branch, subsidiary or affiliate company provides a skills transfer plan as proof that the transfer of skills to a South African citizen or permanent resident will take place

Spotlight on young migrant entrepreneurs



Jacob Hiller,
Founder,
[Vybes](#)

[Tell us a little bit about your business, Vybes?](#)

We help consumers access nightlife experiences while skipping lines and pre-ordering drinks. We also help venues to monetize, communicate with and get data from their customers. As a customer, it means that you can go to a venue without waiting in a line to enter or pay for your drinks. From a venue owner's perspective, it means you can serve more customers more efficiently, understand customer behaviour and communicate with your customers via their cellphones and apps.

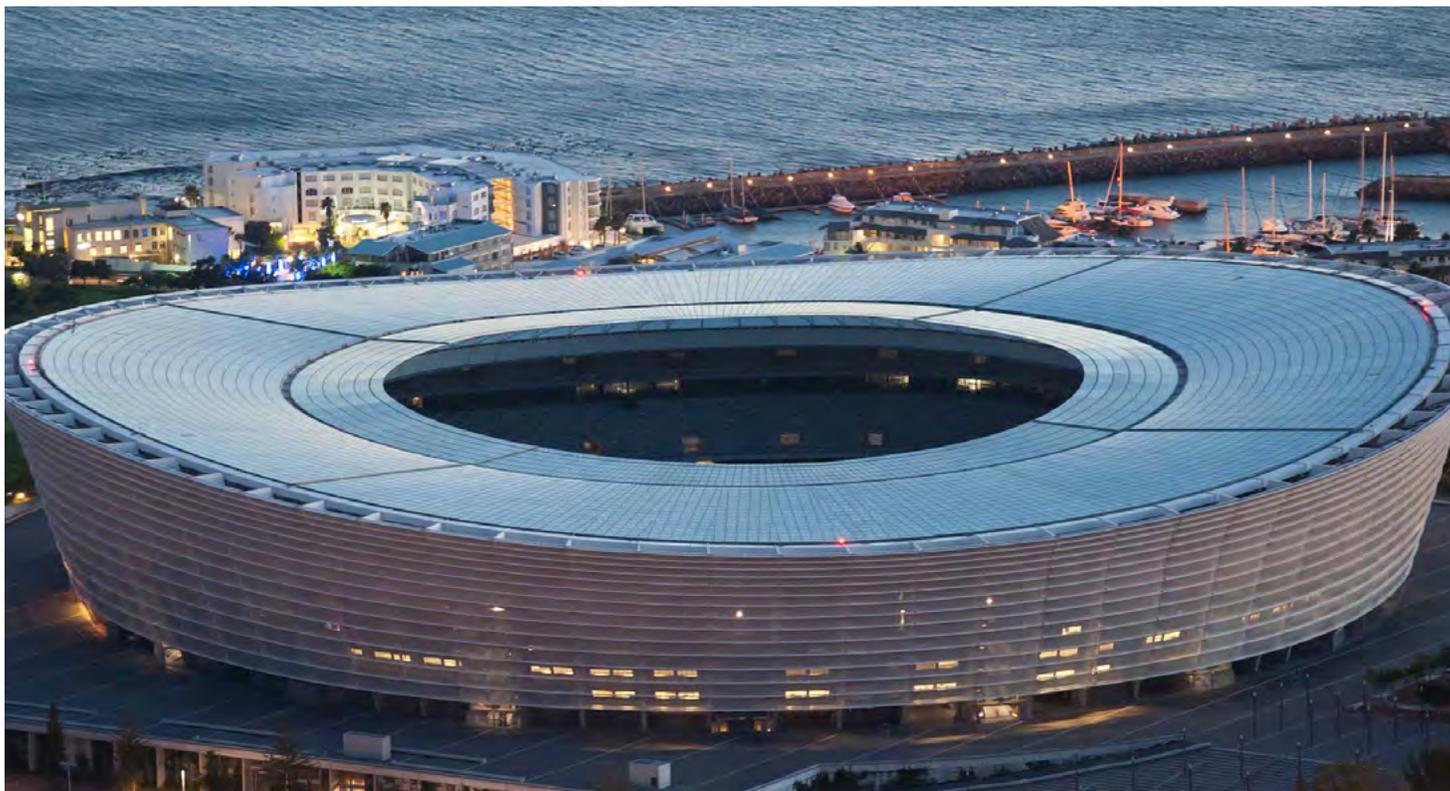
[Tell us about your journey to South Africa?](#)

I've been a digital nomad for the last 10 years now. In 10 years, I've lived in about 65 different countries. When I came to South Africa, I knew there was just something amazing about it; the people, the weather. Pretty soon, I adapted socially, made friends, met business owners here, and my business blossomed.

It just happened step-by-step. In order to move here and run my business, I entered by way of my wife's student visa. The process was frustrating and we were lucky to be successful. To qualify for the visa, we had to provide evidence of flight tickets along with rented accommodations. This makes the visa application a risky proposition, because if you are not successful with the process, you are stuck with the airline tickets and accommodations. In the end, we basically just begged them.

[Describe your experience navigating the visa system in South Africa. What would be one major recommendation you have to make the process easier?](#)

I am now in the process of extending my visa. In that case, we kind of need to know what kind of steps we need to go through. Right now, I don't know what they are. I would recommend clarification in the renewal process, whereby business owners clearly understand the requirements. The government should also consider how it could best help its people, whether it is to have a set number of South African employees involved, or incentives for certain industries. There needs to be more emphasis on reducing risk and barriers for entrepreneurs. This will make investment in South Africa a more attractive option.



A Way Forward –Key considerations for future immigration policies

South Africa is primed and ready for entrepreneurship-based immigration reform. While the Business Visa is a feasible option for those ready and willing to invest in a South African business, it is unlikely to be an option for early-stage entrepreneurs or young entrepreneurs with limited access to capital.

As there is currently no entrepreneur visa program available to young adults, the G20 YEA recommends that the government introduce a visa that would enable young entrepreneurs to visit South Africa for the purpose of exploring and pursuing their business ideas. Such a program should be based on the G20 YEA Guiding Principles below. Additionally, the G20 YEA recommends that policymakers keep in mind the following:

- 1. Application Process:** The application process should be easy to access and understand. The process and expectations should be certain, such that applicants and the public are confident in the system.
- 2. Capital Requirements:** The current Business Visa imposes a capital requirement of ZAR 5 million, a sum that is likely too high for young adults. Where capital requirements are imposed, it should be supported by evidence. This is particularly true since there is indication that other G20 countries are moving away from such a requirement. Policy makers must be mindful not to discriminate against high-potential

young entrepreneurs with limited financial resources. As the Business Visa currently waives the capital requirements for certain industries, it also suggests the sum is not entirely necessary. In the alternative, the South African government should consider a more holistic approach, whereby the focus is on the business idea and human capital.

- 3. Job Creation Requirements:** The unemployment rate in South Africa rose to 27 percent in 2016, accounting for 53 percent among young adults. (OECD 2017) It is not surprising, then, that job creation is a post-arrival obligation for the Business Visa holders, and young firms in South Africa, in recent years, have disproportionately contributed to net job creation. (OECD 2017) However, to focus solely on net job creation would be short-sighted. Job creation requirements should, instead, be focused on high-quality positions and skills transfer for local workers.
- 4. Administrative Red Tape:** Although the government has made great strides in improving conditions for small businesses, there is more work to do. South Africa currently ranks 136th globally in terms of time it takes to start a business, 68th to obtaining credit and 147th for trading across borders. (World Bank 2017)¹ For the immigration policy to be effective, efforts will need to be made to reduce regulatory barriers and improve business environments

¹ <http://www.doingbusiness.org/data/exploreeconomies/south-africa>



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G20 YEA recommendations

1. South Africa would greatly benefit from the introduction of an entrepreneurship visa that tailors to the needs of young adults looking to explore and pursue their business ideas.
2. Entrepreneurship visa should be consistent with the G20 YEA Guiding Principles.
3. Immigration policies should be mindful of the following:
 - a. Application process should be easy to access and understand, such that applicants and the public are confident in the system.
 - b. Capital requirements need to be justifiable and reflective of practical realities of young entrepreneurs. Alternative qualifications would be advisable.
 - c. Job creation requirements should be focused on high-quality positions and skills transfer for local workers.
 - d. For any entrepreneur visa to be successful, efforts will need to be made to reduce regulatory barriers and improve business environments.

G20 YEA Guiding Principles

- A. Define the scope of youth entrepreneurship
- B. Determine the purpose of the entrepreneur visa
- C. Develop an intelligent assessment process
- D. Give careful consideration to restrictions on activity and required milestones
- E. Provide an infrastructure that supports visa holders and allows for monitoring
- F. Prepare for failures and successes

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