In South Africa, trade development goes hand in hand with promoting technology and innovation. The involvement of public agencies like the Technology Innovation Agency (TIA) and the Industrial Development Corporation (IDC) speaks to an active desire to bring the economy up to date and out of its present slump.

TIA has a mandate to ensure a conducive space for innovators and producers of ideas, providing direct funding and entrepreneurship support for projects so that products can be introduced to the market. CEO Barlow Manilal is methodical in his view of what the agency’s function is: “We help establish a business, making sure that it becomes a commercially viable product, gains access to the market, creates jobs and stimulates the economy.”

Such operations will be of huge benefit to South Africa, which, in spite of recent economic woes, has in its favor a wealth of youthful human capital with the capacity for innovation. Cape Town and the wider Western Cape has emerged as Africa’s largest hub for tech startups in the last decade, drawing the moniker the Silicon Cape. About 50 kilometers east of the capital, the town of Stellenbosch is proving itself especially fertile ground for young tech entrepreneurs. Home to Technopark Stellenbosch and Stellenbosch University, which produced Africa’s first communications satellite back in 1999, the town brims with ideas that promise to change the way business is done in the country.

Schalk Nolte, CEO of Stellenbosch-based software development company Entersekt, is seeking to change the financial services industry by developing enhanced mobile app security. “If you can solve security to a mobile, it can be as disruptive as email was to mail,” he says. “You should be able to do anything and everything off a mobile.” Entersekt is now expanding its authentication and app security solutions globally, providing secure, convenient digital transactions in more than 45 countries and proving that South Africa is creating innovative solutions that can be applied on a global scale. Nolte’s aim is to become the first billion-dollar fintech company out of South Africa.

Another startup at work upsetting the apple cart from Stellenbosch is RainFin, a lending marketplace that connects lenders to individual, business or corporate borrowers. It is the first online marketplace of its kind in South Africa and allows companies the efficiency and flexibility to build on entrepreneurial opportunities quickly and effectively. Co-founder and director Hannes van der Merwe takes

Read more about the latest developments in South Africa’s interactive eBook at voicesofleaders.com
pleasure in introducing something new and in unsettling the status quo, but he declines being called a disruptor. “Disruption is a term that has been thrown around a lot,” he says. “Just doing something differently is not disruption. Airbnb and Uber are good examples of real disruption. They didn’t just use technology well, but they really took on established enterprises. We don’t necessarily disrupt, but we rattle the cage and open the doors of opportunity to people who previously weren’t exposed to it, specifically in the credit market.”

Away from the coast in Gauteng, the country’s most populous and urbanized province, there are equally promising signs for the country’s tech industry. Neworder, which also specializes in cyber and information security, is playing its part in addressing problems in this area, which CEO Marthinus Engelbrecht sees as urgent. “Currently, South Africa ranks among the top three most vulnerable countries to cyber criminals,” he says. He sees the resolution of these problems as a responsibility as much as a business venture: “We need to add value. Not only for the customer but also for our country, to strengthen our cyber-defenses.”

A recurrent strain through this and other analyses of the trajectories of tech companies is that their innovations have served not only as self-serving business ventures but also to facilitate ease and efficiency across industries. As all industries undergo digitization, all stand to benefit from information security and geographical data solutions, and so no economy can afford to lose ground in the tech space. Whether TIA is effective or not, South African startups are doing their part to bring the country’s economy up to date and out of its economic gloom.

Outside the tech space, the IDC is seeking to bring South Africa’s stalwart industries, such as mining and agriculture, into the digital age, as well as fostering new industries. Lizeka Matshekga, a division executive, speaks of the problems the IDC faces: “The mining sector, for example, is going through huge challenges. This does, however, present many opportunities. We have to look at how these new technologies will help going into the future for these key sectors as the country faces the risk of de-industrialization.”

A company at the heart of these challenges is Mbuyelo Coal. Like Matshekga, however, the group’s CEO, Rirhandzu Owner Siweya, is unafraid of the prospect of change. “The world cannot simply replace coal and bring a ready-made energy solution,” he says. “That process has to be a transition, and coal can play a part in that transition. The world needs to recognize the importance of migrating into other sources of energy with coal playing its part in that transition. We see ourselves as a serious player to that solution. We ask ourselves how can Mbuyelo bring in solutions and innovate alternative energy sources, which can solve both South African and global problems.”

South Africa’s climate makes solar energy a particularly promising area for development. Solar Ray, a Johannesburg-based company that offers solar water heating systems to households across the country and Africa, is already taking advantage of this. Aylwin Stephenson, CEO, is keen to expound on all the other things South Africa has to offer: “We have an abundance of labor and innovation, which the rest of the world might not believe. The chances of doing good business in South Africa are good. Pick the right partners, pick the right people, and come visit.”

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SPECIAL ADVERTISING SECTION

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Why Invest in South Africa?

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For a savvy investor looking for a competitive long-term advantage, South Africa should be at the forefront of their mind. South Africa can provide an international investor’s stepping stone into the 21st-century continent. Indeed, half the world’s population growth predicted to occur between now and 2050 will come in Africa: an extra 1.3 billion people.

Not that it provides the only possible route into the continent, but the country has the special combination of developing and developed, African and Western, which means it is set to spearhead Afro-economic growth. And that growth is quality as well as quantity, as human capital abounds, highlights Innovation Group CEO Andries van Staden: “There is a new middle class emerging, more people going to school and university.”

Being a member of the BRICS group also provides international significance as Chinese President Xi Jinping styles the bloc as champions of globalization and trade, the new center of gravity as the U.S.A. and U.K. turn away from such free trade and open borders. The growing closeness of South Africa with heavyweight developing nations such as China and India was emphasized in the 2017 BRICS conference title, Stronger Partnership for a Brighter Future.

But this is just one positive to investment in South Africa. According to Thiru Pillay, managing director of Deloitte Consulting Africa, these advantages are manifold: “The quality of infrastructure, sophistication of financial services, the stock exchange, regulatory environment, maturity of the auditing profession, the ICT infrastructure, ports, roads and rails” all add up to mean 80% of Deloitte Africa’s business is done in South Africa.

FINANCIAL SYSTEMS

The Johannesburg Stock Exchange (JSE) is the largest on the continent, with 42% of total African IPO value since 2012 at $2.7 billion, and in H1 2017 accounted for three of the five African IPOs. The South African financial infrastructure is present to match any in the world; indeed, South African banks average a loan-to-deposit ratio of around 95%, indicating availability of funds to the entrepreneur without overexposure, while South Africa’s banking sector is the only one in sub-Saharan Africa with assets in excess of GDP (115%, compared with 65% in Kenya and 28% in Nigeria).

South African household debt as a percentage of income has declined consistently, from 87.8% in Q1 2008 to 73.2% in Q1 2017, leaving room for greater unsecured lending, which can broaden and invigorate an economy and alleviate poverty by providing flexibility. This is something banking group Capitec is embarking on, using big data, multiple regression models and machine learning to assess applicants’ creditworthiness in order to offer unsecured loans at better rates. Indeed, investment professionals such as Hale Matsipa of Kleoss Capital report seeing “the impact of technology across all portfolio companies,” and Pillay of Deloitte calls the financial institutions “as good as anywhere else in the world in terms of technology adoption.” Within this integration of ICT and the financial sector can be seen South Africa’s effort to diversify away from commodity reliance, with platforms such as XContent and MobileData’s TradeSwitch powering change.

A DRIVE TOWARD PRIVATIZATION

By March 2018, South Africa’s ANC government will publish its “private sector participation framework,” in light of poor performance from many of the 300-plus state-owned assets. This offers investors clear opportunities to make gains in some flagship brands and follows a successful $2.3 billion sale of government shares in telecom operator Vodacom in 2015. The state looks likely to offload its shares in Telkom, as well as a managing stake in flagship airline SAA. Such sales in and of themselves would be of note to the foreign investor, but this drive takes on greater significance in the political context. Privatization of many, if not all, non-core state assets could be indicative of a changing attitude from an ANC traditionally associated with the trade unions, and for whom privatization has been something of a dirty word. Should the government empower greater private-sector involvement, it would dovetail with the “openness to allow foreign specialists to step in and combine their knowledge” noted by PCM Consulting’s Jann Prinsloo—a vital stream of FDI put to work for South Africa’s future. This could be the start of a rebasing for the local economy, with an efficient private sector being the primary engine driving growth throughout the 21st century.

Voices of Leaders offers special thanks to the companies that collaborated in producing this special report, written by William Morris and John Platt.