

The future of African innovation

Innovation is vital to our development as a country. And while various role players are successfully cultivating a culture of innovation in South Africa, there is still a long way to go before we catch up to other economies around the globe.



This was the sentiment expressed at a panel discussion on the future of innovation, which brought stakeholders and government agencies together to discuss the current ecosystem, at the recent SA Innovation Summit.

The SA Innovation Summit is Africa's annual tech startup event and provides a powerful platform for nurturing, developing and showcasing the very best of African innovation, as well as facilitating thought-leadership around innovation.

The panel had input from Tilson Manyoni, head of policy at the Black Business Council; Dr Phil Mjwara, director-general of the Department of Science and Innovation; Sipho Zikode, deputy director-general of Department of Trade and Industry and Claudia Manning, principal of the SA SME Fund.

Moderator and chairperson of the SA Innovation Summit, Dr Audrey Verhaeghe, explained that innovation is an economic term and should not be confused with creativity. Innovation is where creativity and implementation meet, and its most defining feature is that it makes a difference in the world.

The South African innovation landscape

According to the panel discussion, funding for startups is on the rise, with a 30% to 40% increase in venture capital available from 2017, according to Claudie Manning from the SA SME Fund. The SA SME fund is bringing R1bn into the economy and is capitalised by over 50 JSE-listed firms. Angel investment has also doubled year on year, from R40m to R80m. The growth is of course from a very small base and could be much more.

But we're still falling short of our peers in terms of funding. For instance, South Korea, which has a startup landscape comparable to South Africa, has around \$2.5bn available for venture capital.

Across the continent, funding increased by 300% to \$725.6m, in 458 deals. And while this is a staggering increase, the amount of funding falls short of other continents.

Another South African strength lies in our policymaking, the panel found. South African policy is comprehensive and sophisticated compared to many other states. However, this presents its own challenges – there is sometimes little coherence in policies with some policies even contradicting each other.

Despite these challenges, South Africa is still breeding innovative entrepreneurs. This is evident in the informal sectors especially, the panel found.

Unfortunately, in the formal sector, many South African entrepreneurs experience little support locally, only finding success in overseas markets. The panel referenced South African born Elon Musk, who left the country sighting that there was no innovation community for him that could support his ideas – from Paypal to Tesla.

Innovating a new future

“We are growing venture capital. We are inventive. For this summit, we had 1,340 entries of brilliant tech businesses that are trying to make it somewhere in the economy,” Verhaeghe says. “Yet government and private sector are not chasing a common goal through innovation.”

There is currently no coherent system, across government and the private sector, for supporting and investing into startups. However, there are ways to change the trajectory for local startups and create a local climate in which they can thrive, according to the panellists.

Firstly, startups need more access to capital, from both government and the private sector. This is already underway to some extent, with the Department of Trade and Industry making a range of incentive schemes, loans and grants available, while the Department of Science and Innovation is expecting to make around R5bn available over the next five years.

All countries use a model of partnership between government and private, even in Silicon Valley, the panellists commented.

This is already being undertaken by the summit, which brings together over 3,500 delegates from 32 countries to facilitate more than R1bn in deals between investors and startups representing the future of innovation.

Government's role, alongside assisting with funding, lies in developing a holistic, consistent policy that is easy to navigate for startups, and developing support programmes for early-stage businesses that addresses the value chain from conceptualisation to scale. This crosses over departments and therefore the different policymakers should collaborate to make sure nothing falls between mandates.

The discussion highlighted that South Africans miss the possibility of thinking about scale, such as building products for the

rest of Africa and the world.

But apart from this lack of thinking, there is a culture of mistrust of local products and entrepreneurs. Localisation needs to become a more serious discussion: South Africans can think globally yet act local by supporting their own businesses. We can no longer afford to be disconnected in funding local innovation that our government departments are not willing to adopt.

The Black Business Council of South Africa lobbies for transformation and support for local businesses – something they believe has the power to change the startup landscape. But creating a landscape that allows innovative startups to thrive requires buy-in from more than just lobby groups and industry organisations – it requires South Africans to believe in their ideas and to value local products over imports.

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