

Investor's Pocket Guide

Quick guide to
investing in South Africa



Foreword: South Africa's path to digital and sustainable growth

In today's **digital age**, **data-driven innovation** is unlocking new opportunities for **sustainable development** and **inclusive growth**. With its **diverse economy** and **strategic position as a gateway to Africa**, **South Africa** is well-placed to lead the continent's **digital transformation**. This Pocket Guide provides **essential insights** into **South Africa's investment landscape**, focusing on sectors such as **digital inclusion**, **e-health** and **financial services**.

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The **Data Governance in Africa Initiative** is a **3.5-year partnership between the African Union (AU) and European Union (EU)**. It is designed to foster a **human-centric data economy** that promotes **sustainable growth across the continent**. The Initiative supports the AU and its member states in the design and establishment of human-centric data regulation, data use and data infrastructure at continental, regional and member state levels the initiative is co-funded by the European Union, Belgium, Estonia, Finland, France and Germany under the EU Global Gateway Strategy. The implementation partners are Digital Africa, Enabel, ESTDEV, HAUS, Expertise France and GIZ under the **Digital for Development (D4D) Hub**.

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Welcome to South Africa

Sawubona, molo, dumela: hello!

Where in the world are we?

As the name suggests, South Africa is located in the south of the African continent. It borders Lesotho, Eswatini, Botswana, Namibia, Mozambique and Zimbabwe. South Africa has nine provinces, four of which have famously beautiful coastlines that overlook the Indian and Atlantic oceans. Its climate is temperate, with 2 500 hours of sunshine a year.

In 2024, 69% of South Africa's 63 million people lived in urban areas (Statista, 2024c; World Bank, n.d.; StatsSA, 2024a). These urban spaces create a nexus for cultural, financial, medical and technological innovation. The rural and peri-urban population contribute to agriculture, energy production and tourism.

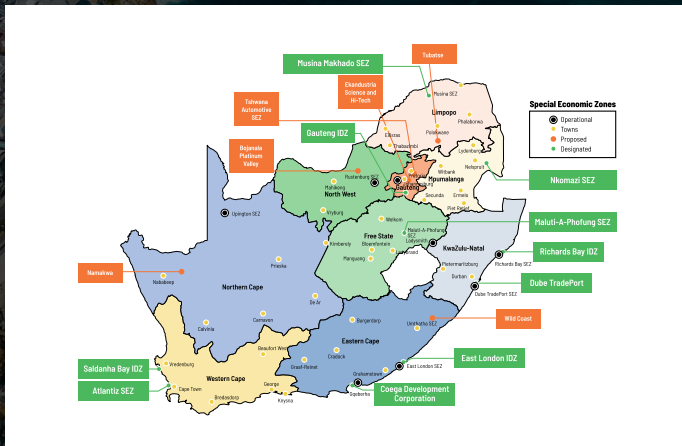
based on the upholding of the Constitution. South Africa's Constitution is hailed as modern and progressive. It explicitly protects vulnerable groups (such as women, people of colour, and LGBTQIA+ people) from discrimination, promotes freedom of press and sets up an independent judiciary. Transparency of government decision making is enhanced by regular and thorough reporting by the Parliamentary Monitoring Group (PMG).

Who is in charge?

In 2024, South Africa entered its third decade of democracy with a significant election. While the African National Congress (ANC) maintained a majority vote since 1994, the party garnered criticism for its corruption. This corruption was brought to light thanks to South Africa's freedom of press, which ranked higher than 79% of nations in 2024 – on par with Austria (RSF, 2024). The 2024 national elections – which were found to be free and fair – led to the formation of a coalition government called, as in the period from 1994 to 1997, the Government of National Unity (GNU). This government is

The 2024 political transition was peaceful, showcasing institutional strength in spite of occasional turbulence. The largest parties in the coalition government are the ANC, the Democratic Alliance (DA) and Inkatha Freedom Party (IFP). The DA is known for its strong criticism of corruption and advocacy for renewable energy, better basic education and greater market freedom. The IFP is strongly in favour of renewable energy, supporting small businesses, strengthening rule of law for all income groups and addressing youth unemployment. Both the DA and IFP also wish to strengthen relationships with European powers.

Internationally, South Africa is a member of the G20 (which it will chair in 2025), the International Court of Justice and the AU. South Africa has concluded multiple free trade agreements across the world and Africa, and is a member of the World Trade Organization (WTO).



South Africa has three capitals for each branch of government: Pretoria (executive), Cape Town (legislative), and Bloemfontein (judicial).

The culture and ways of working in South Africa



Demographics

South Africa is known as the Rainbow Nation for its multiculturalism. While many nations promote assimilation into a particular national culture, South Africa makes diversity *part* of its culture. Although most South Africans can communicate in two or three of the 12 official languages, **English** is the de facto language used in business and government. Despite this, it should be noted that language barriers may persist, particularly in rural areas.

According to the South African 2022 census, 81% of the population is classified as Black Africans, with more than a dozen different ethnic groups falling under this category (StatsSA, 2022). An additional 8% of the population identify as Coloured, a multiracial ethnic group that can trace its heritage to indigenous Black and Khoisan people, South Asians and Europeans. Approximately 7% of the population is White (descended from European settlers), and 3% of the population is Asian (typically from India or China).

Business etiquette

As with all intercultural communication, it is vital to understand that the other person may be operating with different assumptions, values, priorities or norms. Indeed, given how many cultural backgrounds there are in the country, it can be challenging to pin down what exactly is South African business etiquette. Nonetheless, there are some general pointers that foreign investors may find helpful.

South Africans are known for being honest and personable, valuing authentic relationships with colleagues and enjoying “flat” hierarchies in most businesses. Humour and cheerfulness are part of a happy South African workplace. Furthermore, South Africans are known for their adaptability, perseverance and resourcefulness. Nature is also highly valued in South Africa: its diverse ecosystem, pleasant climate and stunning landscapes make the nation particularly outdoorsy. In business discussions, it is usual to give each person in the room a chance to speak; negotiations may take some time and an ideal outcome would be a win-win agreement.



The protea (pronounced *pro-tee-ah*) is South Africa's national flower. Proteas are part of our unique fynbos (pronounced *fayn-boss*) biome, which boasts more than 9 000 species – two thirds of which are endemic. The national cricket team is named the Proteas.

The economy

South Africa is a regional leader of innovation, ranking second in Sub-Saharan Africa for the 2023 Global Innovation Index. It ranks 12/33 for middle-income nations, and 59/132 globally (WIPO, 2023). The biggest sectors contributing to its GDP are mining, retail, finance, manufacturing and agriculture, although this varies substantially depending on the province and municipality (StatsSA, 2024b). Furthermore, South Africa is undergoing some major industry-wide shifts, such as turning towards renewable energy, which will have a significant impact on the makeup of its GDP over the next decade.

Although South Africa enjoyed growth in its first two decades of democracy, real GDP growth declined in the 2010s: between 2012 and 2023, South Africa's year-on-year GDP growth rate averaged just 0.9% (National Planning Commission, 2023) – far below what was necessary to address the socio-economic challenges the nation faced. The 2020 COVID-19 pandemic, along with frequent rolling blackouts in the years that followed, knocked it further, so that in 2023, South Africa's year-on-year growth rate was just 0.6% (National Treasury, 2024). The International Monetary Fund (IMF) and World Bank project South Africa's annual GDP growth to fall between 1% and 2% over the rest of the 2020s (IMF, 2024a, World Bank, 2024) with local banks, Investec and SARB, predicting it will reach 3.1% in 2029 (Bishop, 2024).

South Africa has one of the highest unemployment rates in the world, with around one third of the workforce unemployed, according to the official definition. However, if discouraged workers are included, then the unemployment rate exceeds 42% (StatsSA, 2024b). While there is no easy, quick-fix solution to these challenges, the government has launched initiatives such as Operation Vulindlela to address the structural impediments in the economy.

Hidden numbers: The informal economy

Like many African nations, South Africa has a bustling informal economy that serves mostly lower income groups, and which is not included in official statistics. Estimates place its size at more than ZAR 100 billion – or approximately EUR 5.2 billion (RMB, 2022). While the informal economy plays a crucial role in employment, food security and household income, its lack of paper trails makes it unappealing to investors – particularly those who live abroad. Nonetheless, the informal economy is adopting digital products designed locally for its market, such as pay-as-you-go models and mobile money transfers.

Vital signs

GDP per capita at PPP of USD 16 424

This ranks South Africa 100/190 globally and 6/48 in Sub-Saharan Africa.

8% repo rate

Across northern European nations, this rate is typically between 3% and 5%.

21.5% below the poverty line

21.5% of the population lives below the international poverty line. This figure has stayed consistent over time.

4.4% inflation

This inflation rate falls within the South African Reserve Bank's 3–6% target inflation rate.

33.5% unemployment rate

This is the highest on the continent, with neighbouring nations experiencing similarly high unemployment rates.

Data from: Trading Economics (n.d.), World Bank (2024), StatsSA (2024c), SARB (n.d.), IMF (2024b)

South Africa's investment outlook

South Africa is often positioned as a *gateway to the continent* and it is true that several of our homegrown brands – including Standard Bank, MTN, Shoprite and Tiger Brands – have a presence across Africa (and beyond). However, it would be more accurate to say that South Africa provides access to southern African markets, as the leading economy in the region. Together with Nigeria (West), Kenya (East) and Egypt (North), South Africa is considered one of the Big Four when it comes to venture capital investment. Together, these four countries secure 90% of the startup capital on the continent.

Despite its distance from the world's economic centres, South Africa is relatively well-integrated with the global economy; more than 180 Fortune 500 companies have a presence in the country (DIRCO, 2023).

South Africa is a member of the BRICS group of nations (Brazil, Russia, India, China and South Africa). This cooperation allows South Africa strategic access to large, rapidly growing markets such as China and India, which indirectly provides exposure for European investors to these markets. The African Growth and Opportunity Act (AGOA) allows eligible African countries, including South Africa, to export products to the USA duty free.

The Southern African Development Community (SADC) Free Trade Agreement allows duty-free trade among 12 of the 16 members, and has in recent years determined lists of commitments (similar to tariff schedules) for several priority sectors. In addition, together with Botswana, Lesotho, Namibia and Eswatini, South Africa forms part of the Southern African Customs Union (SACU).

The EU-SADC Economic Partnership Agreement (EPA), one of the most important trade agreements affecting South Africa, boosts its agriculture and industrial products exports to that region, while the EU gains new market access to SACU with commodities such as dairy and grain products (European Commission, 2024).

The AU and SADC are focused on enabling cross-border trade and investment to build regional economic strength. The AU achieved a major milestone in this regard when it established the African Continental Free Trade Area (AfCFTA) in 2018.

Supporting both established businesses and startups, South Africa has a robust intellectual property law sector and is a member of the World Intellectual Property Organization (WIPO).



Banking and finance

South Africa's financial sector is well developed. The four large incumbent banks – Absa, FirstRand, Nedbank, and Standard Bank – dominate the credit market in South Africa, while Capitec has the most active customers (one third of the population). There is a dynamic network of reputable financiers that offer loans to small businesses and incumbent banks are now following suit. There is high penetration of banking services in the population, although an associated risk of this is high indebtedness rates of consumers.

Tax rates are relatively high in South Africa – 18% to 45% for individuals and 28% for companies. Many South Africans look to neighbouring Mauritius for more tax-effective investments and local companies may choose to domicile there (although Mauritian foreign company regulations and taxes have recently become more onerous) (South African Institute of Taxation, 2021).

Funding sources

South Africa offers a rich mix of funding sources for supporting and incentivising business ventures.

The Department of Trade, Industry and Competition offers several incentives and funds in sectors such as agro-processing, automotive, clothing and textiles, film and global business services. It also coordinates incentives and funding instruments for innovation and technology development. The Industrial Development

Corporation (IDC) is a national development finance institution that administers funding for manufacturing and also provides mitigating support during energy unreliability and other crises. It has an explicit interest in “job-rich industrialisation”.

The government-owned Public Investment Corporation (PIC), which invests on behalf of several public institutions (including the Government Employees Pension Fund), has ZAR 2.7 trillion assets under management, making it a significant force in the local investment landscape.

The SA SME Fund is a fund of funds that was established in 2016 by several corporate leaders (including Discovery's Adrian Gore and FNB's Michael Jordaan), pooling contributions from more than 50 large South African businesses. It manages ZAR 1.240 billion of investable capital for stimulating the growth of high-potential businesses via local venture capital (VC) and private equity (PE) funds.

In the early 2020s, South Africa consistently attracted around 18% of the continent's startup capital (Africa: The Big Deal, 2024), although this dipped slightly in 2024. South African startups have raised at least USD 2 billion since 2019. Launch Africa is one of the most active investors on the continent (including South Africa), while local VC funds include Knife Capital, Newtown Partners, and 4Di. The 2024 South African Venture Capital (SAVCA) survey reported that local equity investments topped ZAR 3 billion (USD 170 million) for the first time in 2023 (SAVCA, 2024).



Broad-based Black Economic Empowerment

In order to address the inequalities of the past, the post-1994 government started to formalise the transfer of ownership and other benefits of economic activity from the White population to previously disadvantaged groups, including Black, Coloured, Indian and Asian people – and women and youth. The 2003 Broad-Based Black Economic Empowerment (B-BBEE) Act codified this so that all companies are encouraged to comply with a scorecard to participate fully in economic activities (the compliance is more onerous the larger the company is). Currently, the seven pillars of the B-BBEE scorecard are: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

European companies established in South Africa have invested in skills development and social upliftment projects, as well as taken Black African equity partners, to improve their B-BBEE scores to do business with the public sector. But B-BBEE compliance is not the only hindrance to foreign companies doing business in South Africa, particularly with the public sector: Local procurement regulations and red tape have also increased the cost of doing business in the country. Some provinces have recognised this as a barrier, and in the case of the Western Cape, the provincial government there runs a Red Tape Reduction Unit (Western Cape Government, 2024).

Investment outlook

Fitch, Moody's and S&P rate South Africa's economy below investment grade (BB-, BB-, and Ba2, respectively). However, global consultancies, regional development banks and the local financial sector consider the country's post-pandemic economic outlook as "weakly positive" (AFDB, 2024). GDP growth is slow (predicted to average 1-2% over the coming decade), while South Africa's fiscal deficit hovers around the global average. The country's challenges are significant but somewhat predictable, and the consensus is that the economy is relatively stable.

Largest export markets

Africa: Botswana, Mozambique, Namibia, Zambia, Zimbabwe

Global: China, Germany, India, Japan, Netherlands, UK, USA (WITS, 2022)

Investment dos and don'ts



DO

- **Make use of government incentives and catalytic finance.** There are multiple programmes that can incentivise and de-risk your investment.
- **Partner with local businesses.** They are experienced and committed for the long haul.
- **Research the regulatory environment.** Laws and standards are relatively well-developed and may be enforced.



DON'T

- **Underestimate all infrastructural aspects.** Development and maintenance are uneven for example rail may be problematic but banking is sophisticated.
- **Speak to just one kind of South African when analysing a problem or opportunity.** Depending on their race and background South Africans may view the same situation and its solutions very differently.
- **Be intimidated by policy and regulatory environments** e.g. Broad-Based Black Economic Empowerment (B-BBEE). There is an industry of established programmes (and reliable consultants) to help you comply (see pages 9 and 26 for more information on B-BBEE).

Top sectors in the coming decade

We have identified six areas in which South Africa is likely to experience significant activity and growth over the coming decade.

These are renewable energy, agriculture telecommunications, healthcare, the financial sector, and decent work (which encompasses high employment-absorbing sectors).

The six key areas have been selected by considering:

Political will: This is evidenced by strong regulatory frameworks and government-identified priority development and growth areas.

Unique opportunities:

- Areas in which South Africa has distinct competitive advantages or addressable gap areas due to available natural resources
- Sector maturity and infrastructure (or lack thereof)
- Demographic composition and attributes
- Market demand

Local innovation: There is a proliferation of startups validated by significant local investment with many initiatives demonstrating product-market fit.

Renewable energy

Despite South Africa's great potential for both wind and solar power generation due to its windy coastlines and abundance of sunshine, the nation's energy sector is heavily coal-dependent with over 70% of its electricity coming from coal (CRSES, 2024). Coal-fired power stations have lost considerable electricity generation potential due to their age. Therefore, planned power outages (known locally as "load shedding") have become a regular occurrence, with only short respites in recent years.

South Africa's government has committed itself to a just energy transition, which means transitioning to renewable energy in a way that also improves socio-

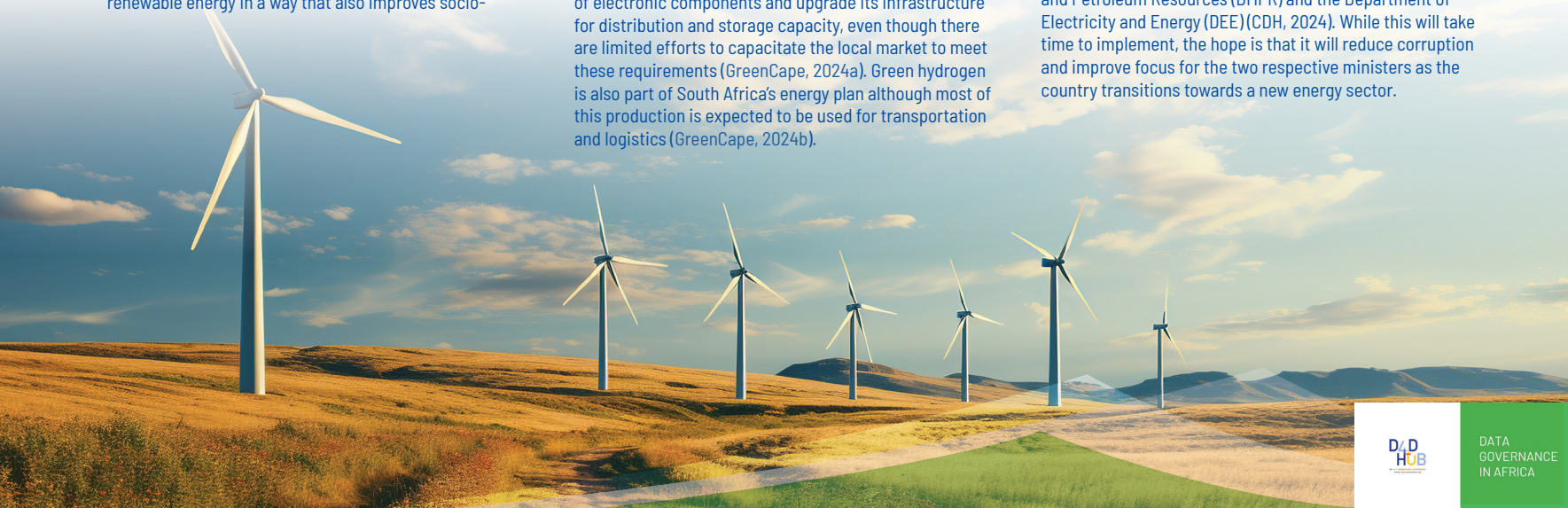
economic conditions (The Presidency, 2023). The Just Energy Transition Investment Plan (JET-IP) drives the financing strategy for this plan (Presidential Climate Commission, 2024). The foundation for this was laid at COP26 in Glasgow in November 2021, with a commitment of USD 8.5 billion by the EU, USA, UK, France, and Germany to South Africa's just transition (SONA, 2024a).

Part of the government's expansion plan entails leveraging the private sector to source electricity through bid windows, although the rollout of this programme is unclear, (GreenCape, 2024a). South Africa's energy sector also aims to increase local manufacturing of electronic components and upgrade its infrastructure for distribution and storage capacity, even though there are limited efforts to capacitate the local market to meet these requirements (GreenCape, 2024a). Green hydrogen is also part of South Africa's energy plan although most of this production is expected to be used for transportation and logistics (GreenCape, 2024b).

While there is political pushback to using renewable energy, turning towards wind and solar photovoltaic (PV) technologies is now the most financially viable option for the country. Even though political opposition to this energy transition has grown weaker, a lack of transparency in energy governance and decision-making processes has dissuaded investors (GreenCape, 2024a).

Legislation and regulations

South African President, Cyril Ramaphosa, announced in 2024 that the Department of Mineral Resources and Energy (DMRE) will be split into the Department of Mineral and Petroleum Resources (DMPR) and the Department of Electricity and Energy (DEE) (CDH, 2024). While this will take time to implement, the hope is that it will reduce corruption and improve focus for the two respective ministers as the country transitions towards a new energy sector.



The National Energy Act of 2006 sets a framework for energy planning. It and the Electricity Regulation Act, which established the National Energy Regulator of South Africa (NERSA), regulate the DMRE and are expected to continue regulating the DEE and DMPR in the future (CDH, 2024).

Following the Electricity Regulations on New Generation Capacity (2011) that allows for the procurement of new generation capacity from independent power producers (IPPs), as well as the introduction in 2011 of the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), the National Energy Act was amended in 2024 (DMRE, n.d.).

It now provides an open-market platform that allows for competitive, wholesale or retail buying and selling of electricity to grow renewable energy capacity by encouraging private sector participation through IPPs. The DMRE currently decides when REIPPPP bid windows occur, although this will transfer to the DEE in the future.

Government goals

The REIPPPP and other action plans have – to date – resulted in the registration of projects with a potential generation capacity of over 6 000 MW with other goals, including:

- generating 17.8 GW of renewable energy before 2030
- producing 500 000 tonnes of green hydrogen per annum by 2030
- enabling private sector investment for the energy transition
- encouraging businesses and households to invest in rooftop solar (through loosening regulations on licensing, for example)
- building up battery energy storage systems (BESS).

South Africa doesn't just keep the lights on at home, but is a major source of electricity for countries in Southern Africa. Over USD 650 million worth of electricity is exported annually to other Southern African nations (OECD, n.d.).

Key sector opportunities

- **Public utility-scale renewable energy generation:** Renewable energy in South Africa is predominantly sourced from private IPPs. State-owned Eskom (South Africa's electricity public utility company) launches its own tenders for renewable energy and/or storage and gas-to-power projects, independently from the REIPPPP.
- **Manufacturing:** There are opportunities to shorten the value chain of solar panels and wind turbines to South Africa by incentivising local manufacturing. However, imported parts are considerably cheaper and South Africa lacks some of the necessary skills for some aspects of manufacturing.
- **Battery storage:** Solar and wind energy will require major investment and expansion of both public and private battery storage facilities.
- **Renewable energy services:** From renting solar panels to offering emergency power supply, there is a range of energy service opportunities.
- **Green hydrogen:** The South African government aims to expand on its green hydrogen production with the aim of becoming a major net exporter in the future. Green hydrogen may be a viable option for large-scale transportation and logistics, such as powering ships.



SunExchange

Founded in 2015, SunExchange provides a subscription-based solution to small-scale energy generation and storage. For a monthly fee, they design, insure, set up and maintain a solar PV and battery storage system. While some similar services target households, SunExchange prefers to market to mid-size organisations, communities or businesses. For example, they have serviced schools, non-profits and farms. Their ability to give a customised and insured solar solution makes them stand out among their competitors.

Plentify

Plentify was founded in South Africa in 2017 and now has a global reach. The platform helps customers best manage their business and/or household electricity usage, once they have registered their devices. Plentify received funding from EEP Africa to develop intelligent controllers for electric water heaters and solar panel inverters, namely HotBot and SolarBot. The HotBot helps lower the water heater's overall electricity usage, and the SolarBot helps with storing solar energy.

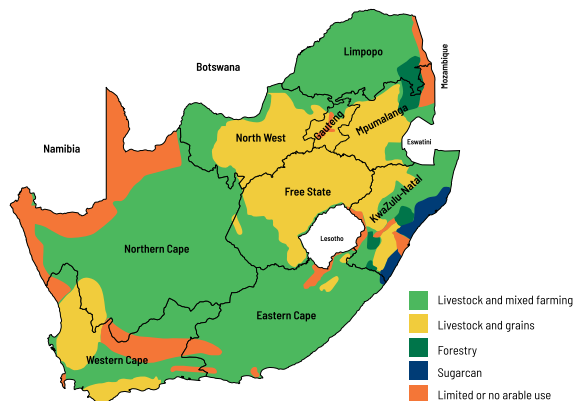


Agriculture

South Africa's agricultural sector is ripe for rejuvenation. With an ageing farmer population, an overuse of monocropping in commercial farms, food insecurity and the threat of more frequent and severe droughts, much needs to be transformed to create a sustainable food system for the future (AgriSA, 2024).

Due to South Africa being a water-scarce nation, much of the agricultural land is restricted to livestock and grain (corn and wheat) farming. However, as depicted in the map, there are large areas of land that allow for diverse crops, particularly in the wetter coastal regions (ITA, 2024). The Western Cape is famous for its wine route, but also for the aquifer that lies beneath Cape Town. This aquifer helps make the peri-urban regions of the city resistant to droughts (WWF South Africa, 2020). KwaZulu-Natal and Mpumalanga, meanwhile, are the only provinces that produce sugarcane (South African Sugar Association, n.d.). Together with Limpopo, they contribute the most to the domestic forestry industry (Forestry South Africa, n.d.).

With the looming coal mine closures across the north-eastern provinces, efforts are being made to turn this land into farmland to offset the eventual job losses and rejuvenate the polluted land. Pilot projects in the Mafube municipality in the Free State show promise that mine water can be used to irrigate some crops, while creating jobs and improving food security (NTC Group company, 2023).



Food security and climate change

As weather patterns change, several traditional farming areas will see changes in their growing profiles. For example, there have been statistically significant decreases in annual rainfall totals in Limpopo, where most of South Africa's mangoes, avocados and tomatoes (all water-hungry plants) are grown (DALRRD, 2023b). The Western Cape's wine producers are already adapting with precision viticulture and switching to drought-resistant Grenache and Mourvèdre varietals (GetWine, 2021).

There is a significant risk that climate change will exacerbate existing food access challenges. Around 20% of South Africans – two thirds of whom reside in cities – are food insecure (StatsSA, 2021). Grants are available from local governments for flagship community garden initiatives, but there is scope for more urban projects and innovative small-scale solutions for city-dwellers – especially water-wise ones.



Legislation and regulations

Several laws uphold standards for agricultural products, including those centred on production methods, sale and marketing of produce, farm management and conservation priorities. Agriculture's dependence and impact on the environment is covered in legislation such as the Water Act and the National Environmental Management Act.

In a broader political and socio-economic context, several pieces of legislation focus on land redistribution and agricultural development to correct historical inequalities. These include the Restitution of Land Rights Act, the Land Reform (Labour Tenants) Act, the Extension of Security of Tenure Act, the AgriBEE Sector Code, the Labour Relations Act and the Basic Conditions of Employment Act. Proposed laws seek to further strengthen agricultural worker protections.



Farming ostriches for feathers, leather and meat is big business. It accounts for ZAR 610 million of South Africa's annual agricultural exports (DALRRD, 2023a).

Government goals

The Department of Agriculture, Land Reform and Rural Development (DALRRD) is the relevant government authority. Its primary goals are as follows:

- Revitalise the agricultural sector.
- Improve the efficiency and sustainability of agricultural infrastructure, value chains and processes.
- Correct historical injustices through land reform and the Agriculture and Agro-processing Master Plan (AAMP), wherein retailers and agro-processors will commit a minimum of 3% of their net profit after tax to programmes aimed at investing in Black farmers and Black-owned agri-businesses.
- Provide support and training for young farmers.

Key sector opportunities

- **Agritech:** From smart irrigation systems to artificial intelligence pest monitoring, applications allow farmers to better manage their resources and detect problems early on.
- **Hydroponics and aeroponics:** Requiring very little land and water, hydroponics and aeroponics allows farmers to stack their crops in contained environments, closely controlled by means of agritech.
- **Renewable energy on farms:** It is not uncommon for farmers in South Africa to seek out private solar PV, especially with loosening restrictions on how much electricity these farms can produce. This allows for opportunities in renewable energy services, electric tractors and digital agriculture solutions.
- **Improvements in processing:** The AAMP has made strides in increasing efficiencies for the South African food system, but much more can be done to limit crop loss, food waste and other problems in the current food system.
- **Regenerative agriculture:** In South Africa, there is demand for solutions to soil degradation for farms and mining communities alike. Regenerative agriculture uses cost-effective techniques to restore soil health and reduce water costs.
- **Cannabis farming:** From creating hemp to medical uses, cannabis farming is becoming increasingly popular and is supported by enabling regulation.
- **Indigenous farming and pharmaceuticals:** South Africa has a plethora of indigenous edible and/or pharmaceutical plants, such as the *spekboom*, *hoodia* and *sceletium*. These are drought resistant and can be grown over more of the country. Examples such as *rooibos*, which is the first African food to be awarded Protected Designation of Origin by the European Union, showcase that indigenous plants can become massively profitable and globally sought-after.

Fruitlook

Fruitlook uses satellite data to help farmers in the Western Cape gain deeper insights and make predictions regarding crop performance. It has a user-friendly portal that provides analyses on the moisture, mineral content of soils and growth of the farms. Fruitlook is implemented by the local organisation, Blue North Sustainability, in partnership with the Dutch tech firm, eLEAF, the latter providing the satellite data.

Aquacheck

As a water-scarce country set only to become drier, farmers must be able to use their limited resources effectively. Founded in 2002, AquaCheck is dedicated to helping farmers save water. They manufacture probes and devices for monitoring the soil, and then link those readings to a platform, which includes e-support, to help farmers monitor their soils and crops. Through this, their irrigation system is set to use only the necessary amount of water. This also saves electricity through the irrigation system.

Telecommunications

Mobile data is the primary means of internet access for South Africans, as most citizens do not have access to fibre internet (Telkom, n.d.). While the cost of data in South Africa decreased by 45% from 2020 to 2023, the country still has an expensive mobile internet connection compared to most nations: In 2023, it cost USD 1.81 per gigabyte of data, which means that its internet was more expensive than 63% of nations, and 60% of Sub-Saharan African countries (Cable, 2023). With regards to internet speed, its average internet speed of 42.42 Mbps is faster than 50% of nations, and it has the second-fastest internet speed in Sub-Saharan Africa (Cable, 2024).

Despite these costs, **the mobile internet user penetration rate in South Africa surpassed 80% of the population in 2023 (Statista, 2023a), despite only a quarter of South Africans owning a smartphone (Statista, 2023b)**, with this figure rising to over a third by 2029 (Statistica, 2024). This is because feature phones are popular alternatives for low-income consumers (Statista, 2023b). Overall, 92% of South African households owned a working mobile phone in 2022 (South African Government News Agency, 2023). Coverage is also excellent, with nearly 100% of South Africans having access to 4G/LTE mobile networks since 2021.

Mobile Network	% of the population covered
3G	99.9%
4G/LTE	97.7%
5G	11.7%

Data gathered from StatsSA, 2021, Khatri, 2024

Since 2022, as a condition of being awarded their expanded spectrum licences, mobile network operators (MNOs) are obliged to zero-rate mobile content created by Public Benefit Organisations (PBOs). This reduces barriers to useful educational, skills and health content for the most disadvantaged (DGMT, 2024).

Wealth inequalities carry over to digital literacy. South Africa has a stark digital divide, most pronounced between the urban and rural populations. Only a quarter of households own a computer, and public schools – particularly in historically disadvantaged areas – have limited resources for building students’ digital literacy (StatCounter, 2024). Bridging the digital divide can unlock many opportunities and economic potential for South Africa.

Legislation

The Electronic Communications Act is the primary legislation governing telecommunications, while the Independent Communications Authority of South Africa Act establishes the Independent Communications Authority of South Africa, which regulates telecommunications and broadcasting.

The Regulation of Interception of Communications and Provision of Communication-Related Information Act governs the interception and monitoring of communications. Other laws, such as the Electronic Communications and Transactions Act and the Cybercrimes Act, have relevance to e-commerce and cybersecurity.

Government goals

The Department of Communications and Digital Technologies (DCDT) has launched several initiatives to speed up the growth of the digital economy. To achieve the National Development Plan’s objective of digital inclusivity, it implemented SA Connect in 2013. It sought to drive broadband coverage for government buildings, schools, households, hospitals and clinics. It successfully completed Phase 1, and is currently undertaking Phase 2, which is set to finish in 2025 (DCDT, 2024).

In 2021, the DCDT finalised the Digital Economy Master Plan, which seeks to build on SA Connect through promoting 5G rollout, investing in data centres, advancing digital skills, supporting digital innovation and e-commerce, advancing e-government services, strengthening cybersecurity and supporting cross-sector digital solutions (South African Government, 2022).

The DCDT also published an Artificial Intelligence Discussion Document in August of 2024, although professionals in the law and technology sectors have critiqued its framework as being technically inaccurate and not sufficient in governing artificial intelligence (AI) (Bowmans, 2024).



Key sector opportunities

- **Expanding data-driven internet connection:** Due to South Africa's excellent mobile coverage, some businesses have emerged to challenge network providers and optic fibre companies in price and ease of access.
- **5G set to spread:** While 5G is currently limited to large urban areas, it is projected to grow similarly to 3G and 4G. Further opportunities are available for those who wish to leverage this increased mobile internet speed.
- **Digital literacy:** While South Africans love the internet, access to technology and digital skills is highly inequitable. Entrepreneurial endeavours, such as refurbishing and reselling old laptops or creating safe internet cafés with digital training workshops, can improve digital literacy.
- **Cybersecurity:** As with all nations, South Africa has faced an increase in cybercrimes that target households, as well as the private and public sectors. In 2024, the Department of Public Works and Infrastructure unearthed a 10-year long breach which resulted in ZAR 300 million (approximately EUR 15.9 million) being stolen (South African Government, 2024).
- **e-Commerce:** South Africans are increasingly using e-commerce. However, there are still challenges for those who may not have a street address – as is the case in informal settlements. Location-based solutions can help fill this gap in the market.
- **e-Health:** With increasing internet usage in South Africa, there are opportunities to service the health needs of South Africans, and improve access to healthcare and the efficiency of medical resources.
- **Business internet usage:** Businesses can leverage mobile services to improve their operations, such as enhancing logistics.
- **Other tech-enabled opportunities:** With the internet quickly permeating all industries in South Africa, there are opportunities to invest in businesses that take advantage of these shifts.

ionLINE

As anyone who has travelled abroad knows fiddling with smartphones and SIM cards while seated in an airport is an onerous task. However, ionLINE seeks to eliminate this problem. They developed a FlexiSIM, which allows people to stay connected easily – regardless of which country they are in – including across Africa. FlexiSIM does not charge a global flat rate, but enables the user to choose the cheapest local rate while still offering advanced security features.

Fibertime

Fibertime started in 2022, where it proved itself in the low-income community of Kayamandi (in Stellenbosch, Western Cape). Fibertime serviced the community with fibre connections, creating a highly flexible plan that enabled people to access uncapped internet at 100 Mbps for ZAR 5 a day (around EUR 0.30). It has no requirement for subscriptions, which makes it incredibly suitable for low-income households. In 2023, Finnfund invested EUR 2 million into Fibertime. Currently, Fibertime offers its services for people in communities in the Western and Eastern Cape, with ongoing expansion in Alexandra, Emfuleni and Ivory Park in Gauteng, and Mangaung in the Free State.

WhatsApp is the most popular social media platform in South Africa, with an estimated 94% of internet users in South Africa using it (Statista, 2024a).

Healthcare

South Africa is famous for pioneering medical advancements, such as developing the CAT scan and conducting the first-ever human heart transplant. South Africa continues to contribute to medical research and innovations, while also boasting world-class treatment facilities, such as the Red Cross War Memorial Children's Hospital – the only hospital in Sub-Saharan Africa dedicated to child healthcare.

Considering its growing and distributed population, the South African healthcare system faces challenges. Rural areas are especially vulnerable, as the nearest hospital or clinic can be far away. A National Health Insurance bill, which had been in development for over a decade, was signed into law in 2024 (Parliament of RSA, 2024). It aims to reduce access inequalities, compelling all citizens to use the public health system for basic healthcare – a move contested by the private health insurance sector and its clients (Choihta, 2024).

The South African government primarily aims to target accessibility of medicine through the gradual nationalisation of the healthcare system and digitising healthcare through initiatives such as telemedicine (The Presidency, 2013). These are discussed further under *Legislation and regulations*, as well as *Government goals*.



Dr Chris Barnard performed the world's first successful heart transplant on Louis Washkansky on 3 December 1967, supported by a team of experts from various disciplines at Groote Schuur Hospital – a public hospital in Cape Town.

Communicable diseases

The South African government's healthcare strategies for communicable diseases primarily focuses on the challenge of HIV/AIDS and tuberculosis. AIDS-related deaths in South Africa decreased from 42% of all deaths in 2005 to 12.5% of all deaths in 2024 thanks to the nation's expansive antiretroviral treatment programme. While 71% of the 8 million HIV-positive people in South Africa have access to antiretroviral treatment, 2 million remain untreated. New infections occur most frequently in those in the 15–24 age group, indicating a need for greater efforts to educate young people about how to protect themselves (Mokale, 2024). Despite this, South Africa has made strides in policy and healthcare practices which have increased TB treatment coverage by 33% since 2019 (StatsSA, 2024a). Innovations in remote TB tests are underway to help improve access to diagnosis and treatment, although research is still in its early phase (Jeranji, 2024).

Non-communicable diseases

Non-communicable diseases in South Africa tend to attract less government action, despite 51% of deaths being attributed to them (Walker et al., 2024). South Africa, like many middle-income nations, has a dual challenge of malnutrition through lack of food and malnutrition from too much unhealthy food, which has led to most non-communicable disease deaths being caused by cardiovascular disease (Walker et al., 2024). There are also concerns among autoimmune disease advocates that South Africa's healthcare system does not make medicine for autoimmune illnesses easily accessible (Epstein et al., 2023). Nonetheless, there are some wins, such as insulin being free for all South Africans with diabetes.

Perhaps the most forgotten non-communicable diseases are those affecting mental health. Mental health is estimated to cost the South African economy ZAR 19 billion annually, with 1 in 4 South Africans experiencing depression and only a quarter of them seeking mental healthcare (EAP-SA, 2023).

Legislation and regulations

A range of legislation regulates public and private healthcare services. Medical schemes are governed by the Medical Schemes Act and a Council for Medical Schemes. The South African Health Products Regulatory Authority is the oversight body for the manufacture and sale of pharmaceuticals.

Health workers are also guided and protected: doctors by the Health Professions Act and the Health Professions Council of South Africa, and nurses by a Nursing Act. Several policies and regulations govern the treatment and prevention of HIV/AIDS in South Africa, including guidelines on antiretroviral treatment and prevention programmes.

Government goals

South Africa has made massive strides in achieving the goals it set out in 2013's National Development Plan, as shown on the following page. The government has also pledged to instate universal health coverage through the signing of the National Health Insurance (NHI) Bill in 2024. Despite political opposition and questions regarding its funding, the government is intent on progressively phasing in this law to ensure equitable access to healthcare for all citizens, especially in underserved communities.

Moreover, the National Digital Health Strategy for South Africa is a framework developed by the South African government to transform the country's health sector through digital innovation. The strategy looks to enhance health information systems, improve service delivery, enable better data sharing and integration, and ensure better health outcomes through integrated health information systems, mobile health solutions, data analytics and telemedicine.

Key sector opportunities

- **Telemedicine:** Telemedicine, which can take place even through WhatsApp messages, can help overcome challenges of affordability, accessibility and stigma.
- **Low-resource diagnoses:** Here, innovations that enable point-of-care testing – far from laboratories – will help more people detect and manage diseases.
- **NHI changes:** The transition towards a National Health Insurance will require insurance innovations to ensure people can access specialised care and administrative innovations, so that doctors can manage workloads and compliance.
- **Artificial intelligence:** Artificial intelligence in conjunction with telemedicine can be useful in

Measurement	2030 target	2006 figure	2024 figure
Life expectancy	70	53.6	66.5
Infant mortality rate per thousand live births	20	55.1	22.9
Under-5 Infant mortality rate per thousand live births	30	78.2	28.6

Data from *The Presidency (2013)* and *StatsSA (2024a)*

helping treat fairly straightforward healthcare problems, such as small cuts and scratches.

- **Cybersecurity:** As the healthcare system becomes more digital, it is necessary to ensure that patients' data remain secure.
- **Disability support:** People with a plethora of disabilities may use tools, devices and apps to improve their independence and navigate the world.
- **Education:** Edtech, gaming and entertainment are all avenues to spread knowledge and awareness of health and wellness.

Kena Health

Founded in 2021, Kena Health is an online platform and app that allows users to access affordable healthcare professionals, including doctors, nurses and therapists. Not only are the prices far below the average price to access medical professionals in the private healthcare system, but patients are only charged if they receive medical advice and/or a diagnosis that satisfies them.

FlexiGyn

Worldwide, access to affordable gynaecological healthcare is a luxury. Many South Africans must travel far to reach healthcare providers who have the necessary diagnostic equipment. Low-income women are more likely to receive a late diagnosis. FlexiGyn sought to remedy this through the development of a medical device that allows for affordable point-of-care diagnosis through the use of a small camera attached to a flexible scope, making it easier for health professionals, including nurses, to observe the patient's uterus without having to book an operating theatre or administer general anaesthetic.



Finance

South Africa's financial sector is rated high among African countries for its stability and sophistication (Absa, 2023). While the private banking sector and the financial infrastructure are fairly concentrated, there is increasing competition. Newer banks offer specialised and digital-first financial services, and the Johannesburg Stock Exchange (JSE) – the continent's largest and oldest stock exchange – is facing healthy competition from A2X Markets (FSCA, 2022).

Over 80% of the population can access a bank account, and internet and mobile phone banking is commonplace (FSCA, 2022). This capacitates neobanks, which are banks that do not have physical branches and therefore tend to offer lower customer costs. These banks are not only disrupting the fairly concentrated traditional banking sector, but are also accelerating fintech innovations (Ngwenya, 2024).

While access is common, financial literacy remains an area for development: More than half of South Africans don't have a household budget, just 46% tend to pay all their bills "always or often", and almost a third (29%) would not be able to survive a month off of their savings (FSCA, 2021). Financial institutions have been incentivised to invest in financial literacy programmes through the B-BBEE-aligned Financial Sector Codes, with modest results.

Since 2010, the JSE has required listed companies to create integrated reports in line with the King III (now King IV) Code on Corporate Governance.

South Africa's banking system has also formalised some traditional financing methods. For example, it is standard for local banks to offer *stokvel* savings accounts. A *stokvel* is a community savings scheme in which one member receives the lump sum on a rotational basis or for an expensive event, such as a funeral. Typically, lower- to middle-income households participate in these. They are regulated by the National Stokvel Association of South Africa (NASASA).

Legislation

Various laws and regulations provide the legal framework necessary to ensure that South Africa's financial markets operate fairly, efficiently and transparently while protecting investors and maintaining financial stability. Banks and other deposit-taking institutions are governed by laws such as the Banks Act and the Financial Sector Regulation Act. The Financial Intelligence Centre Act requires know-your-customer practices and combats money laundering and fraud, while the National Credit Act and Financial Advisory and Intermediary Services Act set out standards for lending and the insurance industry and offer consumer rights protection.

The South African Reserve Bank (SARB), the Financial Sector Conduct Authority, the Prudential Authority, the National Credit Regulator and the Financial Intelligence Centre are key regulatory bodies that enforce these laws.

Government goals

South Africa's government seeks to address financial challenges through creating a financially stable environment and supporting small businesses. The SARB works to ensure monetary stability and promote the open market. In 2000 South Africa became the 13th country to set inflation targeting as part of its monetary policy and it uses the interest rate to do so (SARB, n.d.). The SARB's target inflation rate is 3–6%.

South Africa's government supports small businesses with particular focus on Black- youth- and women-owned businesses. Most government-funded grants debt vehicles and training options available for small businesses are accessible through the Department of Trade Industry and Competition (DTIC) and the Department of Small Business Development (DSBD).

Since COVID-19, South Africa's number of small businesses has bounced back to the pre-COVID level, although they still face significant challenges – particularly because of increased interest rates, natural disasters and low economic growth (DSBD, 2023).

Key sector opportunities

- **Early-stage financing and small business support:** While the venture capital and angel investing community in South Africa is growing, there is still a need for more financing opportunities for early-stage businesses. Small businesses growing at a modest rate may still face obstacles in raising debt or bridging finance, despite many lenders in the market.



- **Innovations and efficiencies:** There is an opportunity for more financial competition through disruptive technologies, such as AI.
- **Financial literacy:** South Africa's education system has limited capacity or willingness to teach financial literacy. As a consequence, it is estimated that half of credit-active South Africans are over-indebted (FSCA, 2022).
- **Insurance:** Around half of South Africans have funeral insurance, as burials have significant cultural importance. However, only 10% have life cover, and asset insurance is also under-subscribed.
- **Cybersecurity:** With the increasing use of mobile devices and internet banking, there are greater risks regarding cybersecurity threats. Many South African consumers have experienced or heard about financial scams and may be receptive to trustworthy products that protect them from these.

Yoco

Yoco was founded in 2015 and has become a recognisable everyday brand to South Africans. Yoco aims to streamline payments to businesses with particular focus on increasing efficiencies for small, medium and micro enterprises (SMMEs). Yoco allows for point-of-sale payments through card machines and online payments and also offers an app for businesses to navigate their cash flows. It is unique in its ease of use for small businesses such as those selling at marketplaces. Notably an estimated 75% of traders using Yoco's card machines had never offered card payments beforehand.

Lula

Lulalend, also known as just Lula, is a neobank established in 2014 that caters to small businesses. It provides revolving loans and capital advances. While this is a competitive market, Lula stands out for its focus on cutting administrative costs for SMMEs using their fully digital platform and their Lulaflow cash manager. This cash manager can be accessed on a desktop or mobile phone to help businesses make sense of their cash flow – and save time and resources.



Decent work

Just as unemployment worries all South Africans, job creation is at the heart of all policy goals. The South African government has managed to stimulate some job creation through targeted initiatives. However, job creation has not been able to overtake the growth in job seekers. Therefore, unemployment has remained high, with the lowest unemployment rate of 21.5% recorded in 2008. Unemployment was at 33.5% for the second quarter of 2024 (Trading Economics, n.d.).

Unemployment rates do not apply to everyone equally, however. Those with graduate degrees have an unemployment rate of around 9.6%; other tertiary-educated individuals have an unemployment rate of 20.4%; those who completed high school have an unemployment rate of 33.7%; people who did not complete high school have an unemployment rate of 38.6% (Statista, 2024c). Racial inequity also persists, with White individuals of all education levels experiencing unemployment rates of 7.9%, compared to 37.6% of Black people (Statista, 2024d).

Employment opportunities also differ in geography; around three out of four job opportunities are in just three of the nine provinces (Gauteng at 51%, Western Cape at 23% and KwaZulu-Natal at 10%) (Thorne, 2024).

Legislation and regulations

Various laws govern the obligations of employers and employees to ensure fair treatment non-discrimination and protection of labour rights while also regulating workplace conditions wages and benefits. The two primary laws are the Basic Conditions of Employment Act and the Labour Relations Act but others such as the Unemployment Insurance Act, the National Minimum Wage Act, the Employment Equity Amendment Act, and the Broad-Based Black Economic Empowerment Act all play a part in promoting employment equity and the empowerment and protection of workers.

The Department of Employment and Labour is the oversight government department, the Commission for Conciliation, Mediation and Arbitration helps resolve disputes between employers and employees, and Bargaining Councils facilitate collective bargaining between trade unions and employer organisations within various sectors.

Government goals

The National Development Plan, developed in 2013 when unemployment stood at 25%, had an ambition to lower unemployment to 14% by 2020, and to 6% by 2030. This required 11 million jobs and economic growth of over 5% annually, requirements which have not come close to being met. There has yet to be any revised goal since then, although initiatives such as Harambee Youth Employment Accelerator and the Presidential Youth Employment Initiative have worked toward facilitating job creation. In



2024 President Ramaphosa announced that the government helped to create 979 000 new jobs in 2023 (SONA, 2024b).

Other programmes, such as the Expanded Public Works Programme and the Community Work Programme, aim to create jobs – particularly in underserved communities. Sector Education and Training Authorities manage and fund skills development initiatives. Plans such as the Economic Reconstruction and Recovery Plan identify infrastructure development as a catalyst for job creation and economic recovery.

Key sector opportunities

- **Recruitment tools:** Employers are often swarmed with job applications. AI recruitment tools and online platforms can help employers sift through applicants more easily.
- **Business Process Outsourcing (BPO) industry:** Approximately 100 000 jobs are attributable to the BPO industry, which is driven by both domestic and international demand (Western Cape Government, 2024). The BPO industry provides an opportunity to support employment, particularly among tertiary-educated South Africans.

- **Upskilling jobseekers:** South Africa's inequitable schooling system, which contributes to inadequate skilling for the job market, can be supplemented by private programmes. Initiatives such as the Digital Academies in Africa, which is run by the University of Helsinki, seek to upskill South Africans so that they may qualify for jobs.
- **Jobseeker tools:** With only 26% of households owning a computer, creating a CV and motivation letter can be difficult. Mobile-first tools that allow people to create professional documents can assist.
- **Green jobs:** Job creation is emphasised in South Africa's just transition, whether that be employing people for solar panel installation or creating job opportunities in towns where coal mining was once a key economic activity.
- **Agriculture:** There is an opportunity to create jobs through reimagining what farming looks like for South Africa. For example, Khula helps connect farmers and traders, which helps develop short food-value chains, boost the local economy and support small-scale farmers.
- **Informal employment:** South Africa's informal economy soaks up some of the unemployment, but moving into the formal sector is challenging for individuals. Innovations to build a stronger information flow between the two sectors can benefit both the formal and informal sectors.

SweepSouth

Founded in 2014, SweepSouth provides a digital platform to connect those seeking employment with individuals needing assistance with various types of domestic work. Traditionally, domestic workers would be hired through word-of-mouth or through companies. SweepSouth vets domestic workers and gardeners and then allows them to decide where and when they want to advertise their work. It also allows them to quickly find more job opportunities if a family stops using their services for whatever reason – thereby lessening frictional unemployment. SweepSouth prides itself in creating safe, dignified employment opportunities for individuals who are most vulnerable to unemployment.

Yebo Fresh

It's estimated that 40% of the food market in South Africa is serviced by the informal sector. Low-income communities often rely on spaza shops (small grocery stores) which obtain goods from small-scale and subsistence farmers. Yet there are inefficiencies in the market that result in food waste and costs to small business owners. Yebo Fresh seeks to remedy this by streamlining the process. Orders are placed via WhatsApp and within 24 hours Yebo Fresh delivers the food. This creates both direct and indirect jobs in low-income communities and improves access to nutritious locally sourced food.

Infrastructure

Operation Vulindlela (SONA, 2020) highlighted infrastructure as one of the focus areas of investment that South Africa requires. Solid waste management passenger rail and healthcare infrastructure as well as rural water sanitation and roads need the greatest attention. Operation Vulindlela seeks to promote private sector participation in the water sector through the Water Partnerships Office (SONA, 2024d) with the intention of accessing private sector finance and skills to advance both service delivery and quality in the industry.



Infrastructure South Africa which is run by the Department of Public Works and Infrastructure is also working to upgrade South Africa's infrastructure through investment and tenders. Furthermore South Africa's energy system requires significant transformation. South Africa experienced its first "load shedding" in 2007 and planned power outages became commonplace from the mid-2010s although recently these have paused. The South African energy system is procuring electricity from private power producers in an effort to create a more stable energy supply. To read more about this see *Renewable energy* on page 11.

Regionally South Africa has good infrastructure. In the 2023 African Infrastructure Development Index (AIDI) it ranked 4th in Africa for infrastructure and 2nd in Sub-Saharan Africa (AIDI, 2023). The AIDI compiles the list using four key metrics: transportation (including rail, air transportation and ports) electricity information and communications technology and water infrastructure. South Africa's energy infrastructure score was particularly strong with it placing 3rd overall behind Libya and the Seychelles.

The regulatory environment



The regulatory environment in South Africa is shaped by a combination of laws, regulations and policies that are designed to govern businesses, industries and economic activities. It is reflective of the country's apartheid past, developmental goals and the need to comply with modern international norms and treaties. The Constitution is the apex legislative instrument from which all laws in the country are derived.

There are some challenges in enforcing these laws. For example, financial regulation is strong, and the country's banking system is well-regulated, but few commercial crimes are successfully prosecuted due to the government and local authorities' lack of capacity and skills to administer the law adequately.

Cross-border financial collaboration

Facilitating payments across borders in Africa continues to be a challenge – and one that many stakeholders are invested in solving. The regulatory environment is only one piece of the puzzle – incompatible technical platforms and payment gateways are a big part of the problem. In response, the AU and the African Export-Import Bank (Afreximbank) launched The Pan-African Payment and Settlement System (PAPSS) in early 2022. Many African fintech startups – fintech is one of the fastest growing innovation sectors on the continent – explicitly aim to reduce the hassle and costs of making cross-border payments for both individuals and businesses, making this a rapidly evolving and increasingly mature space.

Visas

The Critical Skills Work Visa (CSWV) allows non-South Africans to work in the country if they have skills relevant to the government's development plans. The Department of Home Affairs has embarked on a vast digitisation programme of its services in order to clear the three-year backlog in the issuance and renewal of visas (DHA, 2024).

South Africa's recent Digital Nomad Visa makes it easier for non-South Africans working remotely as freelancers to live in the country for short periods of time (BlackPen, 2024).





The ABCs of doing business in South Africa

This section provides a high-level overview of applicable regulations. Sector-specific regulations can be found in their relevant chapters.

Broad-Based Black Economic Empowerment (B-BBEE):

This is a policy that incentivises businesses to employ and train historically disadvantaged South African nationals. Businesses that want to work for or with government or state-owned enterprises must comply with B-BBEE requirements (DTIC, n.d.a). Foreign investors often view B-BBEE with reticence due to its complexities. To address this, the Equity Equivalent Investment Programme (EEIP) was developed to help multinationals navigate B-BBEE (DTIC, n.d.b). Although some companies have found EEIP helpful, others have critiqued it for its lengthy application process and cost (USDS, 2024). The uptake by multinationals of the EEIP has been minimal, with only 22 multinationals granted approval by 2022 (PMG, 2022). Other organisations, such as the non-profit entity Yes4Youth, assist in improving B-BBEE scorecards for businesses of all sizes.

Carbon Credits:

South Africa introduced a carbon tax in 2019, which businesses can offset through using renewable energy and carbon capture (Broadreach Energy, 2024).

Competition Act:

The Competition Commission and the Competition Tribunal enforce the Competition Act. This Act guards against anti-competitive conduct, such as price fixing and tender collusion. Mergers and acquisitions must comply with these safeguards to be approved.

Consumer Protection Act:

This Act outlines the nine key consumer rights, such as protection against discrimination, a right to privacy, information disclosure, and fair and responsible marketing. The National Consumer Commission and Consumer Tribunal are responsible for enforcing this Act.

Corporate Governance:

Companies and intellectual property is registered through the Companies and Intellectual Property Commission (CIPC). Those who register have exclusive use of the IP for 20 years and companies are registered and operated in accordance with the Companies Act. Public company reporting is guided by the King Code on Corporate Governance (King IV).

Department of Employment and Labour:

This is the government department that is responsible for ensuring labour rights and protection of those working in South Africa. There are several key Acts that are aimed at protecting workers' rights (DEL).

Financial Sector Regulation Act:

This is the legal framework that maintains South Africa's stable financial sector. It outlines the roles and responsibilities of bodies such as the South African Reserve Bank and the Financial Sector Conduct Authority.

International Trade Administration Act:

This Act regulates imports and exports for South Africa, including the process of registering as an exporter for certain goods. This Act is enforced by the International Trade Administration Commission. Any importers must also register with the South African Revenue Service.

National Environmental Management Act (NEMA):

The Department of Environmental Affairs enforces this Act. The Act provides the underlying legal foundation for all laws pertaining to environmental protection, and all organisations must conduct an environmental impact assessment for large projects.

Protection of Personal Information Act (POPIA):

This data protection Act applies to all organisations operating in or servicing those residing in South Africa. It is very similar to the General Data Protection Regulation (GDPR) of the European Union. Key differences between the two include the following:

- South Africa's fines for breaching POPIA are much smaller than EU fines, but South Africa also carries the risk of jail time.
- Reporting an information breach in the EU must happen within 72 hours, and in South Africa must be done "in a reasonable time".
- POPIA does not have privacy by default, which in GDPR terms means that persons providing data must opt out of their data being managed, stored or processed rather than opt in.

South African Revenue Service (SARS):

Taxes are paid to SARS. Value-added tax (VAT) is 15%, although some goods – such as vegetables – are VAT-free to incentivise healthier lifestyles and reduce the cost of certain basic necessities for low-income households. Corporate income tax stands at 28%, although there are sector-specific rates. Personal income tax is progressive up to a maximum of 45%. Transfer pricing regulations exist for multinational corporations.

Ease of doing business

Businesses (and government) in South Africa have to comply with a number of legal, audit, tax and industry-specific requirements. These apply from starting a business to managing and maintaining it, through to ceasing operations. While some compliance is useful to maintain standards and protect consumers, the government has identified red tape as a hurdle to small businesses that may not have the necessary skills or financial resources to comply (SONA, 2024c). The South African government is in the process of considering amendments for the Companies Act to lower red tape for smaller businesses (USDS, 2024).

Legislation such as the Companies Act and Exchange Control Regulations govern foreign private ownership of businesses in South Africa. Currently, there are few restrictions for foreign investors, although foreigners purchasing assets related to industries such as energy and defence may receive more scrutiny (USDS, 2024). The South African government also has several special economic zones (SEZs) that allow for looser trade and investment regulations (DTIC, n.d.c).

South Africa has few incentives to support early-stage businesses – particularly high-growth, tech-enabled startups. The most significant hurdles for startups are strong exchange control rules, which make the transfer of funds and moving of IP off-shore difficult. Furthermore, the tax regime offers no incentives for early-stage investors such as venture capitalists or angel investors. Therefore, many South African startups are domiciled outside the nation, such as in Mauritius, to attract investment. While there are ongoing efforts to push for an official Startup Act (see Startup Act) to change this, the South African government has yet to indicate a strong desire to change policy. This Startup Act would minimise red tape for young, innovation-driven startups generating less than ZAR 100 million, and create tax incentives for early investors.





Rule of law

The World Justice Project (2024) evaluates a nation's rule of law based on seven overarching factors: government powers, corruption, government openness, fundamental rights, order and security, civil justice and criminal justice. While South Africa ranks 5/36 for Sub-Saharan Africa, it ranks 56/142 globally and scores just above the global average overall.

Of the seven factors, South Africa is strongest in its government openness, which pertains to citizens' right to access government documents and proceedings. South Africa also performs well in setting constraints on government powers and ensuring fundamental human rights.

South Africa's weakest metric falls under order and security, where it ranks 119/142 globally and 22/34 regionally. Although South Africa has little political instability and minimal threat of terrorism or war, it far exceeds the majority of nations in its prevalence of crime. Both informal and formal systems and industries attempt to meet the immediate safety needs of the population. This includes over 15 000 registered security businesses employing nearly 600 000 security officers (PSiRA, 2023). Meanwhile, the South African Police Force employs just under 180 000 individuals (Liberia, 2024). There are also opportunities to use technology to improve security. For example, Watcher Surveillance Solutions and AI Surveillance are two South African businesses that use artificial intelligence to monitor CCTV footage.

Unfortunately, South Africa's crime rate remains stubbornly high due to factors such as socio-economic inequality, a lack of education and skills, and a lack of employment opportunities. It is hoped that improving education, equity and employment will provide avenues for young people who may otherwise turn to crime.

What are South Africa's plans for the future?

While a snapshot of the current economic and regulatory environment is useful, it can omit the country's future outlook. For instance, while mining is still a major sector for the nation, both the public and private sectors are turning towards more sustainable economic practices. Therefore, it is advantageous to summarise the government's focus areas and visions for South Africa.

Several initiatives shed light on the planned development of the South African economy. These include:

Operation Vulindlela: Launched in 2020, this ongoing initiative aims to catalyse the restructuring of key sectors of the South African economy to make them more sustainable, equitable and economically viable. The focus areas for the first phase have been logistics, energy, digital communications, water and adjusting visa regimes. The second phase seeks to focus on reforming local government and the delivery of basic services. Two further areas of focus are accelerating the release of public land for social housing and harnessing digital public infrastructure as a driver of growth and inclusions.

The Integrated Resource Plan: This is a reiterative plan (the latest expected to be published in 2025) in which the Department of Mineral Resources and Energy outlines the future of South Africa's energy mix.

Just Energy Transition Investment Plan: Published in 2022, this plan outlines the five-year goal for South Africa's transition to renewable energy. It caters specifically to foreign investors by showcasing the

dramatic system reforms that are underway, and explains how they can get involved.

Medium Term Strategic Framework (MTSF):

This framework, strongly linked to the National Development Plan, outlines the priorities for South Africa's socio-economic development. Its priorities are in state activities, economic transformation and job creation, education, delivery of basic services, spatial integration and housing, safer communities, and regional and international peace and cooperation.

State of the Nation Addresses: The priorities for the annual State of the Nation Address are listed as growing the economy and jobs, building better lives (through lifting people out of poverty), fighting corruption, making communities safer and making government work (through improving the efficiency and skillsets of government bodies).

The National Development Plan: Published by the National Planning Commission in 2012, this document outlines pathways to a future where all South Africans have a "decent standard of living" by 2030. This includes access to nutritious food, clean water, quality education and healthcare, electricity services, and a clean environment.

In addition to trade agreements discussed earlier in this guide, South Africa is part of these regional and global initiatives, among others:

- Southern African Development Community's Common Agenda: Comprising 16 member states, this community aims to improve the lives of people in Southern Africa through targeting issues of economic development, sustainability, personal safety, education and healthcare.
- Agenda 63: Developed by the AU, Agenda 63 aims to build "an integrated, prosperous and peaceful Africa, driven by its own citizens, representing a dynamic force in the international arena". This includes initiatives to increase pan-African trade and collaboration.
- United Nations Development Programme's Climate Promise: South Africa has pledged to reach net zero emissions by 2050. To enable this, South Africa aims to access at least USD 8 billion in climate finance annually by 2030.



Six thematic areas in South Africa's future economy

Drawing from these initiatives, South Africa has six overlapping focus areas. These indicate the top opportunities for growth.



1. South Africa is set on restructuring and reforming its energy system to make it more sustainable and equitable. It has expansive frameworks, policies and market incentives to encourage renewable energy – particularly solar PV and wind energy.



2. South Africa faces significant challenges in ensuring its population has access to nutritious food sourced sustainably and equitably. Considerable efforts are being made to transform the agricultural space. As a water-scarce nation, sustainable agriculture is imperative to ensure the food security of its people.



South Africa is home to the Cradle of Humankind, one of eight UNESCO World Heritage Sites in the country. It boasts the largest concentration of human ancestral remains in the world. With such an ancient, impactful history, it's exciting to see what South Africa can achieve in the future!



3. South Africa's financial sector will be pivotal in transforming the nation. Efforts to improve access to finance and increase financial literacy should improve inclusion and innovation.



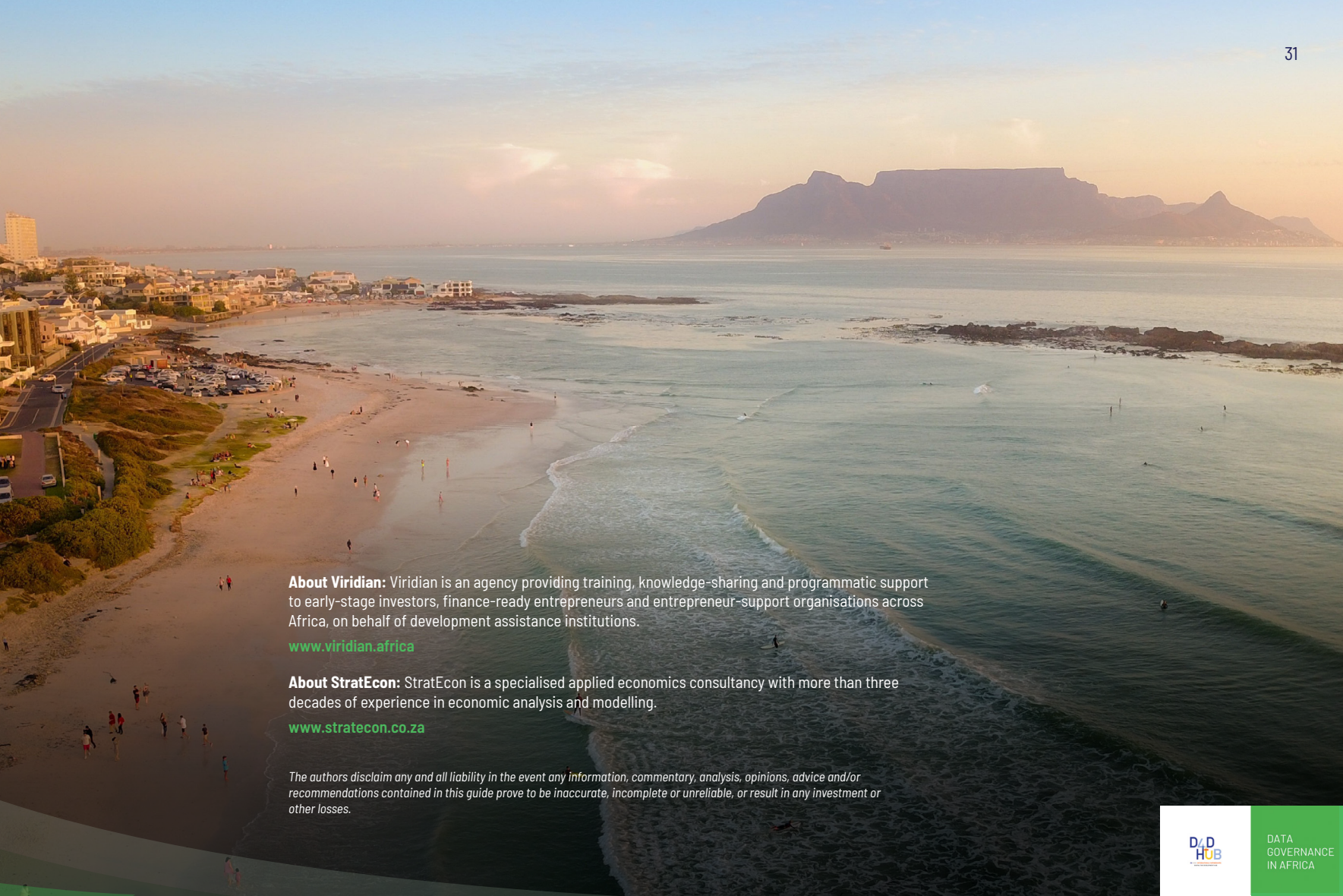
4. South Africa aims to provide its citizens with quality healthcare. The nation is particularly focused on tackling the challenge of communicable diseases.



5. South Africa needs to solve its unemployment crisis while ensuring people have decent work environments and remittances. Improving labour market efficiencies and skills is essential for job creation.



6. South Africa must expand its infrastructure, particularly to accelerate digital inclusion. Making the internet more accessible and teaching critical digital skills are key catalysts for all tech-enabled innovations.

An aerial photograph of a coastal area at sunset. In the foreground, a sandy beach is populated with many people. To the left, there's a road and some buildings. The ocean stretches towards the horizon, with waves breaking. In the background, a large, flat-topped mountain (Table Mountain) is visible against a hazy, orange-tinted sky.

About Viridian: Viridian is an agency providing training, knowledge-sharing and programmatic support to early-stage investors, finance-ready entrepreneurs and entrepreneur-support organisations across Africa, on behalf of development assistance institutions.

www.viridian.africa

About StratEcon: StratEcon is a specialised applied economics consultancy with more than three decades of experience in economic analysis and modelling.

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Investor's Pocket Guide

Quick guide to investing in South Africa



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