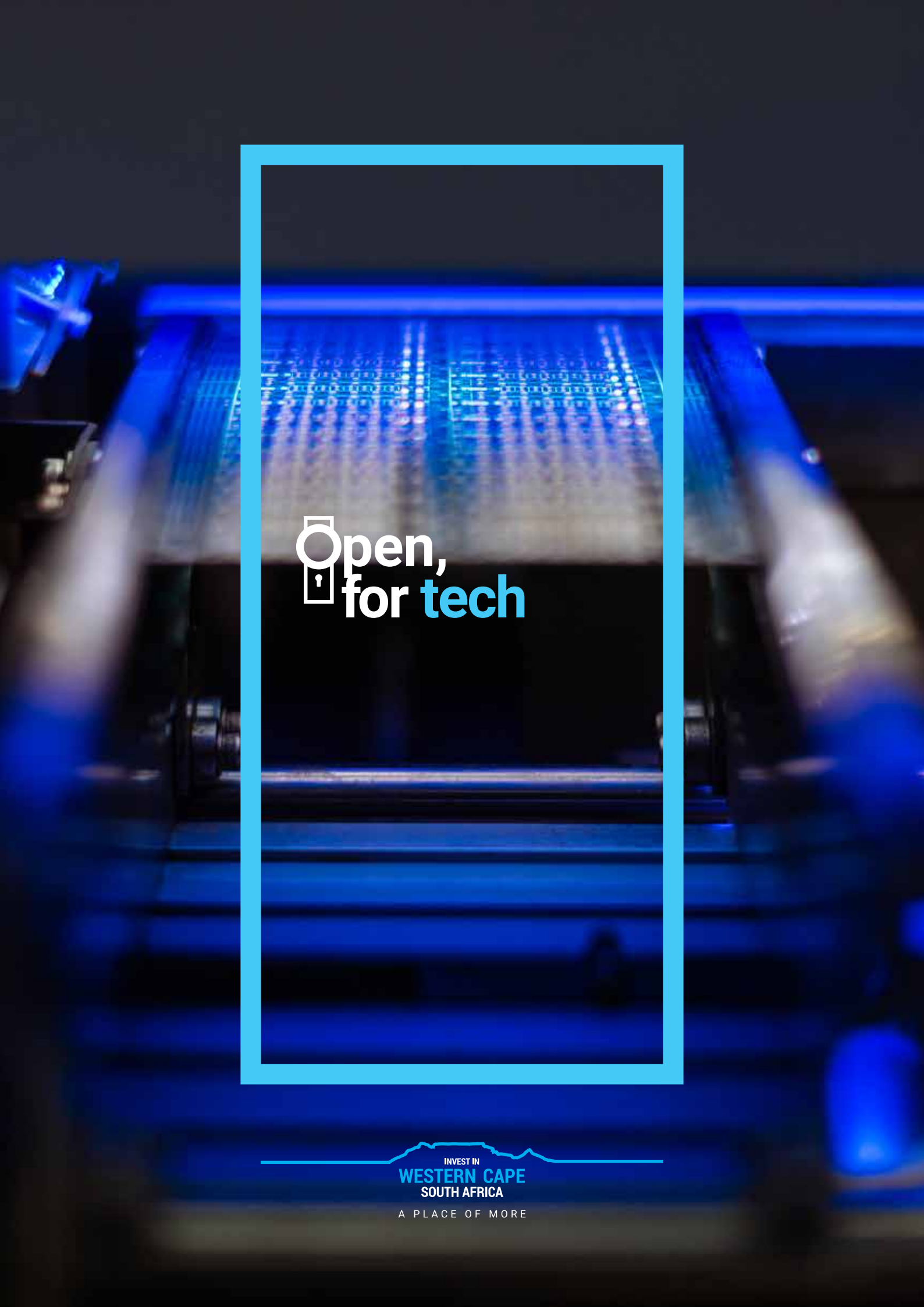
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INVEST IN
WESTERN CAPE
SOUTH AFRICA
A PLACE OF MORE

Overview

Cape Town – a place with a world-class digital ecosystem, where resources and talent meet commercial and social opportunity.

Cape Town and the Western Cape has a dynamic digital ecosystem powered by tech-savvy investors and talented people who are driving change and taking advantage of new opportunities. Digital innovative solutions are nurtured and thrive in this place of unparalleled beauty, with lifestyle to match.

As Africa's tech capital, Cape Town and the Western Cape is home to numerous tech start-ups as well as established players. This is an ecosystem dedicated to creating value at the new frontiers of the tech world.

The presence of major corporations in the local ecosystem, such as Amazon and SAP, have contributed to the development of highly skilled individuals that seek to broaden their horizons through moving back to work in; invest in; or mentor smaller high growth businesses. This has contributed to a dynamic and highly intra-connected tech ecosystem.

The Western Cape continues to attract great tech interest, innovation and investment, for example:

- Amazon is now one of the leading investors in Cape Town, Amazon employs approximately 4,500 people and has recently begun construction on a series of data centres (the company's first in Africa)
- South African born Naspers, headquartered in Cape Town, is now recognised as one of the 10 largest tech investors in the world
- In 2017 South African EdTech firm Getsmarter was acquired by NASDAQ listed 2U for US$103m
- SweepSouth, an on demand cleaning service, has raised multiple rounds of investment from local and international financiers
- Aerobotics, an on-demand satellite analytics provider focusing on agribusiness, has raised more than US$5m in recent funding and is expanding into the United States
- Luno, the Cape Town headquartered cryptocurrency exchange, was recently acquired by a New York-based Digital Currency Group for an undisclosed sum

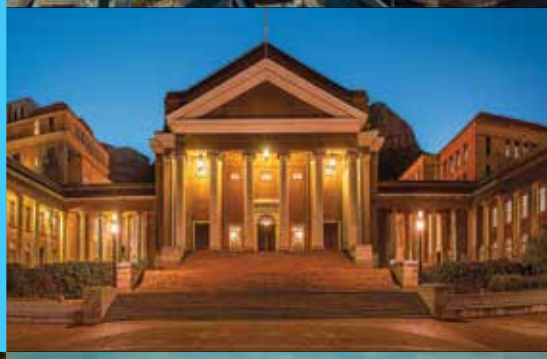
Cape Town is ranked in the top 30 cities at the forefront of global tech, the only city in Africa to make the Top 30, released in February 2019 by Saville Consulting. One of the major advantages of Cape Town is the affordability of real estate for residential rent and co-working costs relative to global high-ranking tech cities. Cape Town is the 6th most affordable city compared with the other 30 top global tech cities.

Cape Town is the 6th most affordable city compared with the other 30 top global tech cities.

Real Estate costs ranking	City	Sample metric Mainstream residential rent (Per week, USD)	Sample metric Coworking cost (desk in a private office, per month, USD)
1	Bengaluru	$160	$250
2	Chengdu	$140	$270
3	Buenos Aires	$180	$110
4	Hangzhou	$190	$290
5	Santiago	$180	$330
6	Cape Town	$280	$350
	Average	**$350**	**$590**

Source: Saville Consulting, 2019

Why Cape Town and the Western Cape



Cape Town is home to some of the largest cloud and data centres in Africa, including Amazon Web Services, Africa Data Centres powered by Liquid Telecom Group and Teraco Data Environments.

There are benefits of agglomeration. The Western Cape has established itself as a key technology hub in South Africa with a number of major companies launching their head offices in the city. This, in turn is attracting other tech companies.

In a highly mobile sector, the Western Cape's natural beauty which allows for a better working environment and lifestyle, is a strong pull factor for skilled employees.

A diverse ecosystem of companies and supportive local government ensures an enabling business environment.

The Western Cape's Software & IT services received the 2nd largest FDI by projects (71 investment projects) behind business services (77 projects), between Jan 2003- December 2019.

Cape Town is ideally situated to benefit from the fast growing African market, estimated to reach a population of 2.5 billion by 2050. The Western Cape already exports US$3.24 billion worth of goods to the rest of continent.

The Cape Innovation & Technology Initiative (CiTi) is regarded as one of the oldest tech incubators on the continent. It has incubated more than 2 000 businesses and supported more than 3 000 entrepreneurs.

Telecommunications market regulated by ICASA (Independent Communications Authority of South Africa).

Cape Town is home to the vast majority (almost 60 percent) of South African startups.

Cape Town International Airport (CPT) is a world-class, award-winning airport, the second largest in South Africa and the third largest in Africa. The port of Cape Town, situated on a major trade route, is one of South Africa's busiest container ports.

The supply of IT talent

The industry is largely supply driven and the availability of ICT skills and, the prevalence of an entrepreneurial culture, are key aspects in this regard. International investors choose the Western Cape due to the availability of highly skilled IT personnel.

In order to meet the growing demand for diverse, multi-lingual talent in the sector, specialised recruitment websites are available to cater to the industry such as Offerzen, Swift Momentum, DataFin recruitment, Summit Consulting, and Purple Squirrel amongst others. There are also special events around recruiting IT talent like HackerX.

HyperionDev, southern Africa's largest tech education provider, has trained 8500 people across southern Africa since its launch in 2012. The company relocated to the Woodstock Exchange because of the tech ecosystem and also recently partnered with international tech companies like Google to help further computing-related fields in South Africa that are matched by international standards.

The market for talent in the Western Cape, in particular the greater Cape Town region (Cape Town and Stellenbosch), is competitive but continues to grow. Government interventions to upskill talented individuals across the spectrum are taking place alongside a range of private sector initiatives. The dynamic and highly

intra-connected tech ecosystem is evidenced in the connectivity map that can be extracted from the Endeavor Analysis of the Cape Town-Stellenbosch Tech Sector 2018.

Universities and Institutions

Half of the top universities in Africa are from South Africa with two of the top three universities being located in the Western Cape (QS World Ranking, 2020).
South Africa was also the largest African destination for Foreign Direct Investment into research and development activity between 2003 and 2018, valued at US$345m with 13 investment projects. The Western Cape has four major tertiary education institutions:

- University of Cape Town (highest QS World Ranking amongst African universities)
- University of Stellenbosch (4th highest QS World Ranking amongst African universities)
- University of the Western Cape (13th highest QS World Ranking amongst African universities)
- Cape Peninsula University of Technology.

Tech Innovation Hubs and Supporting Institutions

Further, Cape Town has more than 25 co-working spaces and more than 20 local and international accelerators. Examples of co-working spaces are the Khayelitsha Bandwidth Barn, the Woodstock Bandwidth Barn, Akro, Rise Cape Town, Workshop 17 and Work & Co. Accelerators include VeloCiTi Entrepreneurial Development Programme, Grindstone, Startupbootcamp, Injini and Seedstars. It is estimated that accelerator programmes support between 10 and 15 start-ups in Cape Town each year.

Tech infrastructure

- Healthy competition in the telecom market including local representation of the leading global operators.
- The Western Cape is connected to the world via multiple submarine cable networks
- Ubiquitous fibre networks available on an open access basis: Extensive FTTB (fibre to the business) and FTTH (fibre to the home) coverage, plus multiple carriers on the 'golden triangle' of Cape Town, Johannesburg and Durban.
- Widespread coverage at 4G, with 5G being rolled out.
- Several thousand WiFi hotspots.
- Fibre optic networks from multiple providers including Openserve, Liquid Telecom, Dark Fibre Africa, Octotel and Cybersmart.
- Cape Town is home to multiple cloud and data centres, including Amazon Web Services' first Region in Africa.
- Global operators in South Africa include: BT Global Services, AT&T, Orange Business Services, PCCW Global, MTN, and Deutsche Telekom (via T-systems).

In 2020, Amazon Web Services (AWS) opened its first Africa Region in Cape Town. The AWS Cape Town data centres adds to Amazon's ongoing investment in South Africa. In 2004, Amazon opened a Development Center in Cape Town that focuses on building pioneering networking technologies, next generation software for customer support, and the technology behind Amazon Elastic Compute Cloud (EC2).

Incentives

Section 12L: Energy Efficiency Savings Tax Allowance	Tax allowance deduction in respect of taxpayers who implement energy efficiency savings measures. Tax allowance calculated at 95 cents per kilowatt hour or kilowatt hour equivalent of energy savings
Section 12R: Preferential Corporate Tax	15% preferential Corporate Tax rate applicable to businesses located in a Special Economic Zone (SEZ).
Section 12S: 10% Building Tax Allowance	10% building tax allowance applicable to businesses located in a Special Economic Zone (SEZ).
Section 12J: Venture Capital Incentive	Investment into a Section 12J Venture Capital Company (VCC) is fully tax deductible. National Government implemented a tax incentive for investment in small and medium-sized businesses through a venture capital company regime to assist SMEs with access to private equity finance
Black Industrialist Scheme (BIS)	Designed to promote industrialisation, sustainable economic growth and transformation through the support of black-owned entities in the manufacturing sector.
Research and Development (R&D)	This is a tax allowance incentive administered by the Department of Science and Innovation and SARS. The R&D Tax incentive applies to both SEZ based and non-SEZ based businesses. Provides 150% tax allowance deduction when determining an applicant's taxable income prone to operational R&D expenditure (Overheads, raw material and labour) incurred by companies registered in South Africa, undertaking R&D.

Support Programme for Industrial Innovation (SPII):	This is a financial incentive administered by the DTIC. It is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. SPII is focussed specifically on the development phase, which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced. The incentive consists to 2 main components: The Product Process Development (PPD) Scheme and The Matching Scheme.

Industry Support

SA SME Fund	The SA SME Fund invests in funds that support and develop entrepreneurs. The Fund was established by members of the CEO Initiative – a collaboration between government, labour and business to address some of the most pressing challenges to the country's economic growth – as an avenue of support for the SME sector.

Technology Innovation Agency Funding Instruments	**1. Seed Fund** The Fund's purpose is to enable innovators to evaluate, demonstrate and advance the value proposition and commercial potential of their research outputs. The Fund therefore contributes towards derisking research outputs in order to increase the pipeline for TIA and other funders. **2. Technology Development Fund** The Technology Development Fund provides funding to advance technologies from proof of concept to technology demonstration. **3. Pre-Commercialisation Fund** The Pre-Commercialisation Support Fund assists existing or potential individual entrepreneurs and Small Micro Medium Enterprises to obtain funding to support pre-commercialisation activities including the development of production / service capacity to levels that will support operational sustainability. This further includes market testing and validation of the technology in the potential customer environment, as well as bridging finance in preparation for commercialisation.

Key Sector Enablers: