

The dynamic future of legal technology and innovation in South Africa




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By

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The [Alternative Legal Services Providers](#) (ALSP's) market is reported to be worth a whopping \$14 billion. This resulted in a recognizable movement in many countries as law firms and corporate departments have shown significant interest in partnering with ALSP's to stimulate growth and lower costs. In many parts of the world, this shifted the focus from lawyers providing all legal services to lawyers as allied professionals providing some of those parts.

Technologies like Artificial Intelligence and Cloud Computing Systems are making the headlines amongst other factors presenting new market opportunities and revenue growth for the business of law. Many individuals, including the most cited legal technology author, [Richard Susskind](#), have continuously advocated the expected changes technology would bring to how lawyers perform their daily tasks and meeting the unmet legal needs- access to justice.

[South Africa](#) is, amongst other countries, cautiously exploring the opportunities presented by using technology to increase productivity and profitability while delivering value to clients. The country's democracy and legal system have been recognised as one of the world's fast-growing and transformative legal systems. However, its history caused a last-long effect that also caused the country to suffer from a shared world problem of providing adequate access to justice to most of its citizens.

Within the burdens came opportunities, as there has been a rise of entrepreneurs and other interested persons collaborating on innovative ways to allow lawyers to scale their services at reduced costs using technology.

The African Tech Ecosystem of the Future report of 2021-2022 ranked South Africa as Africa's leading tech frontier of the future in startup statuses, business friendliness, and economic potential. The report evaluated seventeen countries with more than 50 startups attracting investment greater than \$500,000 between 2019 and 2020.

Figure one below shows the top countries selected in the report, with South Africa as the leader in startup statuses and business friendliness.

Africa's most competitive tech ecosystems
A new report maps the continent's nascent tech ecosystems and their potential.

Rank	Country
1	South Africa
2	Kenya
3	Egypt
4	Ghana
5	Tunisia
6	Nigeria
7	Morocco
8	Namibia
9	Rwanda
10	Cote d'Ivoire
11	Senegal
12	Algeria
13	Tanzania
14	Uganda
15	Zambia
16	Cameroon
17	Mali

Quartz | qz.com | Data: fDi Intelligence/Briter Bridges | Note: 17 countries were selected based on the concentration of startups, funding, and tech hubs; they were judged on categories such as economic potential, business climate, cost effectiveness, connectivity, and

Figure one: fDi Intelligence and Briter Bridges report

South Africa's competitive tech ecosystem gives it the benefit to be agile and adapt quicker than other African countries. An important question is what effects this will have on the nature of legal technology in the country. Let us explore whether there is a space for legal technology in South Africa and the key players and tools that are expected and currently dominating the field.

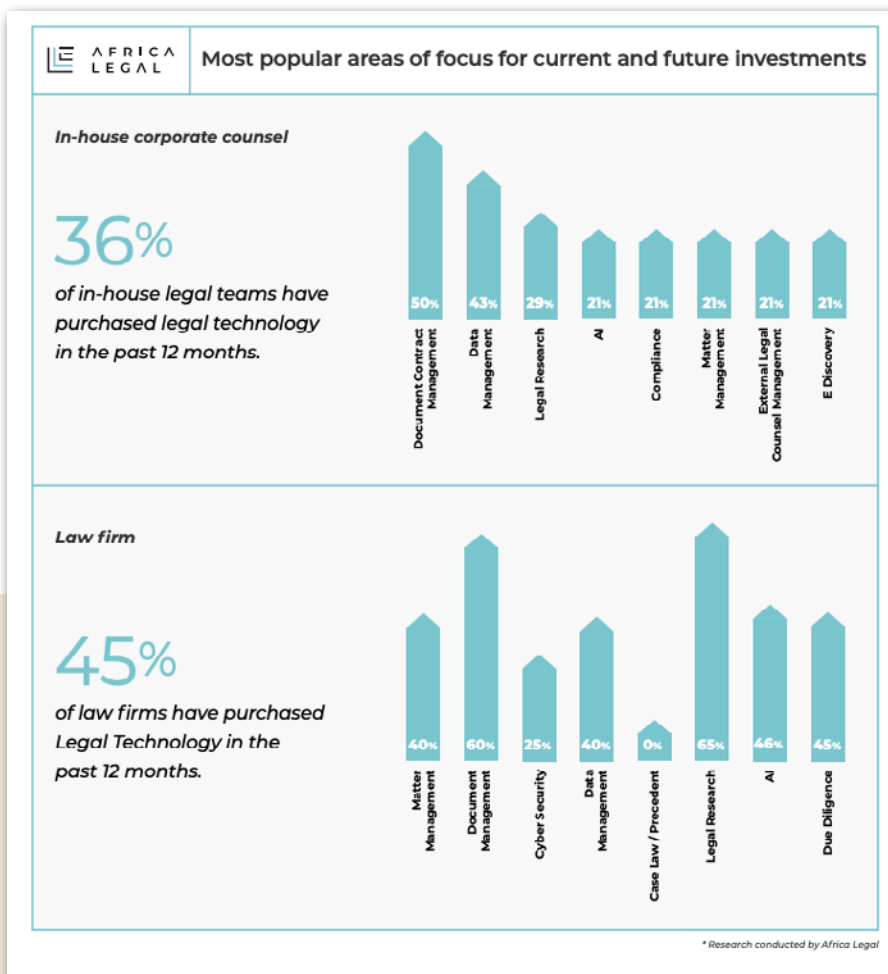
South Africa's accelerated tech dominance in Africa can also be attributed to venture capital funds, government grants, and incubators. With key examples, we will look at what effects this has on the scale of legal innovation and technology in the region, and closing with key home-takes and some of the expected and witnessed barriers to the speed of legal innovation adoption in the country.

Who are the buyers of legal technology in South Africa?

A 2019 statistical review by the Law Society of South Africa recorded a total of 27,223 admitted attorneys and a total of 12,373 law firms. This includes leading law firms in the sphere of legal innovation like Baker McKenzie and Dentons. However, the common trend is that large law firms and corporate departments usually prefer building tools in-house rather than outsourcing, like Baker McKenzie's [reinvent](#) program.

The most preferred legal technology clients are sole practitioners and legal departments with a 2 to 9 staff, and South Africa has about 12,000 practitioners belonging to this category. A recent [Innovation and Tech Fest](#) revealed a balanced perspective as to how ALSP's for many years has been viewed as both a threat and an enhancement to the legal profession in South Africa. The Innovation and Tech Fest comprises leading law firms, in-house legal departments, universities, and sole practitioners interested in purchasing legal technology. One of the critical challenges faced by legal communities is understanding the available solutions-when to use and what to use.

A 2020 report compiled by Africa Legal and shared at Legal Innovation and Techfest indicated two significant buyers of legal technology; in-house and law firms. In the past 12 months, it showed that 45% of law firms purchased legal technology while 36% of the in-house legal departments purchased legal technology. The focus areas indicated below show the most on-demand legal technologies in the country and continent at large.



Further, the report projected that 38.2% of legal departments adopt legal technology to increase efficiency, followed by 17.6% to remain competitive and lastly, 16.2% of legal departments adopt legal technology to reduce costs.

2020 Legal Innovation and Tech Fest Report

Key drivers of legal innovation in South Africa

The country is home to one of the most advanced VC networks, including the [Cape Innovation and Technology Initiative](#), which is the oldest startup incubator on the continent, supporting more than 3000 entrepreneurs in its last two decades. With readily available VC funds, legal technology startups are becoming more visible in South Africa than in other African countries. In 2018, global legal technology investments reached a [\\$1 billion mark](#), and it has been continuously climbing ever since. This is a clear indication that access to funding enables entrepreneurs to disrupt and explore new spaces, which has been one of the critical drivers of growth in the South African legal technology market.

One of the leading recently founded legal tech startups, [Legal Lens and BriefCo](#), recently received an undisclosed amount of funding from Imvelo Ventures, a local South African venture capital firm. This signified the growing acceptance and nature of legal technology in the country.

The country's most successful startups are based in Cape Town, which is considered South Africa's Silicon Valley. [Amazon](#) has spotted the opportunity as it plans to set up its South African headquarters in Cape Town. Legal innovation thrives faster in this region than any part of the country or continent because of many factors related to digital infrastructure, connectivity and access to talent provided by the continent's high-ranking university located in the area.

Potential barriers to innovation in South Africa

South Africa is embracing [New Cybersecurity Regulatory Reforms](#), which came into effect in 2021, including the Cybercrimes Act 19 of 2020 and Protection of Personal Information Act 4 of 2013. These policies were enacted to create a framework to protect personal information processed by private and public bodies, and to create offences which have a bearing on cybercrime and their investigation. In the meantime, there is still uncertainty in some tech companies, and others are restructuring their data management methods to comply with the new cyber laws.

The Standards of Practice and expectations from the public may also create barriers to innovation. Like many parts of the world, South Africa also has a standard of practice expected from legal practitioners, predominantly termed ‘fit and proper,’ which maintains the high standard of integrity the profession demands from legal practitioners. In an instance where the profession permits non-lawyers and members outside the profession to deliver legal services, there could be scepticism as to whether the standard and the integrity of the profession may be jeopardized.

What does this mean?

South Africa is home to some of the fastest-growing startups in Africa and the world. The age of ALSP’s is bringing excitement and scepticism to many legal businesses. However, like most parts of the world, there is a growing demand for systems to make law better, as a study conducted by [Law for All](#) recently found that about 86 percent of South Africans experience stress-related illnesses when dealing with a legal problem. Further revealed that only 45 percent of South Africans have the resources to enforce their legal rights. As a result, lawyers, entrepreneurs, and business leaders see this as a call for change — a call for accessible and scalable legal businesses.

In closing, South Africa’s competitive tech ecosystem and access to VC’s are some of the country’s accelerators of legal innovation compared to other African countries. With the recently recorded successes of several legal tech startups, excitement and hope are high.