Speech by Minister Beverley Schäfer at the Blockchain Africa Conference, CTICC 2

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Good morning and thank you for the opportunity to address you today. I followed the Johannesburg conference on social media very closely and I am very excited about the conversations that we're going to have here in Cape Town.

The Western Cape Government is committed to building an economy in which all of our citizens can participate meaningfully. In order to tackle many of the problems our economy faces, like slow growth and the high rate of unemployment, particularly in the youth, our focus has to be on building the future economy.

When we envision what we would like this future economy to look like, words like global, connected, innovative, resilient and sustainable come to mind.

So it stands to reason that the fourth industrial revolution and all of the digital and technological advancements and opportunities that come with it, will be at the centre of our future economy.

Robert J Shiller, the Nobel Laureate in Economics said "You cannot wait for a house to burn down to buy fire insurance on it. We cannot wait until there are massive dislocations in our society to prepare for the Fourth Industrial Revolution."

And Gert Herold, global practice leader at Stanton Chase sais "Industry 4.0 is not an imagined future. It is happening now."

Standing here today, it is clear that 4IR is definitely no figment of the imagination.

Block chain, as a component of the fourth industrial revolution, has the potential to change the face of business, and of governance. Block chain has, rightly so, become a major buzzword almost everywhere you go. It's mostly unchartered territory, with large amounts of potential.

We also know that there are risks and for some, these risks might be unpalatable and enough to make them blind to the opportunity. But that is why we have the smart people in this room who will be able to answer all of those questions.

For us today, the main question is: How ready is the Western Cape economy for block chain?

Government is often seen as a slow moving bureaucratic beast that doesn't easily adapt to change. And those who believe that would be right, to a

degree. In the Western Cape, there is a strong push towards change that will drive efficiency and reduce red tape.

We've already developed a red tape reduction unit in the province to drive this, with excellent results, but the greater speed and transparency which block chain promises, could take this up several more levels.

As an example, the Department of Economic Development in the UAE is using block chain as a way to digitize business license applications. By simply making it easier for new businesses to actually start doing business, we could be creating jobs at a faster rate.

In South Africa, a government-back smart contract on the blockchain would allow for easy to manage, efficient and fast transfers of assets. As an example, property transfers in South Africa currently take weeks and often months to be completed and their costly because they require lawyers and middle-men. A blockchain smart contract could ensure that property transfers happen within days at a considerably lower cost.

Across the government sphere, block chain presents many opportunities for increased efficiency. It could make it easier to access healthcare records and track a child's education right through their schooling career.

In the private sector, we've already seen the Western Cape start to come to the table in the block chain space, particularly when it comes to the finance and crypto currency sides of things. Crypto-currency wallet Luno, which services over 2 million clients, is Cape Town based. Wala, a mobile money product, which is using blockchain to bank the unbanked has offices and links to Cape Town. Similarly, Civic, the Silicone Valley based blockchain solution working in the realm of identity security has offices here and its founder, Vinny Lingham is from Cape Town.

In the education space, UCT's new fintech disruption in finance short course also features a module on blockchain.

The Western Cape has recently been named the tech hub of Africa and we are the financial services hub especially when it comes to transactions. Many of the financial long term savings companies and asset managers are based here. If we look at innovative start-ups doing exciting things in the country and around the world right now, many are based in the Western Cape.

At the very least, the environment is primed for the development of block chain in the private sector. But how do we take it out of just that crypto-currency and financial space?

How do we use it to develop other industries?

Let's take some of our biggest sectors here in the Western Cape for example.

Agriculture and agri-processing create a combined 300 000 jobs in the province. It produced 51% of all exported goods from this province and Western Cape agricultural exports make up 45% of the entire county's exported agricultural goods.

Imagine then, being able to track all of those products between farm and fork. Block chain has the potential to do that.
In the US, retail giant Walmart now requires all of its suppliers of lettuce and spinach to input detailed data into a block chain. This system was introduced after several people in the country got sick from eating contaminated lettuce. What this now means for the retailer is that if anyone gets sick again, they can pinpoint the source of the outbreak and discard only that lettuce and not all of it.

Last year, South Africa saw a massive outbreak of Listeriosis and it took months to trace the origin. In the future, block chain could play a role in determining where the outbreak came from and therefore limiting its impact.

We've also seen some really promising work in Indonesia which is incentivising local farmers, who are traditionally unbanked and vulnerable, to join the formal economy through the use of block chain.

In the Western Cape, we have large numbers of rural residents who are far from cities, we have informal traders and a massive informal economy that relies on cash transactions that leave them vulnerable to loss and theft.

How do we as the people in this room, as government, and as the tech and banking sectors go about solving this specific issue? Could we potentially create a crypto currency for the informal economy and the unbanked?

This would allow our citizens who have never used banking products to become banked. It would virtually be free, it would be convenient and all you would need is a cellphone.

One of our other major sectors in this province is tourism and block chain has applications here too.

As the Western Cape Government, we have spent millions on addressing the issue of ATM fraud, which was particularly targeted at tourists and visitors. We've had to produce information campaigns and have spent money on security personnel at some of the hotspots. But we can't patrol all ATMs all the time.

If visitors used a crypto currency of sorts for the duration of their stay, this risk and the risk of other card related crimes like skimming, would be virtually eliminated as there would be no need for cash or cards.

How many times have you got to a foreign country only to find that your luggage hasn't quite made it and is enjoying a holiday of its own somewhere else and you're forced to wait, hoping it will eventually catch up?

Something as simple as tagging luggage and entering its information onto the block chain can mean that each and every traveller's luggage can be located in seconds.

If we had to go through every sector in the province, we would likely find a way that block chain can reduce costs, or increase speed transparency and traceability.

But we must be careful not to fall into what the World Economic Forum calls "technology evangelism" in their white paper entitled "Blockchain: Beyond the Hype".

The paper argues that we must guard against introducing blockchain purely for the purpose of introducing blockchain.

"The knee-jerk pivot to blockchain when other existing technologies could suffice not only consumes resources in pointless experimentation but also slows the development of sustainable solutions for the problems at hand, and can even lead to the absorption of unrecoverable costs. Given the relatively early stages of this technology, anchoring on blockchain without consideration of associated risks, including, among others, cost, security and the relevant industry's regulatory environment, can be detrimental" the researchers say.

If we want to build a future economy that is sustainable and adaptive, that is resilient and that responds to the needs of the people in it, we need to be open to blockchain but we cannot rely on blockchain alone to solve our problems.

As a responsible government the question we must be asking is not "where can we use blockchain?" but rather, what is it that we want to do in this economy, and how can we use blockchain to help us do it?"

Thank you