



**THE STATE OF LEGAL-TECH  
IN AFRICA REPORT**

# 1. EXECUTIVE SUMMARY

## 1.1 Highlights of the report

- A brief outline of the history and the development of legal tech.
- The state of legal tech in Africa is the outcome of a self-regulated legal profession that produced a culturally conservative, rigid, risk averse, protective organization contending with the realities of a digital society and the evolving of the legal services consumer at both the lower and higher income levels. The legal services consumer of the digital age views the world as interconnected, globalized, fast paced and efficient.
- Legal tech in Africa is happening primarily towards two general directions: access to justice for low income legal services consumers who cannot afford legal services as priced; and legal operations tech for firms to offer their services faster and more efficiently with the advantage of reduced cost.
- What's working currently: specialized investors. The current startup ecosystem is very high risk for legaltech due to low demand from high value consumers and low investor attractiveness.
- What is promising: specialized incubation by firms and judiciaries.
- Presently, there are over 50 legal tech startups in Africa whose primary objects can be grouped into either E-discovery, Online Legal Services, Lawyers Marketplaces, Legal Documentation and Legal Practice Management.
- Although there is a vibrant startup funding landscape for Africa, the legal tech sector is not recording successful partnerships compared to other sectors like fintech, logistics and energy.

## 1.2 Background

In 2008, a book was published with the title ‘The End of Lawyers? Rethinking the Nature of Legal Services’<sup>1</sup> was published by one now highly reputable lawyer practicing in England and Wales by the name Richard Susskind.<sup>2</sup> In this book Richard argued that legal services have become too costly for both the large scale high end consumers and the low income members of society and that the economics of this will force the professional, as with all other sectors to become more efficient and cost effective for consumers.

He further argued that the law has survived on the perception that legal services are tailor made for legal service consumers. In disagreeing with this notion, Susskind pointed out that certain legal services such as legal research, document preparation and procedure could be standardised and drawn ‘off the shelf’ as with goods in a supermarket. This was not this author’s first brush with the idea of a legal profession that deepy and extensively used technology. In 1996, he released a book titled ‘The Future of Law: Facing the Challenges of Information Technology’.<sup>3</sup> This attracted harsh criticism from senior members of the law society of England and Wales. According to Susskind, his ideas were bringing the legal profession to disrepute and were an attack on the legal profession.<sup>4</sup>

On conceiving the thought that one needs a lawyer a likely play-by-play of what should happen next is as follows.. One secures some sort of contact information by recommendation or some contact repository of some sort. Today that can be a Google search, Linked-in or Twitter profile. This is followed by contacting them on one’s preferred platform from where an invitation to visit counsel(the lawyer) in chambers (at their offices) is extended. The visit to the office will lead to a sit down where the potential client explains the scope and detail of their issues and the lawyer listens. The lawyer may on this day or at a later date explain the scope of their service to the potential client together with what it will cost, at least roughly, to offer the service. In will come discussions of signing a retainer, paying retainer fees or some other arrangement where for every period of time spent working on the client’s matter this service is raised in the fee note. This goes on as long as required with every interaction or action consuming time attracting a fee of some sort until the matter is concluded and closed.

This service model is among the aspects of legal services that gives way to a barrage of criticism. It is common knowledge for many that lawyers are expensive, the phenomenon of the billable hour, one that is common among the professions with audit, accounting business consulting and medicine facing similar criticism. It is also a common criticism that legal drafting is not really as tailor made as legal professionals set it out to be.

This is especially advanced by the increasing ease of access to legal document templates, paying credence to Susskind's argument that some legal documents can be standardised and thus shattering the allure of a tailor-made, hand-crafted service of legal drafting.

The legal profession exists within a society with over 20 years of a process of digital transformation since the emergence of the internet. Today's society has come to be known more and more as a digital society with digital technologies rearranging the way of life, industry, business and commerce. The digital transformation has shown society that their needs can be met faster, better, more efficiently and with reduced cost. Often these efficiencies are found thanks to the internet search engine capabilities of virtually every computerised device today. Further, with the capabilities of machine learning and other emerging fields of artificial intelligence, hours of reading and writing can be reduced to minutes as standard contract templates are available to download. Surely, the consumer of legal services, who is aware of the possibility of a faster and less costly experience with their lawyer will resist the legal professional who does not mirror today's society.

Further, digital technologies have come with the growing demand for inclusion in different sectors. Financial inclusion has been a big one with digital technologies giving many low income, unbanked people without access to traditional banking services an opportunity to participate economically through access to micro-loans, electronic wallets to store their money and electronic money transfer to far and wide places. The theme of access common in the inclusion discussion is just as prominent in the legal and justice sector where a similar section of society, who simply cannot afford the lawyers of today are turning to apps and less costly methods to secure advice and avoid ever having to go to the lawyer with a dispute. These people have sought to conduct legal affairs personally and solve their disputes without courts and lawyers. Their criticisms, in addition to those mentioned above is the inaccessibility of justice systems due to complex court systems and legal language in statute that makes it hard for them to reach and navigate the legal system with what they can afford and understand.

In defence of the lawyers, in many jurisdictions what lawyers charge is based on professional rules before market behaviour plays into the decision of what to charge. In Kenya for instance this is determined by the Advocates Remuneration Order, which stipulates price minimums for a variety of services with below prescription charges considered undercutting and an offence attracting disciplinary measures.

<sup>1</sup>Susskind R, *The End of Lawyers?: Rethinking the Nature of Legal Services* (Oxford University Press 2010)

<sup>2</sup> (Richard Susskind) <<http://www.susskind.com/>> accessed September 10, 2020

<sup>3</sup> Susskind RE, *The Future of Law: Facing the Challenges of Information Technology* (Oxford University Press 2005)

<sup>4</sup> (YouTube) <<https://www.youtube.com/embed/I5iGp-bqwnY?rel=0&wmode=transparent>> accessed September 10, 2020

Unsurprisingly entrepreneurs and innovators from within and without the legal profession have emerged with solutions to these challenges. With innovations aimed at a variety of sectors such as ease and efficiency of legal business to access to courts, legal information and legal advice, these come to be known as legal and justice tech.

This report will cover technology used by legal professionals to offer legal services and that which is used to access justice system structures and information. The first will be known as legal tech while the second will be characterised as justice tech.

### **1.3 Objectives of the report**

This report will aim to accomplish the following:

- To establish the size of the sector in numbers, geographical distribution and ecosystem around the legal tech sector.
- To identify the bottlenecks to the growth of the legal tech sector.
- To project the possible future of legaltech in Africa.

### **1.4 Scope of the report**

This report will cover digital technology products that:

- Enable legal services consumers to access resources to enable their independent or assisted use of the justice system.
- Enable legal businesses to enhance and manage their legal services offerings to their clients.

This report will exclude:

- Generic non-specialised products used for office management, written or face-to-face communication, project management and other technology tools and services not specifically developed or optimized for legal services.

<sup>5</sup>Cockfield, A. J. (2003). Towards a law and technology theory. *Man. LJ*, 30, 383.

<sup>6</sup>Friedmann, R. (2004). A history of legal technology. *AmLaw Tech* 2004.

<sup>7</sup>Sako, M., Qian, M., Verhagen, M., & Parnham, R. (2020). Scaling Up Firms in Entrepreneurial Ecosystems: Fintech and Lawtech Ecosystems Compared. Available at SSRN 3520533.

<sup>8</sup>Cassim, F. (2017). The use of electronic discovery and cloudcomputing technology by lawyers in practice: lessons from abroad. *Journal for Juridical Science*, 42(1), 19-40.

## 2. THE HISTORICAL DEVELOPMENT OF LAW AND TECHNOLOGY

The transition of the legal sector to one that is heavily reliant on technology started as early as 1950. As the adoption of technology increased rapidly in other sectors, so did it in the legal sector, albeit slowly. <sup>5</sup> In the past 25 years however, this adoption has increased, with the use of technology growing exponentially. <sup>6</sup>

The legal tech industry now occupies over 3% of the legal market share, with thousands of legal tech startups being established worldwide on a yearly basis. <sup>7</sup> Not only is the yearly investment in legal technology increasing but so is the regular day to day use of technology in legal offices. Over 20% of lawyers nowadays use cloud services and document management tools and this is tipped to be on the rise. <sup>8</sup>

<b>INNOVATION/PROGRESSION</b>	<b>YEAR</b>
THE DICTATION MACHINE	<b>1953</b>
FIRST COMMERCIALISATION OF THE FAX MACHINE	<b>1964</b>
LAUNCH OF MICROCOMPUTER WITH WORD PROCESSING AND THE INVENTION OF THE UBIQ TERMINAL	<b>1973</b>
LAUNCH OF FIRST PERSONAL COMPUTER BY IBM	<b>1981</b>
USE LANs CONTINUES TO GROW EXPONENTIALLY, LEADING TO HIGHER AMOUNTS OF DOCUMENT SHARING	<b>1985</b>
THE FIRST WORLD WIDE WEB SERVERS OUTSIDE OF CERN ARE SWITCHED ON	<b>1989</b>
ATTACHMENTS TO EMAILS FOR NON-TEXT FILES ARE SUPPORTED	<b>1996</b>
THE FIRST BLACKBERRY DEVICE IS LAUNCHED AS A PAGER	<b>1999</b>
THE FIRST ELECTRONIC DISCOVERY REFERENCE MODEL IS PUBLISHED	<b>2006</b>
THE STOCK MARKET CRASHES, CATALYSING THE TRANSFORMATION IN THE LEGAL TECHNOLOGY MARKET	<b>2008</b>
THE LAUNCH OF THE FIRST INTEGRATED LEGAL TABLET APPLICATION	<b>2012</b>
INTRODUCTION OF SMART CONTRACTS	<b>2014</b>
THE AFRICAN UNION ADOPTS THE CONVENTION ON CYBER SECURITY AND PERSONAL DATA PROTECTION	<b>2014</b>
THE FUNDING FOR LEGAL TECH ECLIPSES 289 MILLION USD	<b>2015</b>
IBM LAUNCHES ROSS, THE FIRST AI LAWYER	<b>2016</b>
ENACTMENT OF THE GDPR	<b>2018</b>
THOMSON REUTERS LAUNCHES WESTLAW EDGE, THE NEXT GENERATION OF ITS LEGAL RESEARCH PLATFORM	<b>2019</b>
THE INAUGURAL AFRICA LAW TECH FESTIVAL IS LAUNCHED AND THE AFRICA LAW TECH ASSOCIATION IS FOUNDED	<b>2020</b>

## 2.1 1950s & 1960s - The Dictation Machine

Sound recording machines were invented long before the 1950s, but it was in 1953 that dictation machines were first marketed specifically to law firms.<sup>9</sup> Lawyers could record information on dictation machines even if their assistant wasn't present, and they could have the assistant transcribe the information later.

It represented the first technological innovation that would have a tangible effect on the efficiency of law firms. This allowed lawyers to save time and have a more reliable way of recording information. In its initial stages, sound recording machines were expensive and bulky, but as they became smaller in size and cheaper, more and more law firms started using them. Today, the presence of sound recording and transcription software is ubiquitous as most lawyers are able to access these services in their mobile phones.<sup>10</sup>

## 2.2 1970s - Lexis and UBIQ

1973 is often regarded as the beginning of the computer revolution for the legal industry, as this is the first time an application was designed specifically for legal work. Lexis invented the red "UBIQ" terminal to let lawyers search case law online rather than laboriously pore through books.<sup>11</sup>

The presence of this technology resulted in an increase in the use of computers among lawyers. Even though at the time it was an expensive investment, the math more than balanced out once lawyers didn't have to account for library fees and could take on more cases as a result of the more time-efficient research. By 1979, the idea of purchasing a computer for the purposes of research and word documentation became the norm in countries like the USA and UK, as lawyers sought competitive advantages.

With the rise of LexisNexis and similar research programs, especially in law schools, lawyers increasingly found the information at their fingertips essential to their jobs. Legal tech that focuses on eDiscovery helps to fill these gaps today, but remains an expensive investment that only larger law firms are likely to be able to retain.

## 2.3 1980s - Fax Machines and Case Management

Before the 1980s most law firms were dependent on mail or courier services to deliver important documents to clients. While the fax machine was introduced in the 1960s, it gained popularity in the 80s, as it had become significantly more affordable by this point in time. This shortened the time taken between creating a document and sending it to a client from days to minutes.

<sup>9</sup>Morton, D. *Sound Recording: The Life Story of a Technology* (Greenwood Technographies).

<sup>10</sup>Florian Schwiecker (2017). Choosing the right dictation device.

<sup>11</sup>Brown, P. (2003). How a digital idea became a multi-billion dollar business—Part III. *Logos*, 14(1), 31-36.

<sup>12</sup>Nicole.B. (2019) The facts about the 21st-century fax—and how lawyers can use it to their advantage.

<sup>13</sup><https://www.computerhope.com/history/network.htm>



But of course that was depending on the client having easy access to a fax machine, which didn't become widespread until the late 80s and early 90s. This is also the time when the first case management systems began to emerge.<sup>12</sup>

Unfortunately, the early versions didn't work for most large law firms because they weren't easily scalable and many law firms were still using DOS instead of Windows. The migration from DOS to Windows didn't happen on a mass scale until the 1990s. But as it did so too did regular use of email and publicly available legal forms.

## **2.4 1990s - Computer Networks and Email**

The 1990s are largely seen as the beginning of the digital age and by this point in time, many law firms worldwide had started using computers to create documents and even send messages on internal networks. One of the most influential changes in this regard was the ability to send emails to outside networks at a widespread level, which began in the late 90s.<sup>13</sup>

This essentially set the wheels in motion for the transition of the legal industry into one that would not require face to face interaction. Not only did Email offer the capacity for widespread and efficient communication, but unlike fax machines and older generations of computers, it didn't place that much of a financial burden on the consumer.

Networked computers saved a tremendous amount of time because they allowed lawyers to communicate with others in a matter of minutes and get immediate responses; they were also able to confirm receipt of the sent messages in some cases.

While case management software existed during the late 1990s, it failed to offer comprehensive, reliable services that included both document management and communication capabilities. Although with the wheels of the digital transition already turning, the next few decades would bring with them a series of legal innovations.

## **2.5 The 21st Century - Advanced Legal Technology**

The biggest and most apparent technological need for lawyers in the late 90s heading towards the 21st century was case management systems with greater utility. The earlier versions of case management systems were helpful but flawed because they weren't scalable, and in many cases, did not address all of the critical needs of a law firm.<sup>14</sup> Most were local downloads only and replaced, instead of integrated, office productivity software like MS Word.

Leveraging modern technology led to more legal-centric innovation and soon after led to the development of more technological tools for the legal industry. The use of tools such as blockchain and AI is becoming more and more common in legal institutions and legal research as well<sup>15</sup>. Although these tools still come with their inefficiencies and flaws, the impetus for the creation and use for legal technology is now greater than ever. With the pandemic forcing the majority of legal work online, these innovations are here to stay.

<sup>14</sup> Evans, N. & Price, J. (2017). Managing information in law firms: changes and challenges. Information Research, 22(1), paper 736. Retrieved from <http://InformationR.net/ir/22-1/paper736.html> (Archived by WebCite® at <http://www.webcitation.org/6oGblkCib>)

<sup>15</sup> McPeak, A. (2018). Disruptive Technology and the Ethical Lawyer. U. Tol. L. Rev., 50, 457.

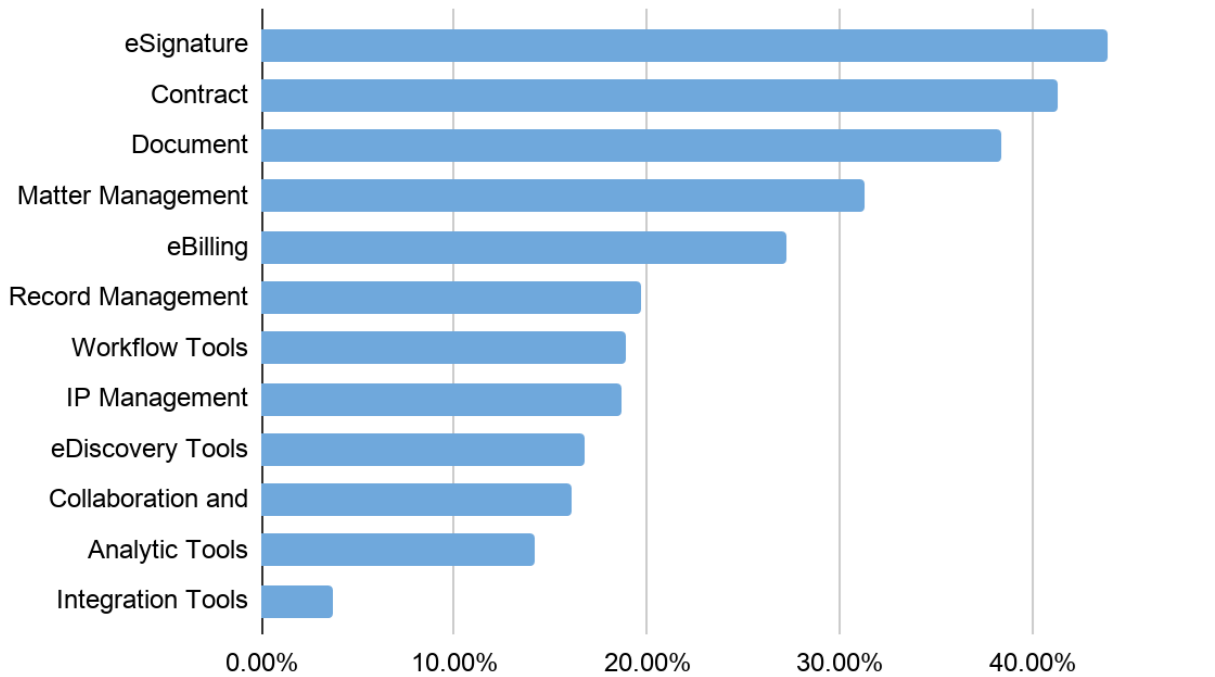
## 2.6 Breaking Down the Current Use of Technology in the Field of Law

Ever since the turn of the 21st century, the proliferation of technology into law has occurred at an accelerated pace. This has resulted in the churning out of new forms of technology and legal methods and the enactment of enabling legislation for the same. <sup>16</sup>

The journey that started as early as the 1950s with tech such as ARPANET, has come a long way. Document and case management systems are easier to use, legal research tools are ubiquitous and the use of AI and Blockchain has further increased the efficiency of legal professionals. <sup>17</sup>

Globally, the trend regarding legal technology is as follows:

Tech tools & Usage Percentage in Legal Departments Globally



INFO TABLE

TECH TOOL	PERCENTAGE OF LEGAL DEPARTMENTS USING IT
E-SIGNATURE	43.9
CONTRACT MANAGEMENT	41.3
DOCUMENT MANAGEMENT	38.4
MATTER MANAGEMENT	31.3
E-BILLING	27.2
RECORDS MANAGEMENT	19.7
WORKFLOW TOOLS	18.9
IP MANAGEMENT	18.7
E-DISCOVERY TOOLS	16.7
COLLABORATION AND KNOWLEDGE MANAGEMENT	16.1%
ANALYTIC TOOLS	14.2%
INTEGRATION TOOLS	3.7%

## **3. ANALYSING THE LEGAL TECH ECOSYSTEM**

### **3.1 The Status Quo**

As discussed earlier, the manner in which legal business is carried out is the product of a collection of factors that are now coming to face off with the digital transformation of society.

#### **3.1.1 Self regulation**

In many jurisdictions the legal profession regulates through bar associations and law societies. These bodies are mandated to regulate the practice, conduct of legal business which includes business aspects such as advertising, marketing and price of services. In Kenya for instance there exists an Advocates Remuneration Order 18 which sets prices beneath which an advocate is said to be undercutting which is an offence within the profession. Critics of this self regulation argue that it has created a bubble around legal business, shielding its operation from the effects of market dynamics.<sup>19</sup> The criticism extends further to say that if prices had not been set they would be consumer sensitive and adjust more flexibly.

#### **3.1.2 Legal culture**

The culture in the legal profession is hardly associated with innovation. In fact, many writings on legal culture use words such as 'risk averse', 'cautious', 'reactive' and 'rigid'.<sup>20</sup> This naturally has translated into the manner of legal business and the reaction from those attempting to introduce innovation in the sector. The risk averseness and conservative, by the rules approach to innovation has come into direct opposition with the culture of tech startups who by definition have an appetite for risk and innovate for need and demand rather than by existing rules. Naturally this complicates and blocks high product-market fit and significantly affects traction for new products.

#### **3.1.3 Legal exceptionalism<sup>21</sup>**

Exceptionalism is the idea that a certain group of people are special in being extraordinary in their role, function or contribution and thus are to be treated as such by the rest, Exceptionalism is not a phenomenon restricted to the legal profession. As it were every traditional profession medicine, engineering, architecture can be seen to have a level of exceptionalism. That being said, exceptionalism is also not entirely negative in its connotations as it is a recognition of the resource intensive investment it takes to acquire professional qualification and the status that comes with. However, this idea that the role is so specific that only the professional could deliver is being challenged in the legal profession with the criticism that some legal tasks do not require a lawyer to be performed.

The democratization and access of knowledge and emergence of digital technologies such as machine learning and other forms of automation is challenging this sense of exceptionalism in the legal profession.

### **3.1.4 The myth of bespoke<sup>22</sup>**

Due to the concept of the law as a profession and the resulting culture and self-regulation an idea emerged which is described as the myth of bespoke. According to proponents of this criticism it is the idea that all legal matters are ‘unique, inherently complex and implicitly worthy of premium rates’. This has contributed to the current structure of legal services and the fees sought by practitioners in different jurisdictions.

## **3.2 Drivers**

Dr Susskind alludes to the ways in which the continuing digitization of society affects the way in which legal services are demanded and consumed by consumers. In this section we will explore the factors creating demand, pushing consumption and pushing for the digital transformation of legal service delivery and justice systems usage.

### **3.1.1 The digital era consumer of legal services**

The adoption of digital technology has greatly affected the way people consume goods and services. This consumer has fast access to information including legal information, is socialized to expect fast and efficient access to services and likely to wonder whether there is an app for that. This consumer knows due to information technology and the globalization effect of the internet that technology is changing legal services in other parts of the world. This model of consumption is greatly pushing the movement for ‘legal as a service’ in Africa where legal services have been criticised for lagging so far behind other continents in the adoption of technology.

### **3.1.2 Automation and Artificial Intelligence**

In 2015, a groundbreaking decision was delivered when a second circuit court found that tasks that could be performed completely by a machine cannot strictly be considered to be part of the ‘practice of law’.<sup>23</sup> In analysing the impact of this decision, the effect is expected to be that the automation of tasks will remove them explicitly from the realm of legal practice and thus outside the ambit of legal professional regulations.<sup>24</sup> On the continent there are currently glimpses of the use of automation and AI in legal knowledge management, research and contract analysis with products such as LawPavillion<sup>25</sup> and TIMI from Nigeria.

### 3.2.3 The startup ecosystem

With the digital economy, jurisdictions leading the tech transformation have come to be characterized by a growing tech community that comprises hubs and accelerators, startups and investors where companies go through a fairly standard stages with pre-seed/idea phase to growth stage/scale ups towards maturity marked by exits through merger and acquisitions or public offerings. So far tech innovation has shown us cross-sectoral collaborations and acquisitions as larger companies inch into new areas of the market. <sup>26</sup> In 2019, in western markets there was a record \$ 1 Billion total investment in legal tech. Legal tech in Africa will likely go in this same manner as the market grows and matures.

### 3.2.4 Specialized legal-tech accelerators

Generally hubs and accelerators are sector agnostic, admitting startups with products in all sectors possible. However, a trend appears to be emerging where law firms and associations of law firms are investing in acceleration. The advantage of this approach includes investment and access to resources provided by firms with a view to develop tech solutions they are likely to adopt and incorporate into their business models. This provides some stability of environment for the startups where uptake of legal tech is greatly challenged by legal culture, market inaccessibility and a lack of investment interest from generalist investors. An example of this in Africa is the A&K Legal Tech Incubator. <sup>27</sup>

<sup>18</sup> [http://kenyalaw.org:8181/exist/kenyalex/sublegview.xql?subleg=CAP.%2016#KE/LEG/EN/AR/A/CHAPTER%2016/SUBLEG/HC\\_LN641962](http://kenyalaw.org:8181/exist/kenyalex/sublegview.xql?subleg=CAP.%2016#KE/LEG/EN/AR/A/CHAPTER%2016/SUBLEG/HC_LN641962)

<sup>19</sup> <https://www.forbes.com/sites/markcohen1/2018/03/29/law-is-a-profession-and-an-industry-it-should-be-regulated-that-way/#43c6dde66598>

<sup>20</sup> <https://www.forbes.com/sites/markcohen1/2017/12/04/whats-a-lawyer-worth/#41d23af477c4>

<sup>21</sup> <https://prismlegal.com/big-law-fast-food-and-lawyer-exceptionalism/>

<sup>22</sup> <https://www.forbes.com/sites/markcohen1/2017/12/04/whats-a-lawyer-worth/#41d23af477c4>

<sup>23</sup> *Lola v. Skadden, Arps, Slate, Meagher & Flom LLP*, 620 F. App &#39;x 37 (2d Cir. 2015)

<sup>24</sup> Michael Simon, Alvin F Lindsay, Loly Sosa & Paige Comparato, *Lola v Skadden and the Automation of the Legal Profession*, 20 Yale J.L. & Tech ().

Available at: <https://digitalcommons.law.yale.edu/yjolt/vol20/iss1/5>

<sup>25</sup> <http://lawpavilion.com/about-us.html>

<sup>26</sup> <https://www.lawsitesblog.com/2019/09/at-1-1-billion-2019-is-a-record-year-for-legal-tech-investments-and-its-only-September.html>

<sup>27</sup> <https://www.africalegalnetwork.com/incubator/>

## 4. LEGAL TECH ECOSYSTEM PLAYERS

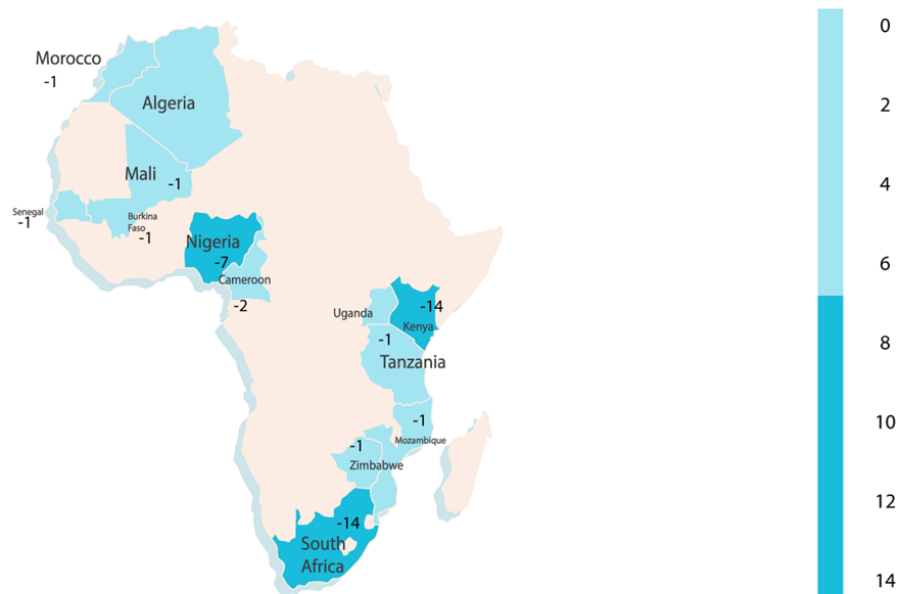
### 4.1 Innovators

In an ever-evolving startup ecosystem where emergent technologies are disrupting sectors such as finance, entertainment, healthcare and agriculture, the legal sector arguably lags behind with relatively little known about legal tech startups in Africa. In the last 13 years, 50+ innovative legal tech startups have emerged in an effort to either facilitate access to justice or aid in the business of law. These startups offer products which are more efficient, affordable and accessible thereby speeding up the legal process.

LAWYERS  
HUB

AFRICA LAW  
TECH

### DISTRIBUTION OF LEGAL TECH STARTUPS IN AFRICA



WeeTracker, a Pan-African, research and media company, classifies the companies into the following categories: <sup>28</sup>

- E-discovery. These are startups that have made it possible for individuals to access justice or legal information through the use of text messages.
- Online Legal Services. Comprises of digital platforms that provide legal services including legal advice, consultation, and Q&A forums.
- Lawyers Marketplaces which are digital platforms that connect clients with lawyers.
- Legal Documentation. These are startups that generate legal documents for their users online.
- Legal Practice Management. Includes providers of systems and data analytics used in the legal sector.

## 4.2 Entrepreneurs

In tracing the key entrepreneurs for the sector, we analysed Africa's startup funding landscape in 2019 as captured by Briter Bridges for the Investor Summit that was held in Cape Town in November 2019. Notably, the legal tech sector lacks in the top four ranking for sectors with the most investments. In fact, the legal tech theme has not been recognised as a standalone sector in 2019 Africa's 1 Million+ StartUp deals. However, as of 2019, there were over 250 investment firms including VC's, other funds, direct corporate investments, government and development finance, foundations, NGO's and philanthropy with interest or presence in Africa. This is a 66% rise from the number of investors reported in the previous year. <sup>29</sup>

There are also several key angel networks that coupled with supporting hubs like innovation hubs, incubators and accelerators provide great support to the various innovations in Africa. Again, these networks are not specific to any individual sectors.

<sup>28</sup> WT Research. (2020). An Overview of LegalTech in Sub Saharan Africa- 35+ Startups Defining the Space.<<https://weetracker.com/2020/04/07/an-overview-of-legaltech-in-sub-saharan-africa-35-startups-defining-the-space/>>;

<sup>29</sup> <<https://briterbridges.com/innovation-maps>>;

## 5. ENABLERS

### 5.1 Legal Framework

Since the latter half of 2018, a number of countries in Africa have enacted laws, regulations and policies that are geared towards creating a more development friendly startup ecosystem.<sup>30</sup> While various states are still in the process of doing so, the continent-wide progress with regards to creating a regulatory framework for tech startups has been commendable.

The main laws being amended and/or enacted have included:

- Access to Information Acts
- Data Protection Acts
- Cybercrime Acts and
- Startup Acts

These laws are instrumental in the creation of safe digital spaces in which one can operate their business and regulations based on the taxation and revenue collection for the same. With specific regards to Startup Acts, Tunisia was the first African state to enact one, with the highlight of the act being the clear distinction of startups from other businesses.<sup>31</sup> This distinguishing paved way for the uniform regulation and dispensation of the accruing benefits to such companies. The impact of the Act has been noted by the Entrepreneurs of Tunisia (EoT), who have reported a 61.2% increase in startup coworking spaces.<sup>32</sup> Last year in December, Senegal also enacted its inaugural Startup Act hoping to see similar results in its startup industry as Tunisia.<sup>33</sup> Furthermore, despite the onset of the pandemic, a slate of countries have moved forward with discussions on the tabling of their own Startup Acts, including Kenya, Nigeria, Ghana, Rwanda and Mali.<sup>34</sup> Due to the progression on the creation of said laws, it is evident that the 2020s will represent a turning point for legal tech startups in the region on a foundational and operational level.

<sup>30</sup> Emmanuel, P. (2020). African startups are under threat, and governments need to save them.<lt;<<https://techpoint.africa/2020/05/07/policy-investments-startups-post-pandemic/&gt;>

<sup>31</sup> Katrin, S. (2018). The Tunisian Startup Act, 26 June 2018.<lt;<<https://carnegieendowment.org/sada/76685&gt;>

<sup>32</sup> Gbemileke, B. (2020). African Countries are Embracing the Startup Act to Build Solid Ecosystems, Will Nigeriabe Left Behind?.<lt;<<https://technext.ng/2020/08/27/african-countries-are-embracing-the-startup-act-to-build-solid-ecosystems-will-nigeria-be-left-behind/&gt;>

<sup>33</sup> Adedana, A. (2020). African countries need 'startup acts' more than ever to support innovation.<lt;<<https://techcrunch.com/2020/05/19/african-countries-need-startup-acts-more-than-ever-to-support-innovation/&gt;>



## **6. LEGAL - TECH SECTOR SUPPORTERS**

### **6.1 Investors**

Currently, there is no reporting in legaltech specific funding. Entrepreneurs have sought funding through existing funding channels and mechanisms in the startup ecosystem generally. This has included the grants, self-funding, angel investment for pre-seed and seed rounds and venture capital, general and specialist accelerators, family offices and institutional funders admitting legal tech startups based on their strategic funding interests. This poses a significant challenge for access to justice tech that often are not able to make financially compelling projections to attract most existing funding entities. The emerging sentiment is that for A2J tech startups the profit-based and exit-focused funding model excludes their ventures due to the difference in realities of measures of success, return on investment, impact, profitability, maturity and exit strategies.

### **6.2 Courts**

Generally, courts are an in-person experience centralised on the court building. This model operation has made it admittedly more challenging for external parties such as tech startups to create viable products and services for courts. The digitization of the courts generally appears to have begun with the digitization of cases on searchable platforms accessible online. Until the pandemic disrupted court operations, courts remained in-person physical experiences. However, 2020 has seen the advent of virtual courts across the continent where cases are heard remotely through video conferencing platforms. This has been seen in Kenya, Nigeria, Uganda and the East African Court of Justice to mention a few.

Further, this transformation has necessitated the adoption of electronic and digital technologies for related activities such as case management in Kenya and the EACJ.

### **6.3 Law firms**

Law firms are perhaps the more lucrative of the legal tech sector. Currently, large law firms, more popularly known as big law, seem to be beating their medium and small sized counterparts to the chase with legal tech. This is unsurprising considering these large firms face regional and global competition where the uptake of tech for legal operations is giving companies an opportunity to distinguish themselves in the eyes of a global, high value potential client. These have taken up a variety of legal tech products such as firm management, AI powered legal research and case analytics, document review and project management. Products targeted at firms. Firms admittedly are a significant target for legaltech products.

## 6.4 Hubs and Accelerators

As previously mentioned, the innovators and entrepreneurs in legal tech exist in a shared space with those in many other sectors. Hubs and accelerators have become a core part of the startup ecosystems across the world. Their role is crucial in providing physical and social spaces for founders to learn, work, network and prepare their products for the market and for investors. Their services and offerings are thus geared this way. They also tend to be generalist in nature. Legal tech startups have found themselves thus in community and in competition with startups in other sectors more attractive to investors such as data, agriculture, e-commerce and financial technologies. Venture capital funding for legal tech in Africa is often not featured on VC funding reports covering the continent. This speaks to the level of activity, the potential for return and the maturity of the ecosystem broadly.

Legal tech startups have attracted the attention of legal tech accelerators such as the Hague Institute for Innovation In Law (HiIL) which is credited with providing acceleration for justice innovation in Africa, credited with some of the success of startups such as DIYLaw from Nigeria and mSME Garage in Uganda.

Further incubation is seeing the trend of law firms setting up incubators. So far the continent only has the example of the A&K Legal Incubator that was set to launch in 2020.

<sup>34</sup> Tom Jackson, 10 more African countries are working towards local Startup Acts, 30 July 2019. <<https://disrupt-africa.com/2019/07/10-more-african-countries-are-working-towards-local-startup-acts/>>

## 7. COVID - 19 AND LEGAL TECH

### 7.1 Challenges

There are sets of challenges that are faced by legal tech startups universally and there are those that arise as a result of their main source of business. The clientele for legal tech startups is mainly split in between non-legal clients and legal clients. When analysing the industrial space occupied by legal tech startups, each of these two sources of business represent their own unique challenges to the legal tech industry. Thus, we shall discuss said challenges based on the following criteria:

#### 7.1.1 Challenges Arising from Legal Clients

##### 7.1.1.1 Navigating the Law Firm Purchasing Processes <sup>35</sup>

Many legal tech startups are involved in the development of software products that streamline and/or make traditional legal practice methods easier. However, due to the lengthy sales cycle that they experience with law firms and legal entities legal tech startups face challenges related to funding.

Due to the convoluted purchasing processes, the raising of revenue for the startups remains challenging and may negatively impact the access that they have to funding from investors who may want to see a more immediate return on their investment. Thus, The slow sales cycle dampens investor excitement for legal startups and results in capital deployment focused towards other industries.

##### 7.1.2 Competition from Customers <sup>36</sup>

Law firms have in some instances opted to build rather than buy when it comes to the products that legal tech startups produce. This has led to a unique brand of competition in the legal startup industry that has stifled the growth of many of these companies.

<sup>35</sup><https://medium.com/@romeen/disrupting-the-dinosaur-the-challenges-facing-legal-tech-startups-and-how-to-punch-back-840aee4c67b3>

<sup>36</sup><https://legalsolutions.thomsonreuters.co.uk/content/dam/openweb/documents/pdf/uki-legal-solutions/report/tr-legaltech-startup-report-2019.pdf>

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[https://www.researchgate.net/publication/332784369\\_Emerging\\_Technological\\_Innovations\\_in\\_the\\_Legal\\_Profession\\_and\\_Its\\_Impact\\_on\\_the\\_Regulation\\_of\\_Market\\_Competition\\_Kenyan\\_Perspective](https://www.researchgate.net/publication/332784369_Emerging_Technological_Innovations_in_the_Legal_Profession_and_Its_Impact_on_the_Regulation_of_Market_Competition_Kenyan_Perspective)

## **7.1.2 Challenges Arising from Non-Legal Clients**

### **7.1.2.1 Lack of Trust in Non-Traditional Legal Services**

The uptake of legal technology has been slow for non-legal professionals and clients. However, while law firms can slowly transition their already present clients to legal tech solutions, the challenge is a lot steeper for startups. For decades the legal industry has been a paper and briefcase business and this is a notion that has pervaded society.

Consequently, startups have significantly more difficult times convincing clients who have utilised traditional forms of legal services to abandon their current mode of operation. Coupled with the competition that they face with law firms that are digitalising their services, the client acquisition process for legal tech startups remains a challenge.

## **7.1.3 Universal Challenges**

### **7.1.3.1 Regulation of Legal Tech Services <sup>37</sup>**

Various states in Africa, including Kenya, have specific laws that govern the remuneration of lawyers. However, these provisions were as written, tailored for traditional forms of legal practice as opposed to some of the services that legal tech startups provide. Furthermore, there are challenges relating to consumer protection amidst the use of apps and technology for legal services. Adhering to the already present rules on the regulation of advocates has been seen to have a negative impact on legal tech startups as they lose their competitive advantage when it comes to pricing and have their risk significantly driven up due to the misappropriation of consumer protection laws that were designed for traditional legal services on their products.

### **7.1.3.2 Security Concerns**

A vast majority of the data handled by lawyers is sensitive. This has led to a reluctance to use certain types of technology such as cloud services due to the fear of data breaches. The realm of data protection law in Africa is still relatively new. For startups, this presents a challenge because most technology innovations today are being built either as applications in the cloud or link to existing information systems through the cloud. Without a way to guarantee data protection, various tech startups are facing an uphill task in selling their products.

## **7.2 Opportunities**

### **7.2.1 Improvement of Management Practices within Law Firm**

Legal Tech solutions present a unique opportunity for law firms and other legal organisations to improve their management practices. The use of case management systems based on blockchain and similar technologies will result not only in higher rates of efficiency within law firms but also increase transparent and operational ease.

### **7.2.2 Emerging Areas of Practice**

With the injection of technology in the legal industry in recent years, multiple areas of practice are emerging in the region, while others are gaining traction. For instance, the Intellectual Property industry has grown significantly in the digital age whereas the fields of data protection and privacy have evolved significantly in the last few years alone. This presents multiple opportunities for legal practitioners from a practice, academic and policy creation standpoint.

### **7.2.3 Scaling of Services Through Automation and AI**

More law firms will scale their services through the use of various automation technologies. Outsell research indicates that many mid-sized law firms across the world are now actively planning their automation strategies, and in 2020 the adoption stage will move from innovators to early adopters. However, a lot of this is dependent on the right solutions being made available by the legal tech vendors, and while progress is being made, there is still some way to go.

The progression of the legal automation of legal services is something that is almost wholly driven by legal tech startups due to the innovative solutions that they create in their day to day work. However, while this presents an opportunity for the legal industry in Africa, in order for this to become a reality there will need to be support, from both a regulatory and normative standpoint for legal tech startups across the region.

### **7.2.4 Scaling of Services Through Automation and AI**

Predictive analytics tools have so far received a negative reputation as a result of their apparent biases when applied to criminal cases. However, they do present an opportunity for various judiciaries across the continent that are struggling with their case backload. While a transition towards judgements that are performed exclusively by AI are undesirable, the development of software that would go towards assisting judicial decisions would go a long way in expediting the legal process.



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