AVCA

Venture Capital in Africa Report

2023

MARCH 2024

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2023 Venture Capital in Africa: Key Facts

MARKET SIZE

US$4.5bn across 603 deals, including US$0.9 billion of venture debt

FIRST TIME FUNDING

35% Startups raising their **first round of venture financing** accounted for 35% of venture deal volume

INVESTOR RETREAT

781 **unique investors** participated in both venture capital and debt deals in Africa in 2023, down from 1,148 in 2022

SUPER-SIZED DEALS

10 Super-Sized Deals with a cumulative **US$1.9 billion** raised

REGIONAL FOCUS

West Africa attracted the largest proportion of venture capital deal volume in Africa (26%), driven by **Nigeria** which was the most active country by volume at 19%

DEAL SIZE

US$2.4mn

US$2.4 million median venture capital deal size

US$5.0 million median venture debt deal size

SECTOR FOCUS

Financials was the most active sector by venture capital deal volume (23%) and attracted the largest share of venture capital deal value (48%)

PE & VC FUND MANAGER BACKING

298 **unique companies** backed by a **fund manager**

DIVERSITY

27% of funding recipients were startups with a **female founder or startups with gender diverse founding teams** (venture capital)

IMPACT INVESTOR BACKING

167 unique companies backed by at least one **impact investor** (venture capital)

Executive Summary

After a Decade of Growth, A Downfall

In a year marked by significant socio-political and economic upheaval, venture capital in Africa was characterised by several strategic shifts and a recalibration in deal activities. Both the volume and value of venture capital investment decreased by close to a third in 2023, marking the first decline the industry has seen in a decade. With the inclusion of venture debt, venture inflows to Africa last year clocked in at **US$4.5 billion across 603 deals** – US$2 billion less than the year prior.

SUMMARY OF KEY FINDINGS

- The 2023 median deal size across all investment stages was **US$2.4 million,** a slight increase from both the 2022 full year figure and the historical median (2014-23) which both stood at US$2.0 million.

- Startups raising their **first round of venture financing constituted 35% of deal volume** in 2023, with venture capital rather than debt boasting a higher frequency of inaugural funding rounds.

- By region, **West Africa** maintained the top spot for the third consecutive year, with **Nigeria** as the most active country both in the region and on the continent.

- Dealmaking was concentrated in the **Financials** sector, which assumed 23% of deal volume and 48% of deal value.

- **10 super-sized deals** in companies raising both venture capital and venture debt took place in 2023, with a combined value of US$1.9 billion.

- The pathway to Net Zero gained momentum – **climate-related ventures** raised a cumulative total close to **US$790 million** in 2023.

- **781 investors** were active in Africa's venture ecosystem in 2023, in a mass exodus of close to 400 unique investors compared to 2022.

Counting Casualties: The 2023 Startup Graveyard

Africa's venture ecosystem experienced a marked downturn in 2023, mirroring broader declines in venture capital to startups in the global market. This funding drought led several early-stage companies to either significantly downscale operations or shutter completely. Nigerian genomics firm *54gene*, South African transit data provider *WhereIsMyTransport*, and Kenyan logistics platform *Sendy* were some of the continent's better known and well-funded startups to shut down in 2023. In total, just shy of 20 African tech startups formally announced their closure in 2023 - erasing a combined US$200 million of operational investments[1]. Reasons for their ultimate demise range from a lack of working capital after failing to raise follow-on funding rounds, difficulties establishing sufficient and sustainable market penetration, and allegations of corporate governance misconduct against founders.

Some startups managed to avoid the startup graveyard in 2023, but had to scale back operations to survive in the increasingly tough environment. Examples include Kenyan e-commerce platform *Copia Global*, which suspended operations in Uganda in April 2023. Similarly, Nigerian payments processor *Paystack* announced plans to reduce their operations outside of Africa, cutting its workforce in Europe and Dubai. These strategic retreats and hard pivots for growth-focused ventures triggered a series of mass job cuts which resulted in over 1,000 layoffs across the continent in 2023[2]. Should the lack of liquidity and present market challenges persist, founders may be forced to make more tough, strategic decisions in order to remain afloat and prioritise profit.

Women at the Helm

A small but noticeable shift towards greater gender inclusivity at the senior leadership level took hold of Africa's venture capital industry in 2022, where 40% of VC firms actively investing in the continent had at least one female partner or founder[3]. This positive trend continued into 2023, which welcomed a few more names into these influential roles. South African fund manager Edge Growth Ventures named Janice Johnston as their new Chief Executive Officer (CEO) in July 2023. In November, Christine Namara joined Flat6Labs as Partner overseeing the firm's US$95 million *Africa Seed Fund*, and in the same month Aduna Capital, led by General Partner Surayyah Ahmad, announced the firm's US$20 million maiden fund. The fund will primarily invest in Northern Nigeria, with a goal of having 50% female participation in the firms it supports. This new generation of female capital allocators are not only breaking glass ceilings, they are putting their money where their mouth is and leading the charge towards gender parity in the distribution of capital.

Flights, Not Feelings: International Investors Retreat

2022 was a record-breaking year for investor interest in African ventures, with over 1,100 unique investors participating in deals. In a dramatic reversal of this trend, 2023 saw the number of active investors dropping by 33%. This downturn evidences the broader contraction in deal activity on the continent and a general shift in investor sentiment amidst worsening market conditions. However, a notable feature of the mass exodus of investors between 2022 and 2023 is their international origin. The withdrawal of North American investors was responsible for 50% of the overall decline in investor numbers in 2023, significantly overshadowing the retreats of European and Asia-Pacific investors, which accounted for 18% and 9% of the decrease, respectively.

This capital flight demonstrates a distinct lack of investor sentimentality, as those that made opportunistic rather than dedicated investments in Africa exited in favour of more familiar shores. It also underscores the cyclical nature of foreign investment in Africa which is contingent on global macro-economic trends; therefore emphasising the need for indigenous capital allocators with a long-term commitment to the continent.

Conclusion

In the decade between 2014 and 2023, over 3000 deals were concluded in Africa, putting US$21+ billion to work on the continent. This historic evolution tells a story of steady, incremental maturation - from annual sums (such as the US$0.3 billion raised in 2017) that now seem modest in comparison to what Afro-entrepreneurs are raising in a single month. Nevertheless, 2023 was a resoundingly disappointing turnout for venture capital in Africa. It is not despite, but rather because of, the decade of progress that the industry should not be content to benchmark itself against a bygone era but instead continue striving forward.

African entrepreneurs relying on venture capital backing have cut their teeth in a highly dynamic environment, building the muscle necessary to hold steady in both feast and famine. Highs include the 2014 'Africa Rising' wave of international recognition and 2021's bullish fundraising market. Lows include the 2015-16 Ebola epidemic and the 2019 Covid pandemic, as well as more perpetual challenges ranging from political upheaval, currency volatility, and digital infrastructural limitations. If venture capital is a game of rolling dice, this varied landscape has imbued African entrepreneurs and investors alike with the agility to navigate the inherent volatility of the industry. While the duration and impact of the current funding winter remain uncertain, we place our bets on the range of actors in Africa innovation ecosystem and their ability to embrace change, build resilience, and usher the industry into spring.

The fifth edition of *AVCA's Venture Capital in Africa* report chronicles the maturation of Africa's entrepreneurial space between 2014 and 2023. In so doing, this report exemplifies AVCAs commitment to being part of Africa's growth story by providing independent industry research that supports actors on both the supply and demand sides of capital.

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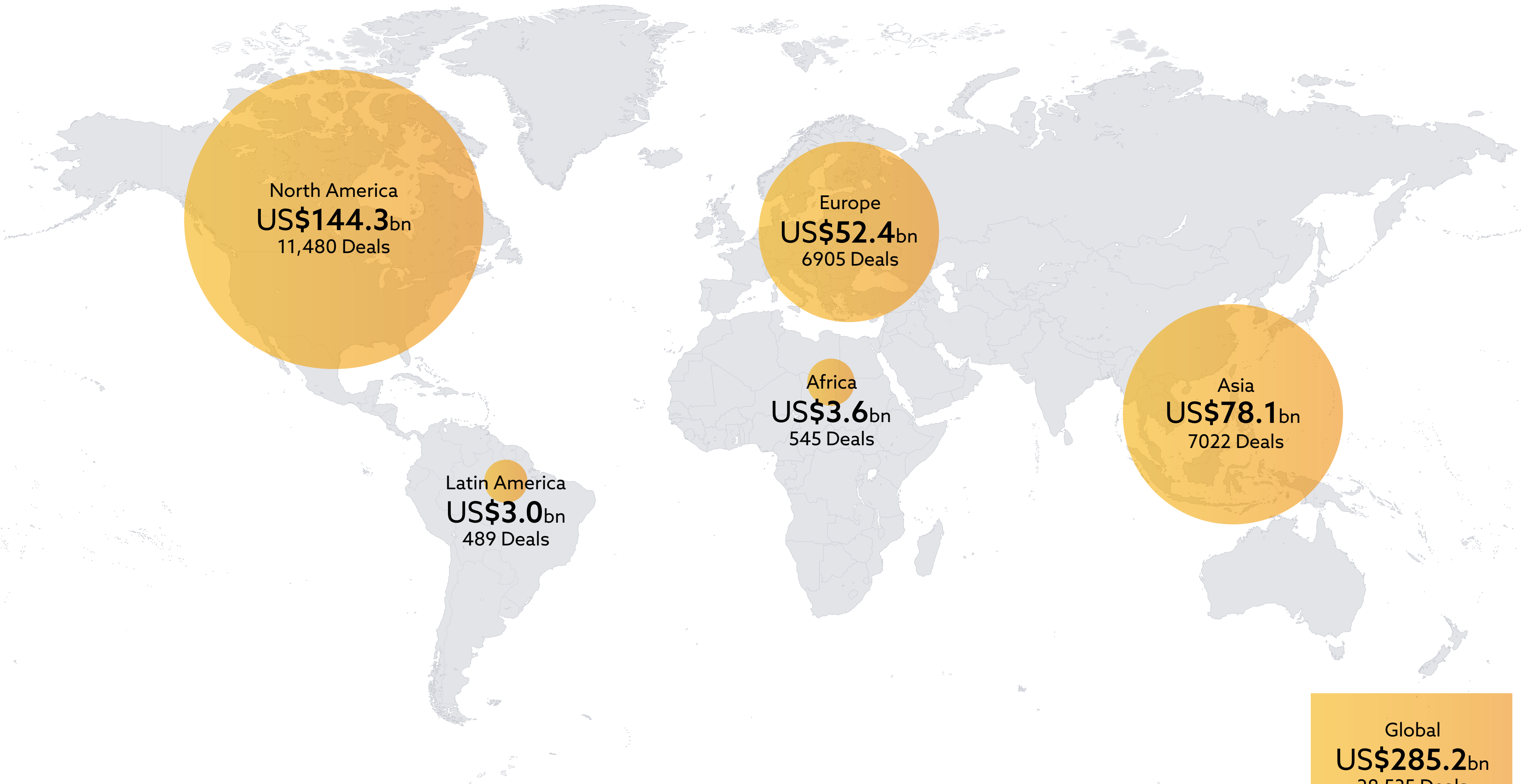
Global Trends

1.1 International Breakdown of Venture Capital in 2023*



* This breakdown is indicative of venture capital deal volume and value only. The deal values presented here only include mezzanine and debt when the latter is part of a larger transaction that also involves equity.

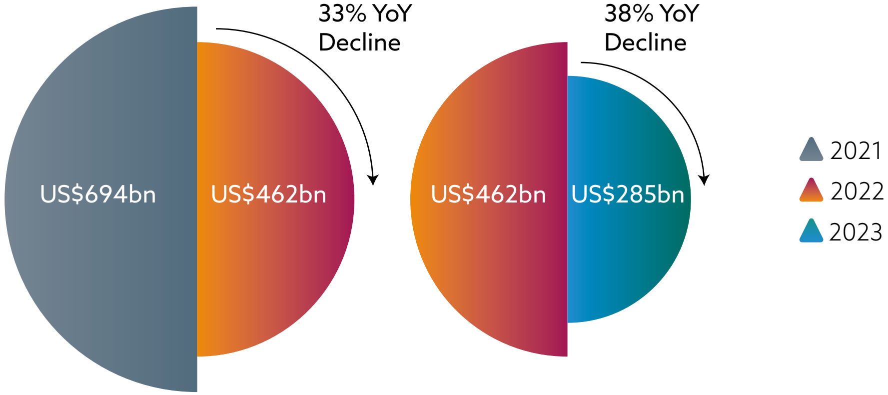
Additionally, the Oceania, Middle East and Africa regions are not specifically broken down in the Crunchbase Global Funding Report. Accordingly, the regional totals for the Americas, Asia and Europe will not match the global total, which considers these regions.

Source: AVCA, Crunchbase *2023 Global Funding Report*

1.2 In the Bleak Midwinter: Global Venture Funding Declines

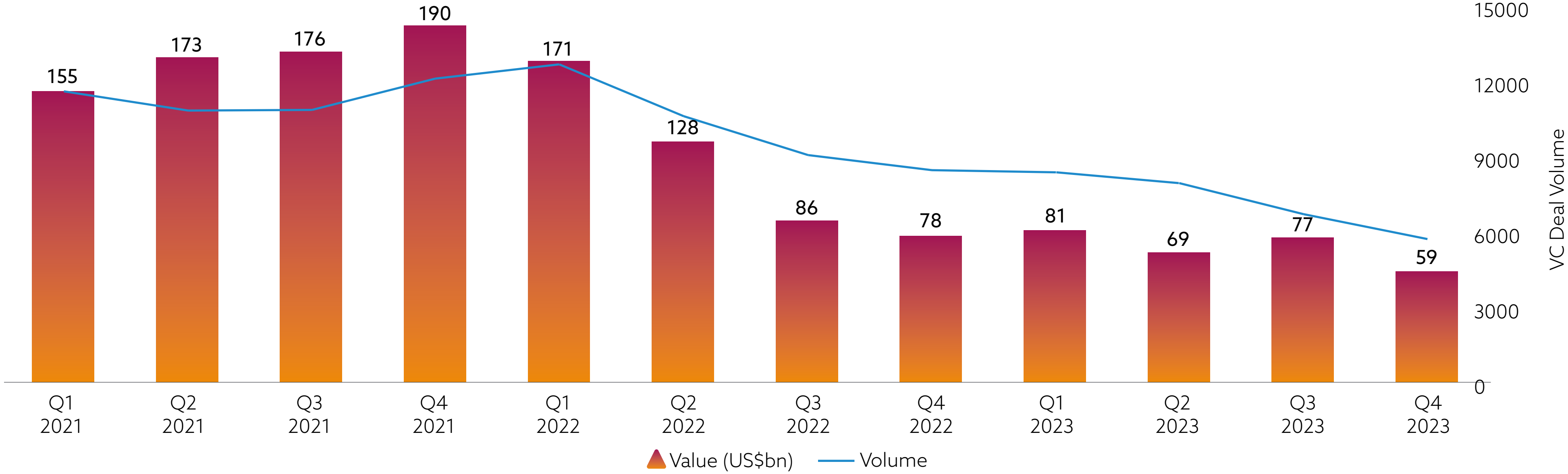
A persistent chill has set in to the global venture capital market, which has charted a two-year course of steady decline. 2023 saw US$285 billion of venture capital disbursed in over 28,000 deals across the world. This is in stark contrast to the record-breaking activity of 2021, where over US$690 billion was invested across an unprecedented 45,000+ deals. The downward trend of global venture capital, initiated in early 2022, gathered momentum over the course of 2023 and resulted in a significant cumulative effect by the close of the year. Quarter-over-quarter comparisons (Figure 1) reveal a consistent decrease in both the volume and value of venture capital dealmaking since Q1'22. Venture funding contracted by a third in both 2022 (33% YoY decrease) and 2023 (38% YoY decrease). The cumulative effect is a market size that represents only 41% of capital invested in 2021, signifying a remarkable contraction of venture funding in 2023.

Figure 2: **Annual Changes to Global VC Deal Value, 2021-2023**



Source: AVCA

Figure 1: **Volume and Value (US$bn) of Global Venture Capital, 2023**



Source: Crunchbase *2023 Global Funding Report*

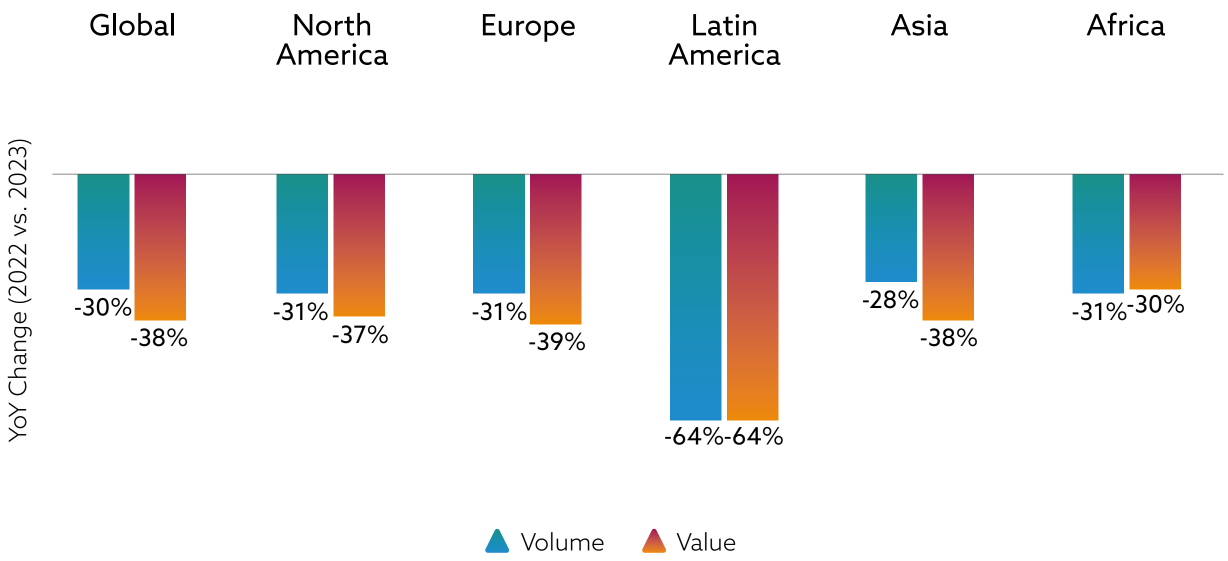
1.3 Anatomy of a Freeze: Regional Drivers of the Global VC Decline

By region, North America once again accounted for the largest share of global venture capital investment in 2023. It closed out the year with just over US$144 billion allocated (51% of the global total), with the United States responsible for a sizeable proportion of this investment. Artificial Intelligence captured the imagination and chequebooks of American investors in 2023, where an estimated one in every three VC dollars invested went to AI companies[4]. Further East, the Asia-Pacific region concluded the year with US$78.1 billion under its belt – securing second place globally, despite VC investment falling to a seven-year low[5]. Europe (US$52.4 billion), Africa (US$3.6 billion) and Latin America (US$3 billion) follow thereafter, rounding up the final tally of global venture funding in 2023.

After an unprecedented bull run that reached a peak in 2021, venture capital funding crashed in 2022, and continued to spiral in 2023. Speculation abounds on whether this steady downward spiral represents a course correction for the industry, in what is being dubbed as a 'Great Reset' for the venture capital market. Others view it as the amalgamation of a series of exogenous shocks – geopolitical instability, the bursting of the tech bubble, and stubbornly high inflation - that created a momentary perfect storm for venture capital. As the dust settles, only time will tell what the state of the market will be. It either marks the beginning of a downturn in global venture funding or is merely an (admittedly brutal) passing blow to an otherwise positive long-term growth trajectory.

While some regional variations existed, no continent was exempt from the downturn in venture capital investment. Annual venture capital deal values in each global region shrunk by more than a third compared to levels attained in 2022, with the exception of Latin America whose annual decline was far more pronounced. Funding declines in North America and Asia – which are both consistently the largest contributors to aggregate venture capital deal values – were responsible for a significant proportion of the global funding drop in 2023. Specifically, North America accounted for US$86.2 billion (49%) of the funding deficit in 2023, while Asia was responsible for US$47 billion (27%) of the US$177 billion gap in global venture capital between 2022 and 2023. This is partially due to escalating US-China geopolitical tensions, which induced some prominent Silicon Valley venture capital fund managers such as GGV Capital[6] and Sequoia Capital[7] to retreat from the country, opting instead to create spinoff investment firms to better navigate these economic and geopolitical challenges. Latin America walked away from 2023 with the most bumps and bruises, concluding the year with declines in startup funding to the tune of 64% YoY in both volume and value. This coincides with falling valuations of tech companies in the region's biggest economy Brazil, down-rounds from several of the region's unicorns, and a sharp decline in super-sized funding rounds[8].

Figure 3: **Global Comparison of YoY Changes to VC Deal Volume and Value, 2023**[9]



Source: AVCA, Crunchbase *2023 Global Funding Report*

While the highest deal value in Africa's venture capital ecosystem pales in comparison to deal maximums in other regions, median deal values on the continent remain largely consistent with those recorded by global counterparts. Africa's median deal values fell slightly short of the global average at the Seed and Series A stages, but outpaces the global average at both the Series B (US$20 million compared to US$19 million) and Series C levels (US$46 million compared to US$30 million).

Figure 4a: **Global Comparison of Median Deal Size at the Seed Stage (US$ mn), 2023**[10]

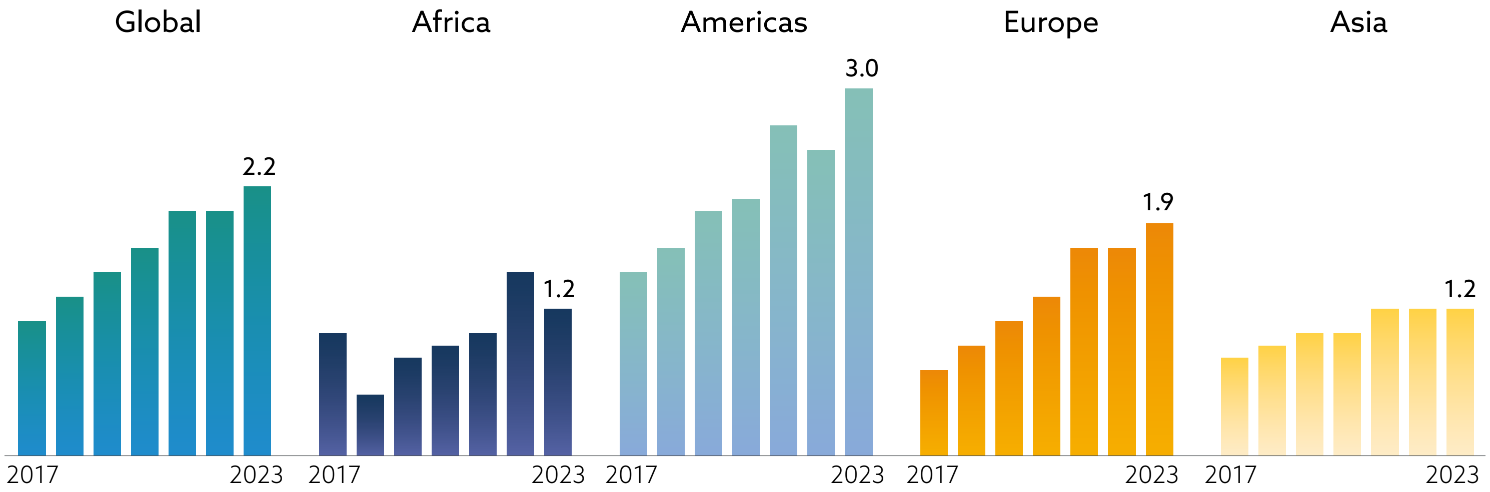


Figure 4b: **Global Comparison of Median Deal Size at Series A (US$ mn), 2023**

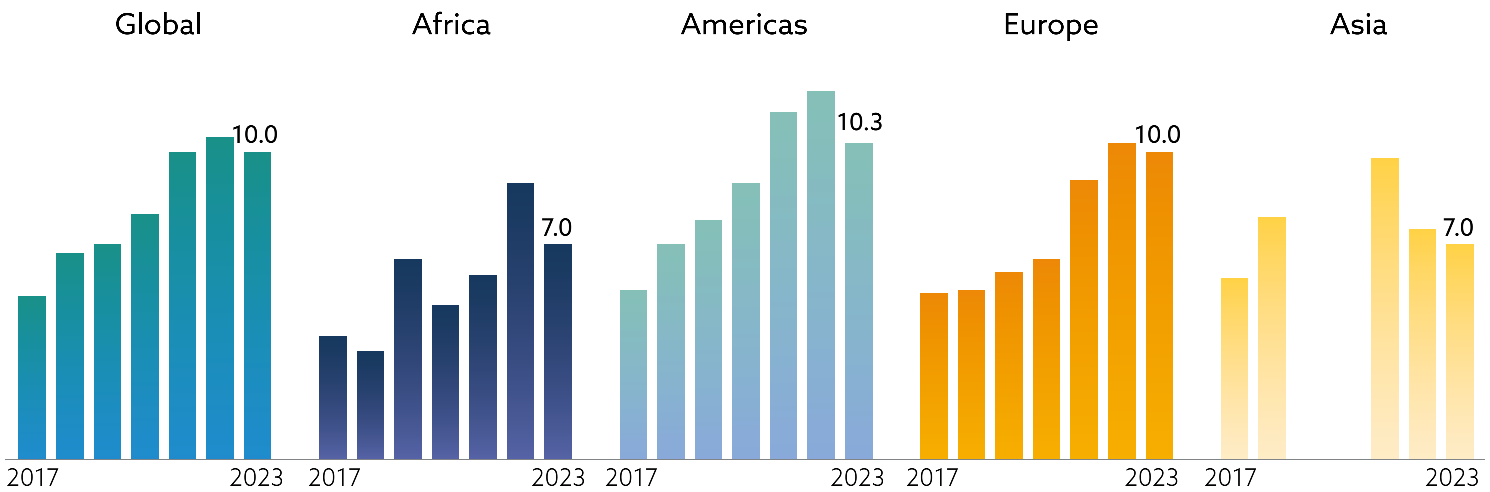


Figure 4c: **Global Comparison of Median Deal Size at Series B (US$ mn), 2023**

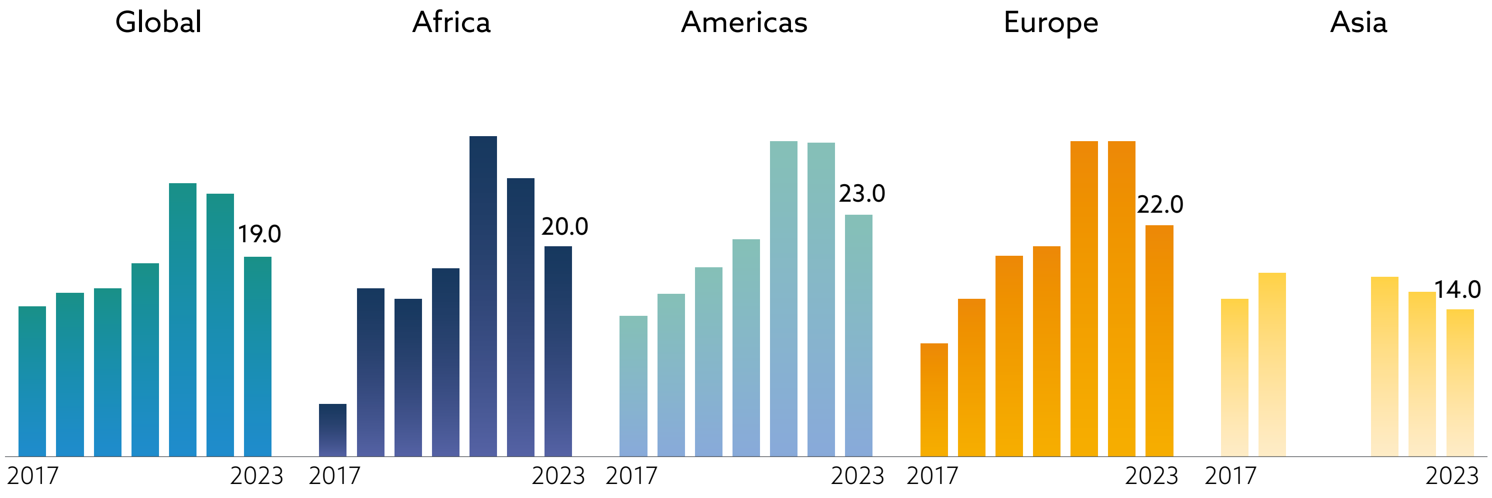
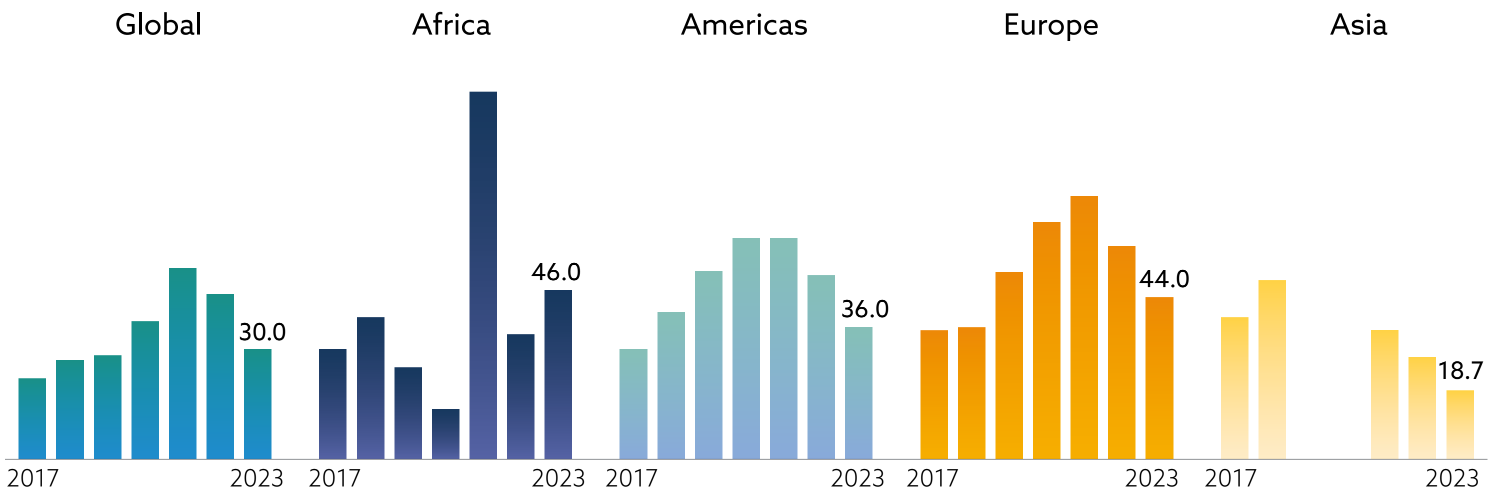


Figure 4d: **Global Comparison of Median Deal Size at Series C (US$ mn), 2023**



Source: AVCA and KPMG [Q4 2023 Venture Pulse]

Deal Activity

2.1 Volume of Venture Deals in Africa

KEY FINDINGS:

VENTURE CAPITAL DEAL VOLUME IN AFRICA, 2023

545 **venture capital deals;** a 31% decrease from the 787 deals reported in 2022

VENTURE DEBT DEAL VOLUME IN AFRICA, 2023

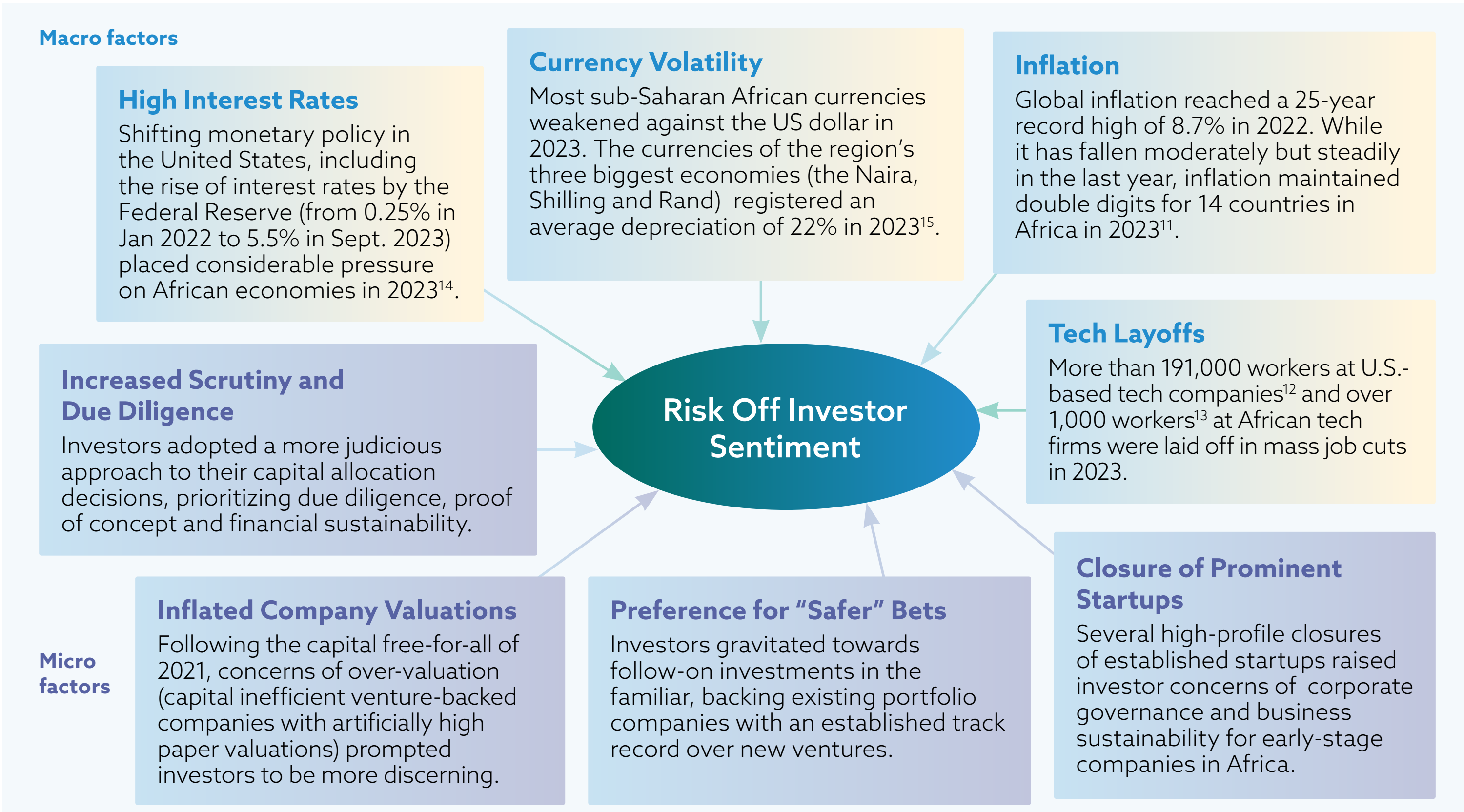
58 **venture debt deals;** a 13% decrease from the 67 deals reported in 2022

TOTAL VENTURE DEAL VOLUME IN AFRICA, 2014-2023

3,040 deals

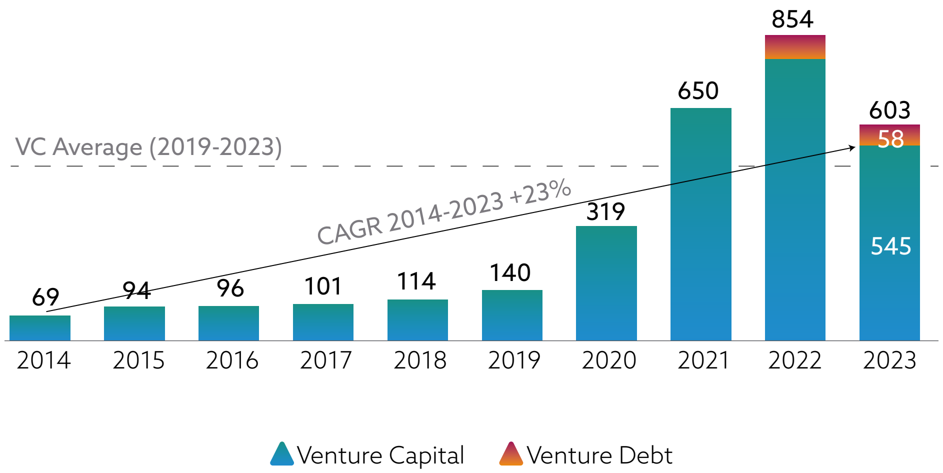
Breaking the Trajectory: First Annual Decline of VC Deal Volume in a Decade

For the first time in a decade of consistent growth, the number of venture capital deals that took place in Africa in 2023 did not increase annually. While the total number of deals concluded on the continent in 2023 stands above the average for the 2018-2022 period, it nevertheless marks a 31% YoY decline from the record-setting 787 deals struck in 2022. When viewed in the context of dealmaking in previous years, this trend is even more pronounced. The 545 venture capital deals recorded in 2023 represents only 69% of those recorded in 2022, and 83% of those recorded in 2021 (Figure 5). The data for 2023 reveals a noticeable shift in investor sentiment, which can be attributed to a confluence of macro and micro factors that triggered a risk-off approach amongst investors (summarised below).



The historic evolution of the industry tells a story of steady, incremental maturation rather than growth at a breakneck pace. This break in the decade-long growth trajectory, however, necessitates a closer examination of the underlying factors at play. By understanding the drivers of this shift, the African venture capital ecosystem can work towards building resilience, maintaining consistency in crisis, and adapting to navigate future challenges.

Figure 5: **VC Deal Volume in Africa, By Year**



Source: AVCA

2.2 Value of Venture Deals in Africa

KEY FINDINGS:

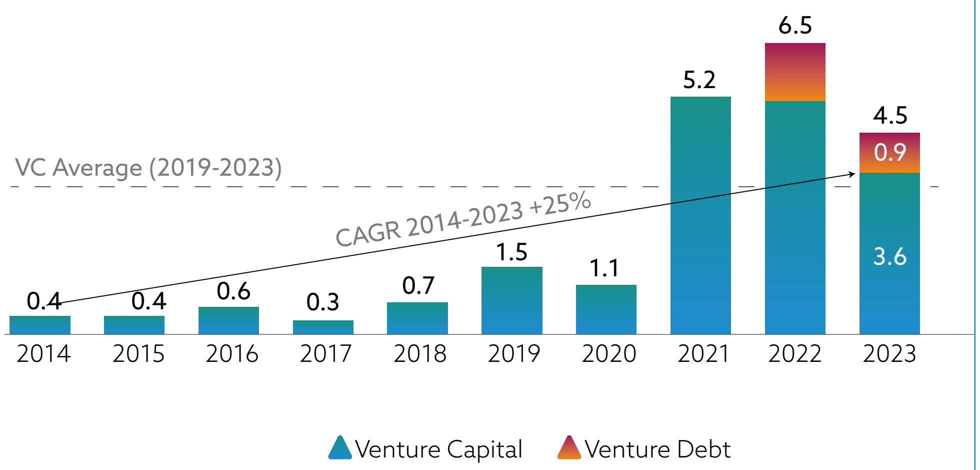
VENTURE CAPITAL DEAL VALUE IN AFRICA, 2023	**MEDIAN VENTURE CAPITAL DEAL SIZE IN AFRICA, 2023**
US$3.6 billion	US$2.4 million
VENTURE DEBT DEAL VALUE IN AFRICA, 2023	**MEDIAN VENTURE DEBT DEAL SIZE IN AFRICA, 2023**
US$0.9 billion	US$5.0 million
TOTAL VENTURE DEAL VALUE IN AFRICA, 2014 – 2023	**MEDIAN VENTURE CAPITAL DEAL SIZE IN AFRICA, 2014 – 2023**
US$21.2 billion	US$2.0 million

A Disappointing Turnout

Africa's venture ecosystem experienced a marked downturn in 2023, mirroring broader declines in venture funding to startups in the global market. The total value raised by African entrepreneurs decreased by 30% year-on-year - a disappointing turnout for the continent's thriving but still nascent startup ecosystem. However, this unvarnished truth can be tempered with some glimmers for optimism. Although 2023 fell short of aggregate annual values for the preceding two years, the US$3.6 billion raised marginally outpaced the longer-term historical average (US$3.3 billion) between 2018 and 2022 (Figure 6). Furthermore, 2023 saw a substantial US$2.5 billion increase in venture capital commitments compared to the pandemic-hit year of 2020, despite tighter investor purse strings and an increasingly unfavourable funding climate in 2023.

Nevertheless, 2023 was largely driven by a small number of significant super-sized deals (deals with a value of US$100 million or more). 7 of the year's 10 super-sized deals fell in the venture capital category, which combined to account for a considerable US$1.5 billion of funding. In the absence of these super-sized deals, a paltry US$2.1 billion was distributed to the other 517 unique companies that successfully raised funding in 2023. It is worth noting, however, that a third of deal activity that took place in 2023 did not disclose deal values. The US$3.6 billion recorded in 2023 thus represents the minimum value of venture capital that was channelled to the continent, which could plausibly be significantly higher in reality. With the inclusion of the venture debt category, the overall annual total for 2023 closed out at US$4.5 billion.

Figure 6: **VC Deal Value in Africa, By Year (US$bn)**



Source: AVCA

2.3 First-Time Venture Financing

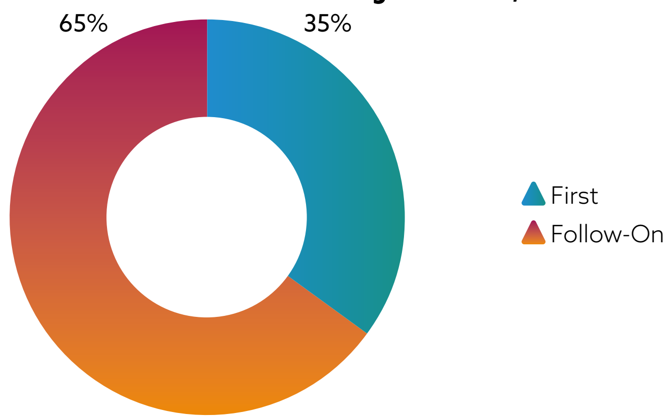
KEY FINDINGS:

Startups raising their first round of venture financing accounted for slightly over a third of VC deal volume in 2023

Dealmaking in 2023 predominantly favoured follow-on rather than inaugural funding rounds. Startups raising capital for the first time constituted 35% of deal volume in 2023. This general figure, however, belies significant variations by asset class. The ratio of first-time vs. follow-on funding stood at roughly 1:2 for the venture capital asset class, contrasting markedly with the 1:4 ratio seen for venture debt deals. This disparity underscores a prevalent inclination among founders to opt for equity financing over debt in their initial funding rounds. This possibly stems from a greater familiarity with equity, or as a result of the paucity of affordable, tailored credit solutions for nascent and unproven enterprises in Africa.

Financials, Information Technology, and Consumer Discretionary led as the primary sectors for first-time venture capital recipients, accounting for 60% of the deal volume and 57% of the deal value in 2023. Their dominance is reflective of broader investment patterns, as these sectors were also the top picks by overall deal volume for the year. This trend implies an approach of cautious optimism by investors backing startups raising their first round of capital – opting to do so in sectors known for stability and growth, thereby mitigating some of the inherent risks associated with backing untried business models.

Figure 7: **First-Time Venture Financings in Africa, 2023**



Source: AVCA

Investment Stage Focus

3.1 Venture Capital Deal Activity by Stage

A Dry Market at Every Stage

Seed

The seed stage is the beating heart of venture capital in Africa, continually assuming the largest proportion of deal activity that takes place on the continent. 2023 was no exception – this market segment was responsible for 37% of venture deal flow to startups on the continent last year. However, Africa's seed-stage venture capital market visibly declined in 2023, plunging by almost half to 199 from 355 in 2022. That said, median deal values displayed only a marginal YoY decrease in 2023 (Figure 10). This implies that while fewer seed-stage investments occurred, their overall ticket sizes were not significantly impacted.

Despite early forecasts of resilience, fuelled by the dominance of smaller-scale investments from continental investors, the seed stage ultimately succumbed to global macroeconomic headwinds in 2023. This is evidenced by a stark 44% YoY decline in deal count and a considerable 66% YoY shrinkage in deal value. The year was also characterised by an atypical variability in deal valuation. Illustratively, the lowest value seed deal in 2023 was a US$250,000 round in Tanzanian business management app *Linda Pesa*, while the highest was a US$10 million round in *Front Edge*, a Nigerian digital trade-finance platform.

Early Stage

81 early stage venture capital deals took place in 2023, demonstrating a 38% decrease from the year before where 131 early-stage deals were concluded on the continent. A sharper drop is visible in early stage deal values, which tumbled from US$2.3 billion in 2022 to US$1.1 billion in 2023. This paints a relatively bleak picture for founders looking to raise follow on capital, and in part explains the surge of bridge and series extension rounds that took place in 2023. These transitional rounds[16] comprised 42% of early stage deal count in 2023, compared to a historical average of just 21% (2020-2023). The dwindling availability of traditional equity financing pushed some startups towards a survival mindset, marked by the downsizing of human resources and the scaling back of operations. For others, however, it prompted them to raise lower and/or bridge funding rounds as a much-needed cash cushion while they reassessed their long-term business sustainability.

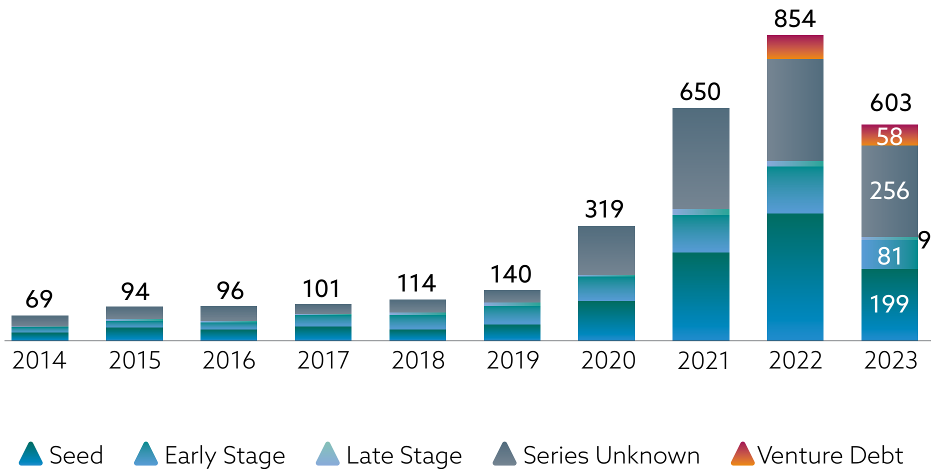
Late Stage

Predictably, the late stage experienced a funding decline in 2023. This echoes a global phenomenon for this market segment, as VC investors the world over pulled back from mega rounds. 9 late stage deals materialised in 2023 compared to 16 in 2022, in what correlates to a 44% annual drop. Comparatively, late-stage deal values experienced a relatively modest 9% contraction, closing at US$987 million compared to 2022's US$1.1 billion. While this appears marginal, it is unfortunately not an indicator of resilience. Rather, it underscores the continuation of a retreating trend in late stage activity, that first begun in 2022[17].

This downturn can be partially attributed to increased investor caution. However, it mostly stems from the withdrawal of opportunistic global funds which historically fuelled these large, late stage deals. Amidst heightened economic uncertainty, this cohort of investors have instead refocused their attention to safeguarding their portfolio and prioritising their core investment jurisdictions.

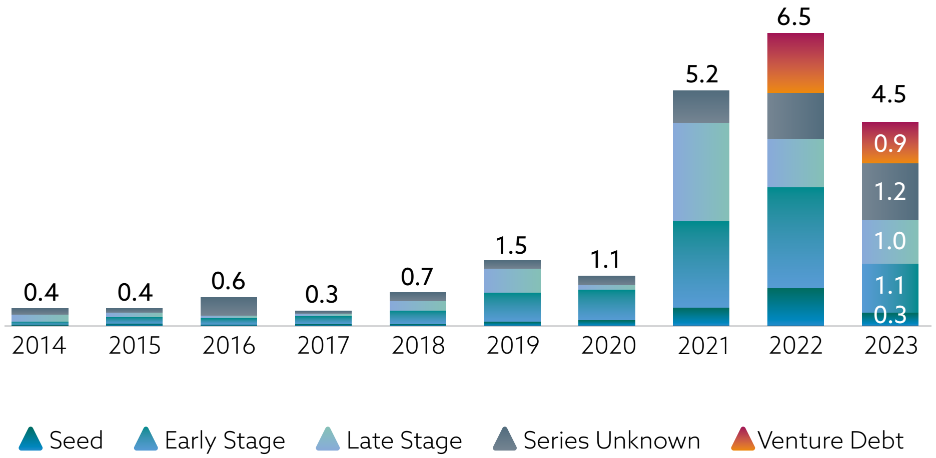
Nevertheless, even with this slowdown in late-stage funding, a number of high-profile deals took place in 2023 H1. Examples include the US$77.8 million pre-Series C round in South African digital bank *TymeBank* and the US$330 million Series F in drone designer and manufacturer *Zipline*.

Figure 8: **Annual Evolution of VC Deal Volume in Africa, by Stage, 2014-2023**



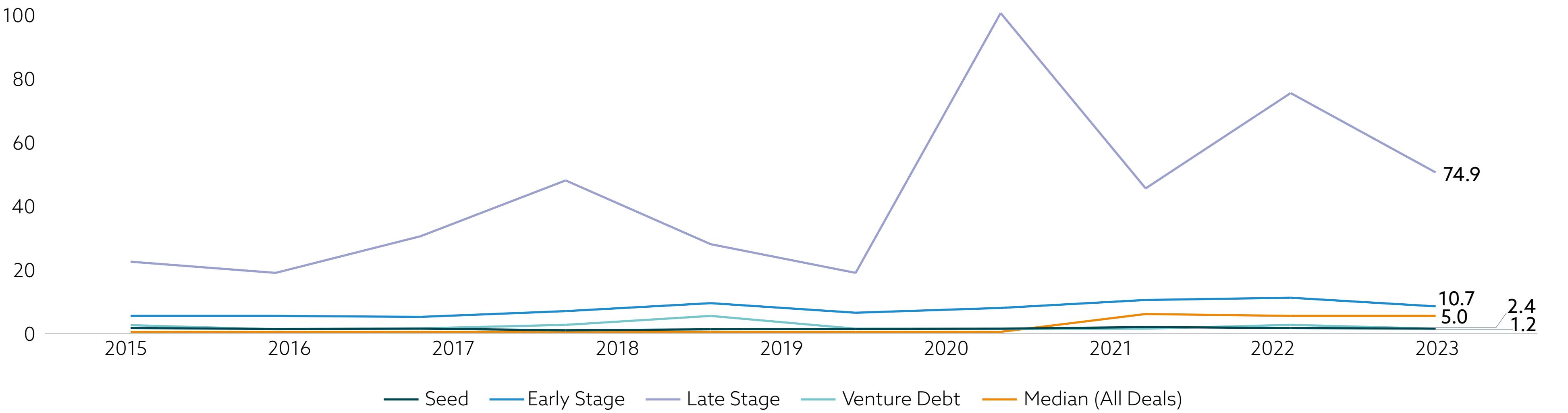
Source: AVCA

Figure 9: **Annual Evolution of VC Deal Value in Africa, by Stage, 2014-2023**



Source: AVCA

Figure 10: **Annual Evolution of Median Deal Size in Africa, by Stage, 2014-2023**[18]



Source: AVCA

3.2 Venture Deal Activity by Ticket Size

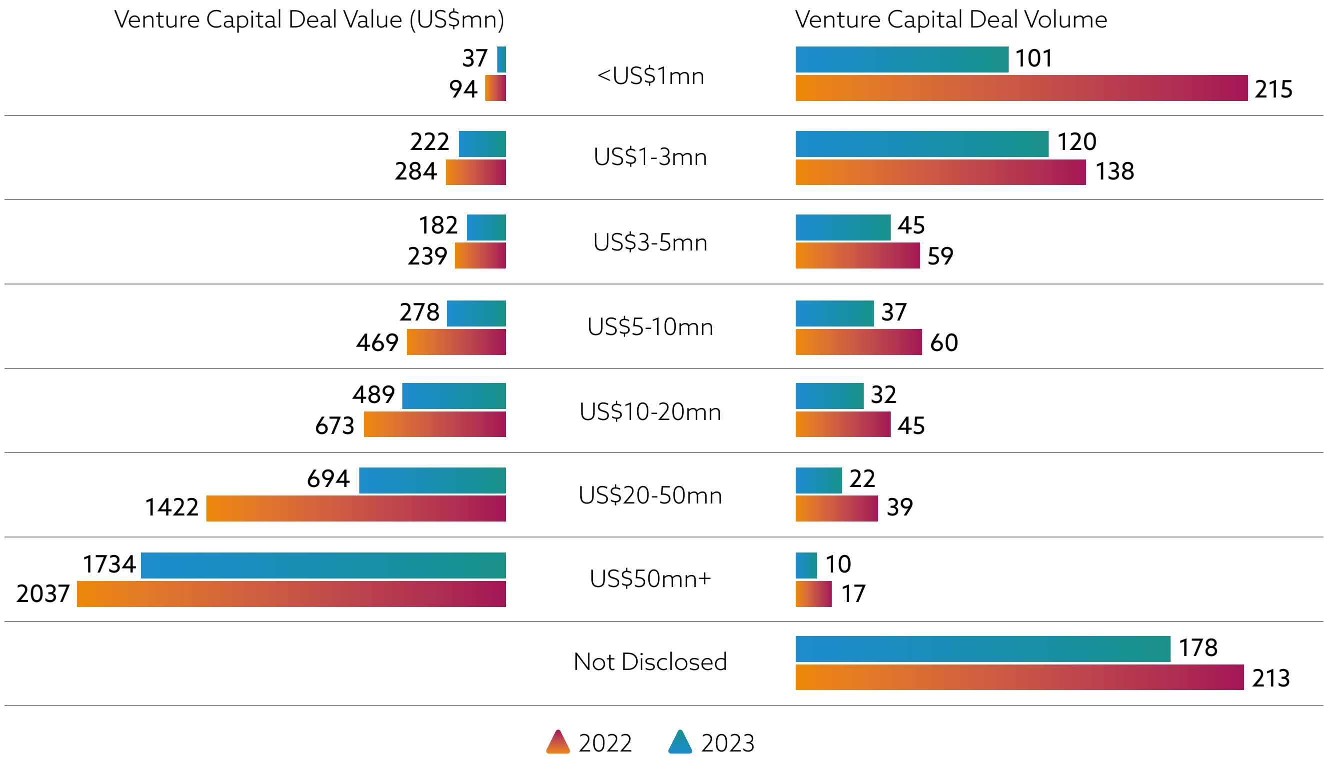
Africa's venture debt landscape was highly varied in 2023. Although a handful of startups raised low-ticket venture debt funding rounds, the majority raised mid to large ticket debt funding through a variety of instruments including direct lending, convertible debt and securitised bonds, among others.

In the mid-ticket range, 25% of companies that raised venture debt in 2023 did so at the US$5-20 million range. At the big-ticket range, a reported six companies raised debt of over US$50 million in value, cumulatively commanding 64% (i.e. US$588 million) of the total value of venture debt deals for the year. Examples include the US$63 million green loan in *Spira*, an electric motorbike manufacturer and clean energy provider in Francophone Africa as well as the US$130 million local currency denominated credit facility for off-grid solar energy provider *Sun King*.

The funding winter, which left its mark on every investment stage, is further emphasised when deal activity for 2023 is broken down by ticket size. Close to half (45%) of venture capital deals were US$5 million or less in size. Significantly, two in every five deals in this cohort were less than US$1 million in size, underscoring the prominence of smaller ticket sizes within the continental startup ecosystem.

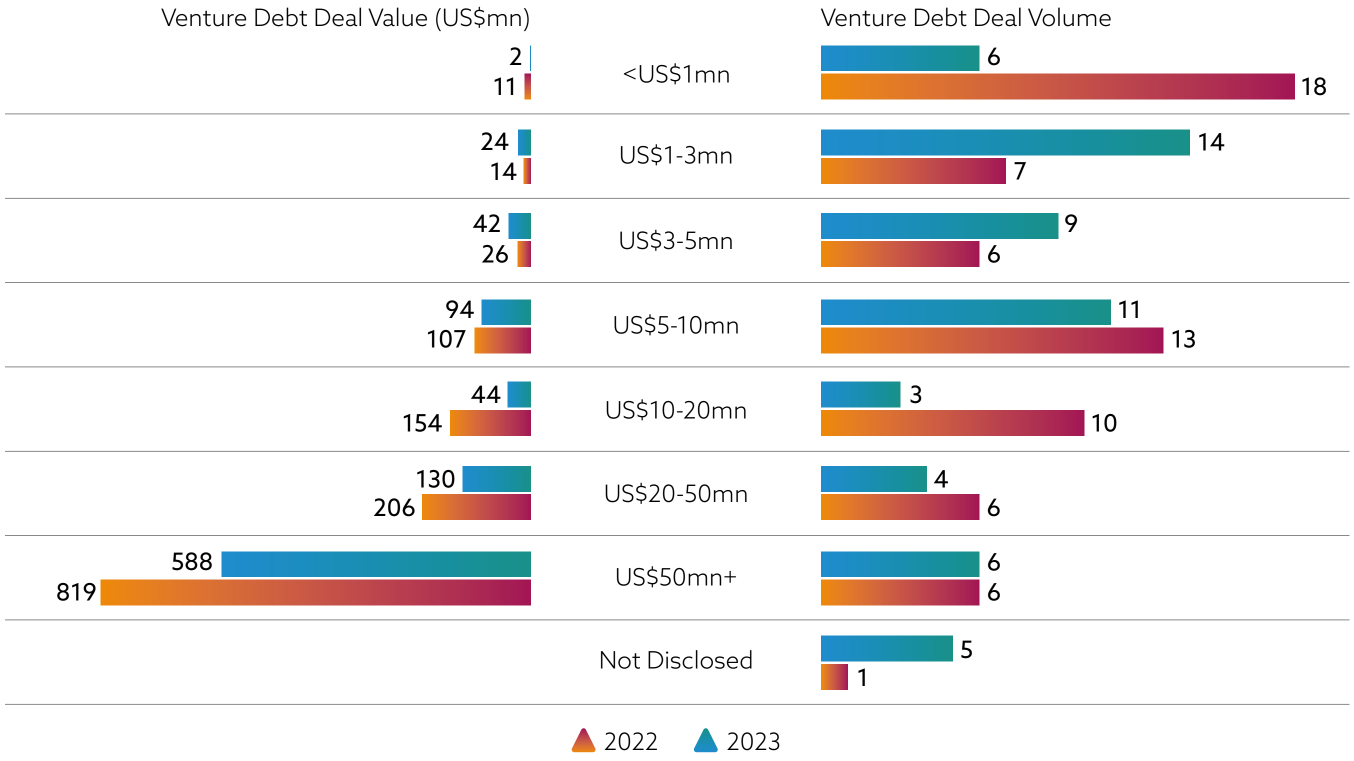
This is highly typical for Africa's venture landscape, and partially explains the funding shortfall for the year. Two ranges suffered disproportionately in 2023: aggregate deal values in the US$5-10 million category (which fell by 42% YoY) and in the US$20-50 million category (which fell by 51% YoY). These mid-range deals fall either beneath or beyond the 'sweet spots' of many early stage investors on one hand, and dedicated growth investors on the other. It therefore comes as no surprise that these categories were the hardest hit, as investors opted to direct their focus to proven later-stage companies or smaller and less capital-intensive earlier-stage investments.

Figure 11: **Distribution of Venture Capital Deal Volume and Value in Africa, by Ticket Size, 2022-2023**



Source: AVCA

Figure 12: **Distribution of Venture Debt Deal Volume and Value in Africa, by Ticket Size, 2022-2023**



Source: AVCA

Geographic Focus

4.1 Venture Deal Activity by Region

KEY FINDINGS:

WEST AFRICA

142
VC deals

US$431mn
Total reported value in 2023

SOUTHERN AFRICA

114
VC deals

US$577mn
Total reported value in 2023

EAST AFRICA

114
VC deals

US$480mn
Total reported value in 2023

NORTH AFRICA

104
VC deals

US$532mn
Total reported value in 2023

CENTRAL AFRICA

7
VC deals

US$46mn
Total reported value in 2023

In the evolving terrain of African venture capital, some things stayed the same while others shifted in 2023. West Africa maintained its pre-eminence in terms of venture capital deal volume for the third successive year, demonstrating a consistent attraction for venture investments. East and Southern Africa emerged as joint runners-up, each concluding the year with 114 venture capital transactions. However, Southern Africa edged out East Africa by venture capital deal value, with startups in the former raising close to US$100 million more than the latter.

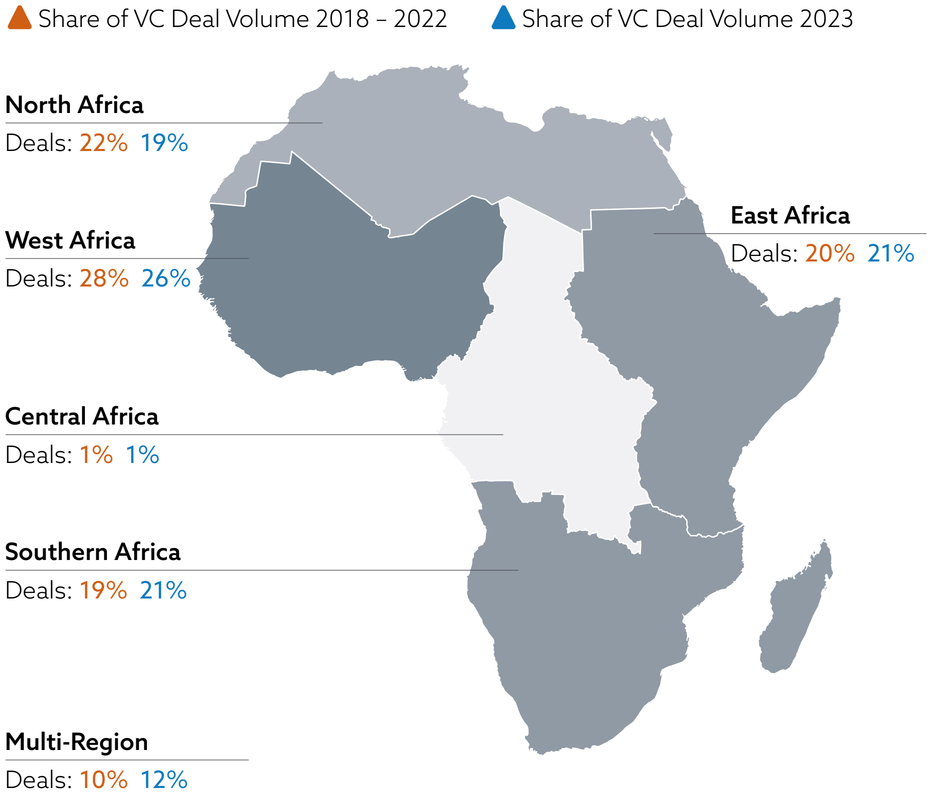
The US$577 million drawn in by entrepreneurs in Southern Africa, up from US$481 million in 2022, marks a significant rebound for the region after a few years (2020-2022) of steady decline in deal activity. In an unexpected reversal of fortunes, Southern Africa was the only region to register positive year-on-year growth in 2023 at 20%, signalling a return to the forefront of venture capital on the continent. The economic stabilisation of South Africa, the region's largest economy, coupled with an upswing of deal activity in Zambia, were instrumental in this revival. The revitalisation of Southern Africa's venture capital landscape can also be attributed to upward swings in deal value assumed by key sectors. Specifically, the Utilities sector saw an increase in investments from US$18 million in 2022 to US$65 million in 2023, while the Consumer Discretionary sector surged from US$18.5 million to US$109 million.

In contrast, performance in North Africa - the darling of Africa's venture capital ecosystem in 2022 - was a mixed bag in 2023. 104 deals with a cumulative value of US$532 million took place in the North African region last year, in a 42% YoY drop by volume and 52% drop by value. This contraction in startup funding is partially due to a few deals (namely the US$196 raised by digital freight network *TruKKer* across its Seres B and Series C funding rounds and the US$150 million Series B round in Algerian ride-hailing startup *Yassir*) in 2021 that momentarily inflated the level of funding typically assumed by the region. By deal volume, however, North Africa's downturn is traceable to a significant reduction of seed stage deals in Egypt. Egypt commanded two thirds (67%) of venture capital deal activity in North Africa between 2019 and 2023. As the regional powerhouse, the vicissitudes of Egypt's deal activity profoundly influence the overall health and performance of North Africa's venture capital market. Only 22 seed deals took place in Egypt last year, down from 63 in 2022, which serves as the primary driver for the decline in deal volume across the region.

South Africa's ascension and North Africa's descent in 2023 reflects the complexity and variation of regional investment climates, but also paints a picture of a continent in constant flux. Despite these variances, the proportional distribution of venture capital deals across the continent largely mirrored that of previous years, suggesting a more stable long-term pattern in entrepreneurial fundraising from 2018 to 2023.

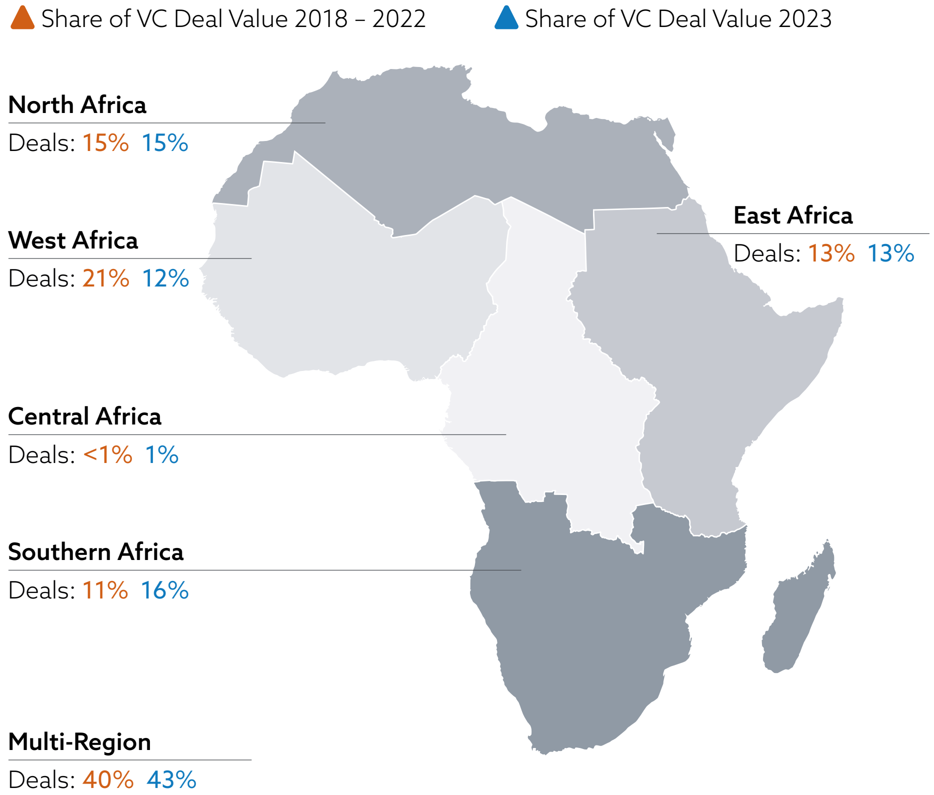
One thing that typically does, and in 2023 did, stay the same, is the volume and value amassed by startups with a multi-region geographic footprint. For context, while multi-region deals typically account for a small proportion of VC deal volume each year, they routinely comprise the largest share of deal value - and 2023 was no exception. Multi-region deals commanded 11% of VC deal volume but a significant 43% of VC deal value in 2023, where 60 deals pulled in slightly over US$1.5 billion. Notable examples in this category include the US$76 million funding round in pan-African vehicle financing platform *Moove*, as well as the US$20 million Series B round in *Smile Identity*, a startup providing identity verification and digital Know Your Customer (KYC) services in Kenya, Nigeria, South Africa.

Figure 13: **Share of VC Deal Volume in Africa, by Region, 2018 – 2022 vs 2023**



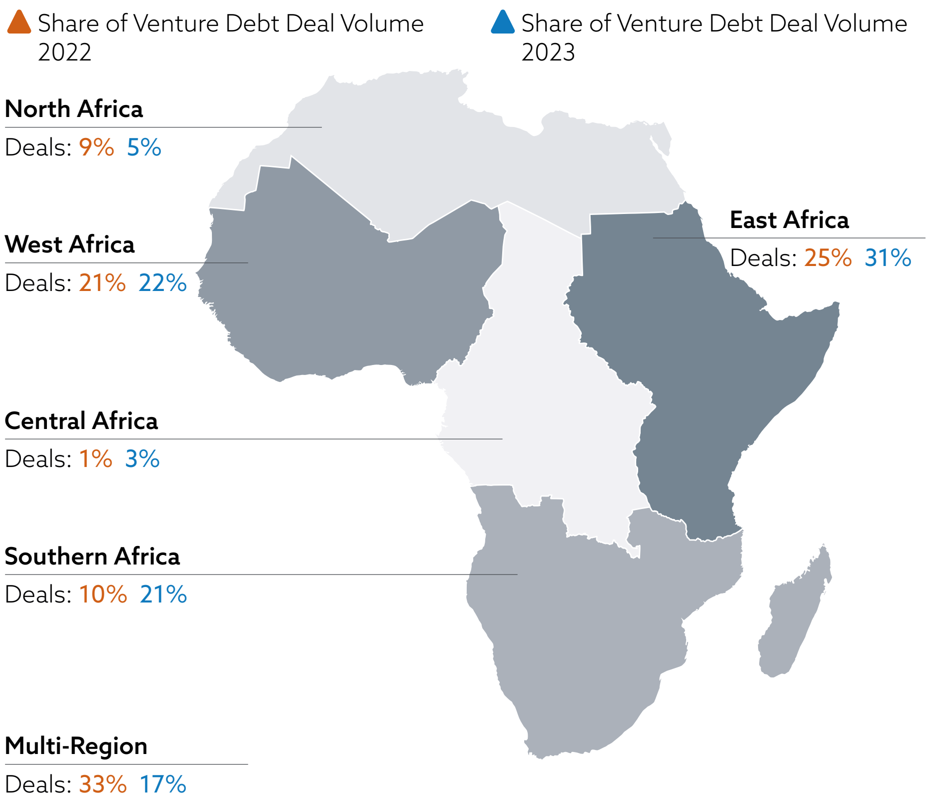
Source: AVCA

Figure 14: **Share of VC Deal Value in Africa, by Region, 2018 – 2022 vs 2023**



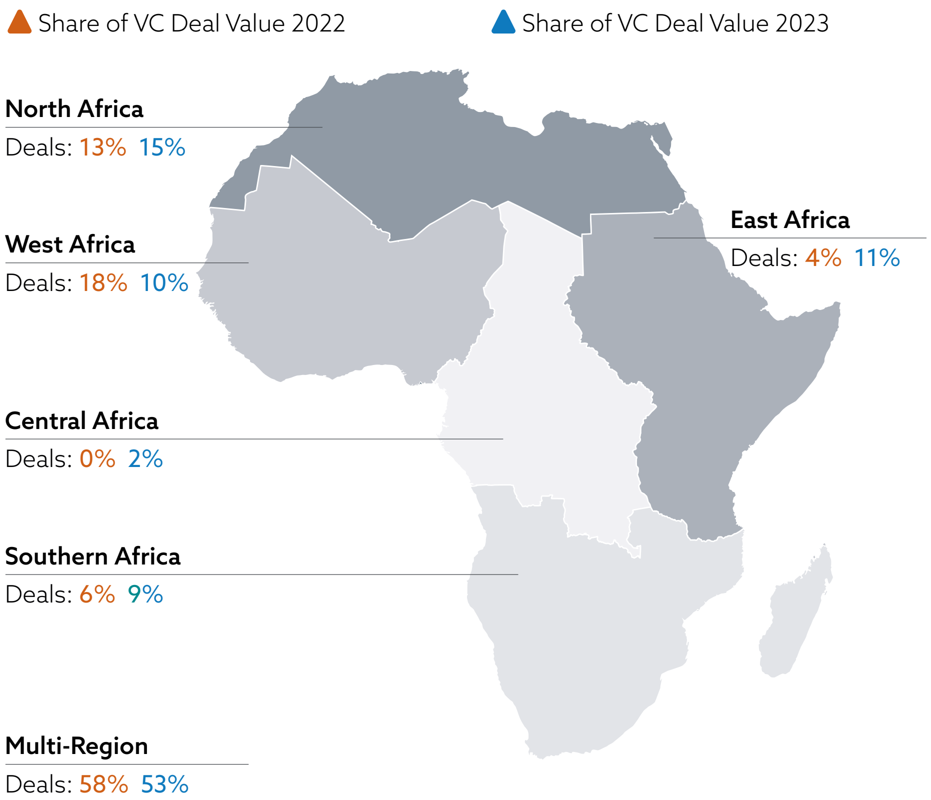
Source: AVCA

Figure 15: **Share of Venture Debt Deal Volume in Africa, by Region, 2022-2023**



Source: AVCA

Figure 16: **Share of Venture Debt Deal Volume in Africa, by Region, 2022-2023**



Source: AVCA

East (31%) and West Africa (22%) were particular hubs for venture debt deal activity in 2023. This was driven by startups headquartered in Kenya in the East, while startups headquartered in Nigeria and Ghana led the charge of venture debt deal activity in the West.

Multi-region deals once again comprised the largest share of venture debt deal value, taking home more than half of debt funding allocated to the continent in 2023.

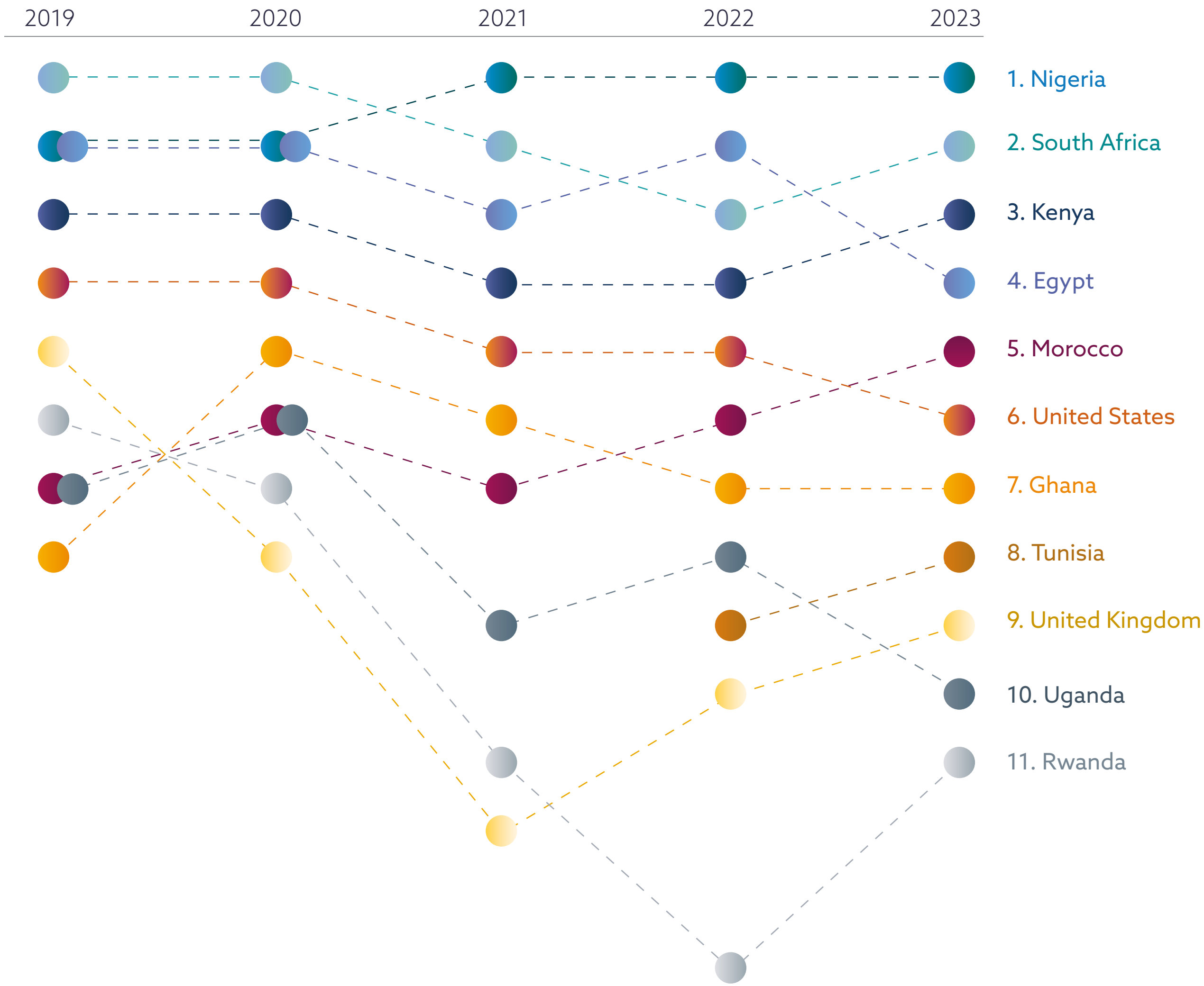
4.2 Venture Capital Deal Activity by Country

62% of the volume of VC deals in 2023 went to startups headquartered in the Big 4

The distribution of deal activity across countries in 2023 saw Nigeria retain its position at the forefront for the third consecutive year, accounting for 19% of venture capital deal volume. This enduring prominence underscores Nigeria's vital role in Africa's silicon savannah, alongside South Africa (18%), Kenya (14%) and Egypt (11%) - Africa's "Big 4" - which once again emerged as the primary destinations for venture capital. The nuanced interplay between and shuffle for supremacy among the Big 4 was once again visible in 2023 (Figure 17), with South Africa and Kenya making notable ascensions by deal volume in 2023 to land second and third place, respectively. The margins delineating their standings were notably narrow, reflecting the competitive and dynamic nature of venture capital allocations within these four leading economies.

Coming in fifth place, Morocco has gradually emerged as a significant player in the venture capital ecosystem. 24 deals with a collective value of US$17 million took place in Morocco, which constituted 4% of the annual deal volume for 2023. This development positions Morocco as an increasingly favoured destination for venture investments, buoyed by its recognition by LPs as the second most attractive country for private capital investment in Africa in [AVCA's 2023 Private Capital Industry Survey](#).

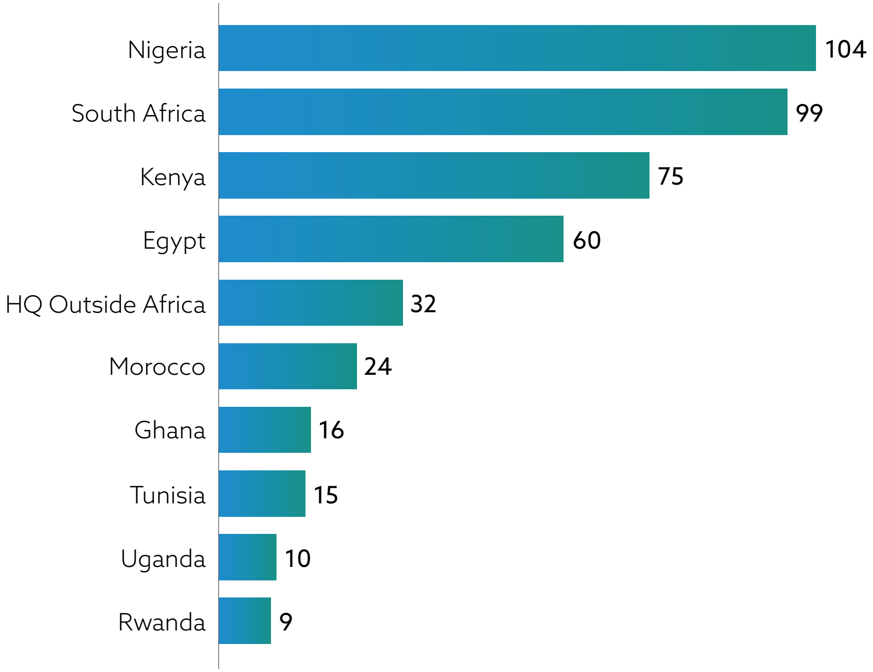
Figure 17: **Evolution of Country Ranking, by Deal Volume, 2019-2023**



Source: AVCA

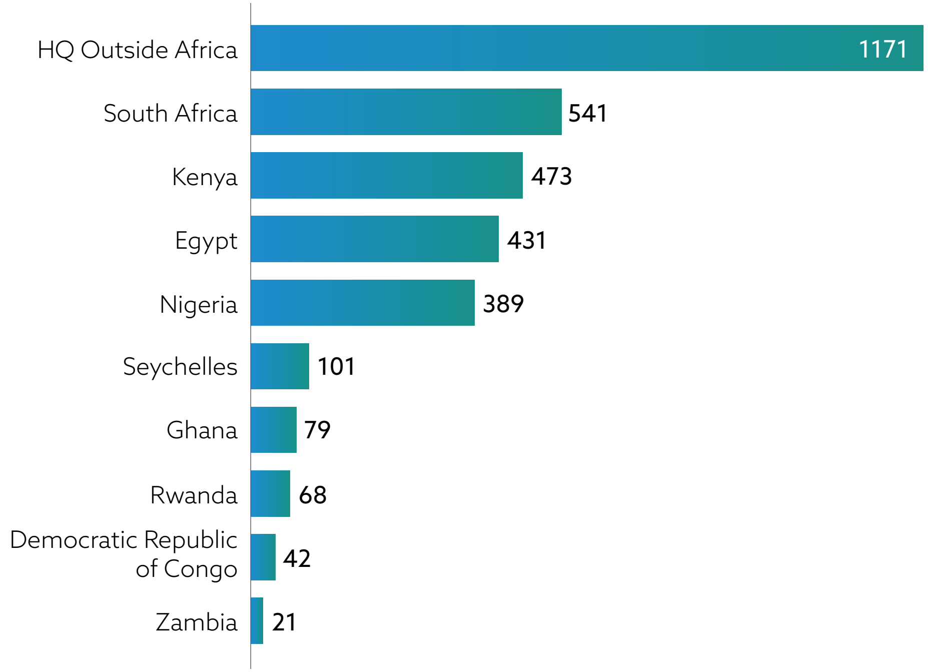
In the "HQ Outside Africa"[19] contingent of countries, two feature most prominently – the United States and the United Kingdom. There is an expanding footprint of Africa-focused startups that, while not headquartered on the continent, are integral to its venture ecosystem. This trend is attributed to the comparative advantages that external jurisdictions offer, including ease of incorporation, proximity to capital sources, easier access to novel, disruptive technologies, and robust intellectual property regulations; all of which are appealing to founders.

Figure 18: **Top 10 Investment Destinations by VC Deal Volume, 2023**



Source: AVCA

Figure 19: **Top 10 Investment Destinations by VC Deal Value (US$mn), 2023**



Source: AVCA

Sector Focus

5.1 Venture Capital Deal Activity by Sector

Financials accounted for the largest share of VC deals by both **volume** (**23%**) and **value** (**48%**) in 2023.

Africa's venture capital landscape was characterized by diverse sectoral performance in 2023, with Financials and Information Technology leading the charge. The Financials sector - which spans the Banks, Financial Services and Insurance industry groups - closed out the year with a significant 23% of venture capital deal volume and 48% of deal value to its name. Although it was both the most popular funded sector in 2023, it also exhibited the largest annual drop in activity. 126 venture capital deals with a cumulative value of US$1.7 billion took place in the Financials sector in 2023, falling from 242 such deals at a value of US$2.2 billion in 2022. This corresponds to a 48% decrease by volume, and a 22% decrease by value. While this downturn is partially attributable to the wider scaling down of investment amidst the venture funding winter, it also reflects a broader market correction following the sector's explosive growth during the pandemic years[20]. Nevertheless, Financials remains a cornerstone of Africa's VC activity due to its critical role in addressing the continent's unique financial inclusion challenges.

The Information Technology sector followed closely, with 107 deals concluded in 2023 (down from 122 deals in 2022). Despite this slight annual decrease, the pace of dealmaking in Information Technology highlights the ongoing innovation and digital transformation within African economies, with companies providing SaaS, affordable internet, and cyber security services driving considerable attention from investors.

By deal value, Industrials (12%), Consumer Discretionary and Utilities (9% each) received the largest proportion of venture dollars allocated to Africa in 2023 outside of Financials, each contributing to the diverse spectrum of venture capital interests across the continent. Industrials has been a rising sector of interest for venture capital investors in recent years, driven by startups providing tech-enabled solutions to several traditional industry groups. These range from Supply Chain Tech for the Logistics industry to MobilityTech for the Transportation industry and HRTech for Commercial and Professional Services industry. Meanwhile, the Distribution & Retail (driven by B2B and B2C E-Commerce) and Consumer Services industry groups were the biggest contributors to the Consumer Discretionary sector's deal value aggregation in 2023.

The varied sectoral engagement by both deal counts and values underscores the evolving nature of Africa's entrepreneurial ecosystem, where traditional and emerging industries intersect to create a vibrant venture capital landscape.

Figure 20: **Share of VC Deal Volume by Sector, 2014-2021 vs. 2022 vs. 2023**

Sector	2014-2021	2022	2023
Financials	27%	31%	23%
Information Technology	17%	16%	20%
Consumer Discretionary	16%	15%	17%
Industrials	13%	14%	12%
Health Care	8%	7%	9%
Communication Services	6%	5%	5%
Utilities	6%	4%	5%
Consumer Staples	5%	5%	5%
Real Estate	2%	2%	2%
Materials	1%	1%	2%
Energy	<1%	<1%	0%

Source: AVCA

Figure 21: **Share of VC Deal Value by Sector, 2014-2021 vs. 2022 vs. 2023**

Sector	2014-2021	2022	2023
Financials	44%	42%	48%
Industrials	15%	15%	12%
Consumer Discretionary	14%	10%	9%
Utilities	8%	10%	9%
Information Technology	8%	13%	8%
Health Care	5%	2%	5%
Consumer Staples	3%	1%	3%
Communication Services	2%	4%	2%
Real Estate	<1%	<1%	1%
Materials	1%	2%	1%
Energy	<1%	0%	0%

Source: AVCA

5.2 Rising Sectors of Interest for Venture Capital in 2023

A DIGITAL GOLD RUSH - THE AI FRENZY IN GLOBAL VENTURE CAPITAL

Artificial intelligence (AI) is reshaping traditional industries, driving efficiency, and creating new opportunities for investment. In what many technologists consider to be the next frontier, AI (which encompasses automation, machine learning, and robotics) raised nearly US$50 billion globally in 2023[21]. In a year where US$1 billion+ mega rounds were few and far between, companies leveraging AI were responsible for the year's most substantial and talked about venture capital fundraisers. Examples include the staggering US$10 billion multiyear investment in *OpenAI*, the US$7.3 billion raised by *Anthropic* across five funding rounds, and *Inflection AI*'s US$1.3 billion fundraise, in to name a few. As the preceding examples illustrate, Silicon Valley is in the grips of a Generative-AI funding frenzy. However, China and Israel also emerged as hotspots for venture capital investment in 2023. For the former, China's rapid ascent in the AI investment landscape can be attributed to its long-term strategic emphasis on AI as a core part of its national development strategy. The 2017 *New Generation AI Development Plan* established China's goal of global AI leadership by 2030, ushering substantial government funding, industry activity, and policy changes towards the achievement of this goal[22]. In Israel's case, Cybersecurity, HealthTech, and autonomous driving technologies are responsible for the considerable influx of AI-related venture capital investment in the country.

THE AI POTENTIAL IN AFRICAN TECH

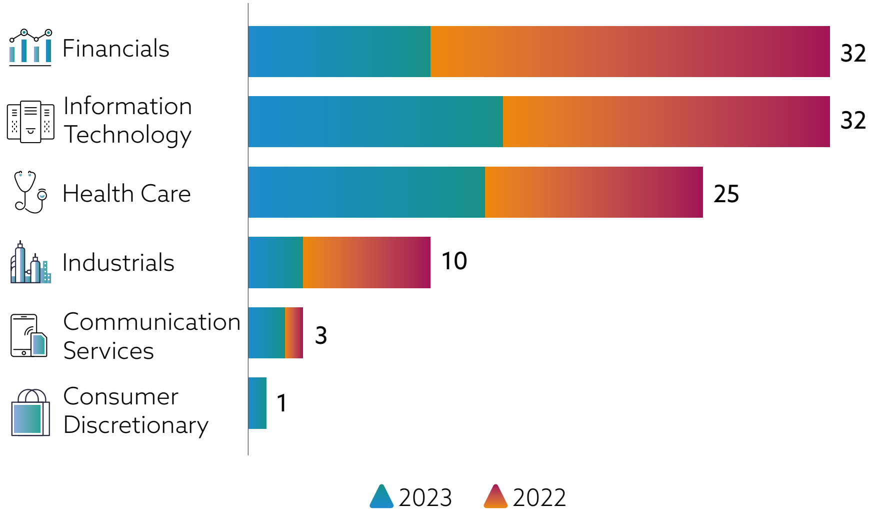
103 VC Deals (2022-2023)	US$641mn Cumulative Value
US$2.0mn Median Deal Value	US$8.5mn Average Deal Value

Startups incorporating artificial intelligence in their business models have also piqued the interest of investors in Africa. While not at the depth and breadth seen in more mature global tech ecosystems, the beginnings of investor confidence in the continent's AI capabilities is now apparent. 103 VC deals with a cumulative value of US$641 million took place in African startups employing AI-related technologies between 2022 and 2023, indicating a vibrant and growing interest in the continent's AI potential. AI is not just a craze for entrepreneurs and technophiles, however - it has also captured the imagination and resources of the investment community. In September 2023, Africa-focused venture capital fund manager P1 Ventures announced the US$25 million first close of its sophomore fund that seeks to back and build African software businesses that leverage AI[23].

While the possibilities within and applications of AI in African Tech are diverse, the data reveals an entrepreneurial focus on AI technologies that can be leveraged to leapfrog legacy infrastructure and revolutionise traditional sectors. Outside of Information Technology, Financials was the most active sector for AI-enabled startups raising venture capital in 2022 and 2023 (Figure 22). The sector attracted 32 venture capital deals with a combined value of US$390 million during this period, highlighting AI's transformative potential in the delivery of financial services. For instance, in 2023 South African automated insurer *Naked*, which developed an in-house customer insurance cover generator powered by AI, secured US$17 million in Series B funding. Meanwhile *Emata*, a Ugandan agri-loan startup that utilises AI-powered alternative credit scoring mechanisms, also raised US$2.4 million, showcasing innovative AI applications in financial inclusion.

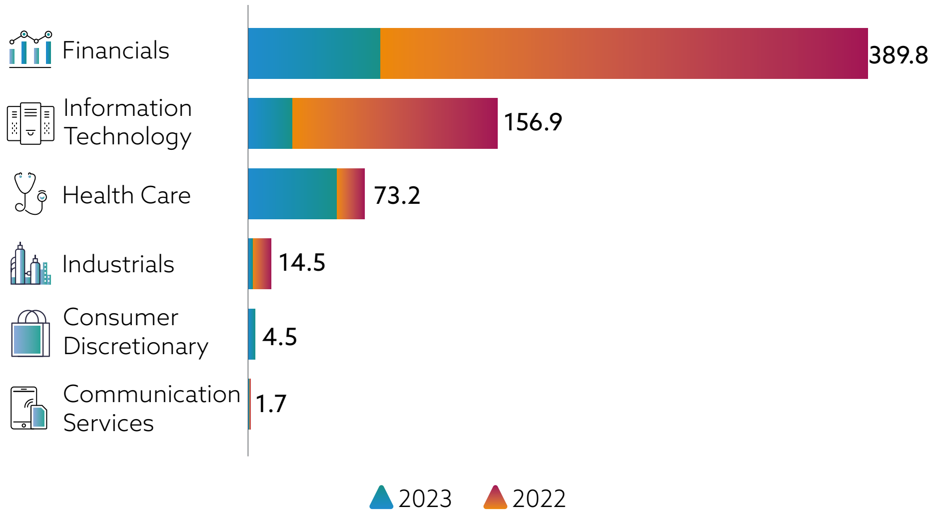
Similarly, the Healthcare sector is experiencing a surge in AI adoption. 25 deals totalling US$73 million took place in AI-enabled startups in the Healthcare sector between 2022 and 2023. Recent examples of deal activity include a US$1 million investment in *Data Pathology*, a Moroccan startup applying AI in digital pathology, and US$1.65 million for *Envisionit Deep AI*, a South African e-health startup. The preceding underscores how the application of AI is improving diagnostic accuracy and patient care in Africa.

Figure 22: **AI VC Deal Volume in Africa, by Sector, 2022-2023**



Source: AVCA

Figure 23: **AI VC Deal Value (US$mn) in Africa, by Sector, 2022-2023**



Source: AVCA

SUN, SOIL, AND SUSTAINABILITY: VENTURE CAPITAL IN CLEAN AND CLIMATE TECH SOLUTIONS

81 VC Deals (2022-2023)	**US$471mn** Cumulative Value
US$3.2mn Median Deal Value	**US$7.4mn** Average Deal Value

Clean and ClimateTech emerged as the second most active vertical amongst technology or tech-enabled startups that successfully raised venture capital in 2023. While both are largely sector and asset agnostic, CleanTech refers to companies that harness or develop technology which seek to improve environmental sustainability or reduce the negative environmental impact of natural resources consumed through human activities, while ClimateTech refers to companies developing technologies intended to mitigate or adapt to climate change, typically centred around the reduction of carbon emissions. The volume and value of venture capital allocated to these companies, that converge at the heart of technology and sustainability, have shown promising growth. 2022 saw US$213 million distributed across 37 deals in Clean or ClimateTech startups in Africa. This momentum continued into 2023, which closed out with a total 44 deals amassing US$258 million in investments. This upward trajectory will likely persist in forthcoming years, as impact investors motivated to meet Africa's sustainable development agenda back the growing number of companies and projects delivering innovative, effective, and sustainable solutions to pressing socio-environmental challenges.

Africa is home to a wide array of climate-related investment opportunities, from sustainable agribusiness to renewable energy, waste management and electric mobility, amongst several others. Recognizing this opportunity, venture capital is playing an increasing role in the development of these solutions, which were spread across 6 Sectors and 10 Industry Groups (Figure 24). The most salient of these are analysed in turn below.

Utilities

The Utilities sector dominates Africa's Clean and Climate Tech landscape in Africa, capturing 41% of deal volume and 56% of deal value between 2022 and 2023. The prominence of the Utilities sector is primarily due to investments in renewable electricity producers, demonstrating a commitment towards decarbonisation and energy independence that leverages the continent's abundant natural resources. Three quarters (25) of the 33 Clean and Climate Tech deals that took place in the Utilities sector during this two year period were in startups related to solar energy solutions. These ranged from manufacturers of solar products such as Kenya's *d.Light* and Zambia's *Vitalite*; mini-grid developers such as Congo's *Nuru* and Madagascar's *WeLight*; and solar energy infrastructure developers such as *MPower*, active in Cameroon, Namibia, Togo and Zambia.

Industrials

The Industrials sector brought in US$128 million of venture capital between 2022 and 2023, concentrated in startups electrifying transportation as well as recycling, sanitation, or waste management service providers. Capital recipients for the former include the Egyptian electric mobility startup *ShiftEV*, Kenyan electric bus company *BasiGo* and *M Auto*, an electric based 'mobility as a service provider' in Benin and Togo. These investments underscore the growing interest in electric transportation solutions in Africa, driven by the need to reduce carbon emissions and improve urban air quality. Capital recipients for the latter include companies like Kenyan sanitation and waste management company *Sanergy*, and *Romco Group*, a clean-tech metals recycling company. Investments and innovation in spaces such as these reflect a broader move towards circular economies in Africa, where waste is minimized and materials are reused to reduce environmental impact and foster sustainability.

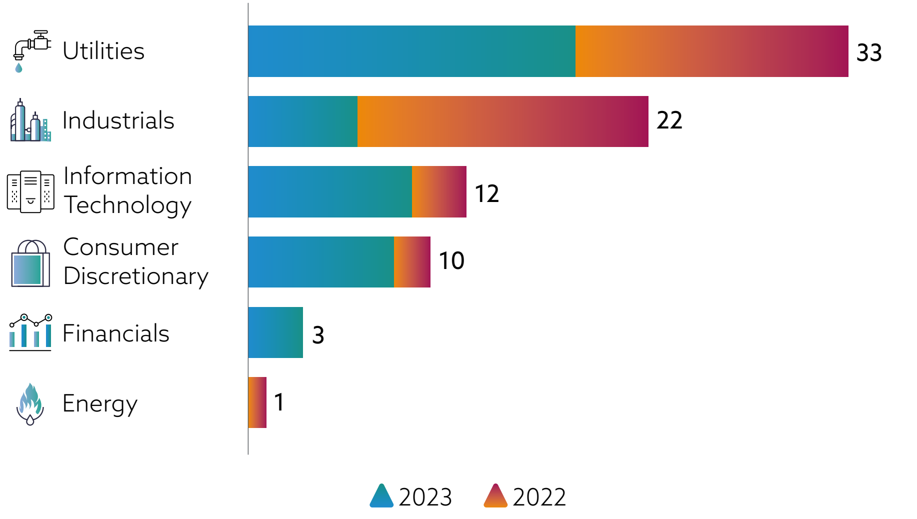
Information Technology

Somewhat predictably, the Information Technology sector has also been a focal point of venture capital investment in Clean and ClimateTech startups. Companies in the "Software and Services" sub-industry providing smart energy management solutions took home 63% (slightly over US$28 million) of the US$44 million cumulatively raised by the Information Technology sector between 2022 and 2023. This investment trend towards smart energy solutions indicates a growing market for technology-driven approaches to energy conservation and efficiency. By deploying software and platforms that enable real-time monitoring and management of energy consumption, VC-backed companies such as Tunisia's *Wattnow* and South Africa's *Plentify* are at the forefront of creating more sustainable and efficient energy systems. Not only is this beneficial from the perspective of carbon footprint reduction, it also aligns with global trends towards smarter, interconnected, and sustainable urban environments.

Consumer Discretionary

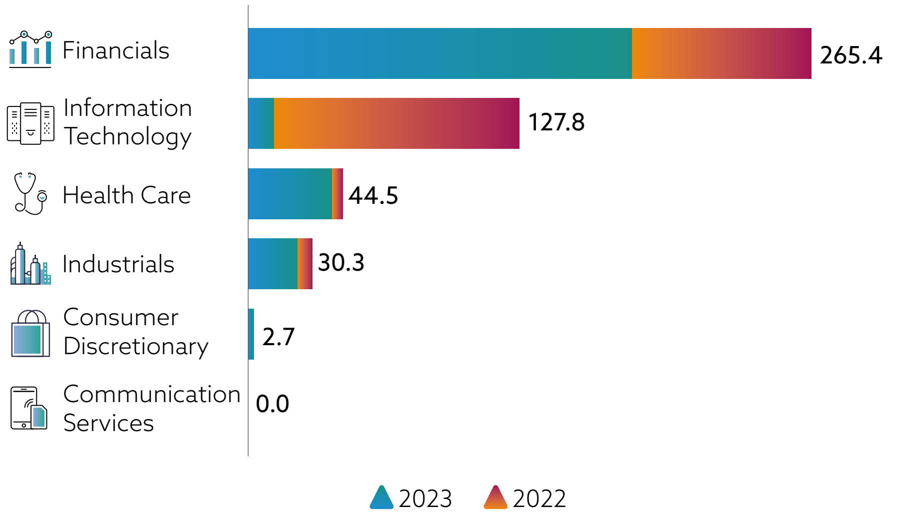
The Consumer Discretionary sector, which covers a broad scope, has seen Clean and Climate Tech companies within it attracting more than US$30 million in venture capital for a range of innovative products and services. Venture capital recipients in this sector range from producers of biomass or clean energy cookstoves, long duration energy storage producers, and electric vehicle manufacturers. The diversity of investments in this sector reflects a growing consumer demand for sustainable and environmentally friendly products.

Figure 24: **Clean and Climate-Tech VC Deal Volume, by Sector, 2022-2023**



Source: AVCA

Figure 25: **Clean and Climate-Tech VC Deal Value (US$mn), by Sector, 2022-2023**



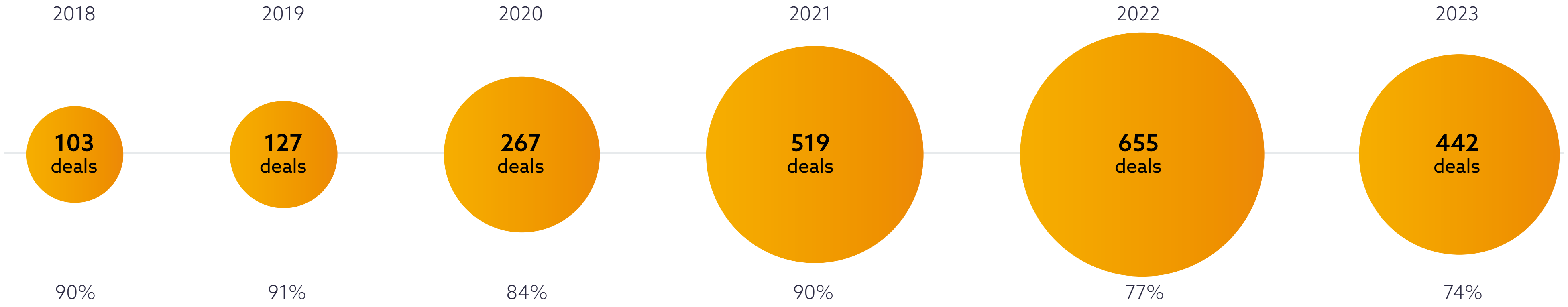
Source: AVCA

74% **of VC deals in 2023 were in technology or technology-enabled companies** operating across a variety of sectors

The proportion of deal activity assumed by tech-enabled companies in Africa has seen a gradual decline since 2020—dropping from 84% of the annual total to 74% by 2023. Nevertheless, when viewed through an aggregate rather than a proportional lens, the absolute number of deals tells a story of steady growth. Starting from 103 deals in 2018 and peaking at 656 in 2022, this upward trajectory illustrates not just a fleeting investor interest but a sustained belief in the transformative potential of technology across the continent's diverse markets. However, 2023 marked a notable departure from this otherwise consistent growth narrative. Tech-enabled deals fell to 446, making up 74% of total venture activity for the year. This shift can largely be attributed to specific sectoral movements. In particular, the Financials and Communications sectors saw declines in tech-enabled deal counts by 7% and 2% year-on-year, respectively. This is compounded by a modest increase in deal activity experienced by the Materials sector in 2023, albeit concentrated in companies that do not leverage technology in their business models.

Despite the downtrend in both the number and proportion of tech-enabled venture capital deals in 2023, when all is said and done, technology is at the heart of Africa's innovation ecosystem. Befitting this, 7 African tech-enabled startups were named on the World Economic Forum's *2023 Technology Pioneers* list in 2023, which highlights young and growing tech companies at the forefront of their industries around the world[24]. These include Ghana's *Farmerline* (AgTech), Kenya's *SunCulture* (AgTech), Nigeria's *Alerzo* (E-Commerce), *Shuttlers* (Mobility Tech) and *Vendease* (FoodTech), and finally South Africa's *Dove Air* (Mobility Tech) and *Omnisient* (Saas). The international recognition of these startups also highlights the diverse use of disruptive technology in Africa's early-stage ecosystem, which is being harnessed across a wide array of use-cases.

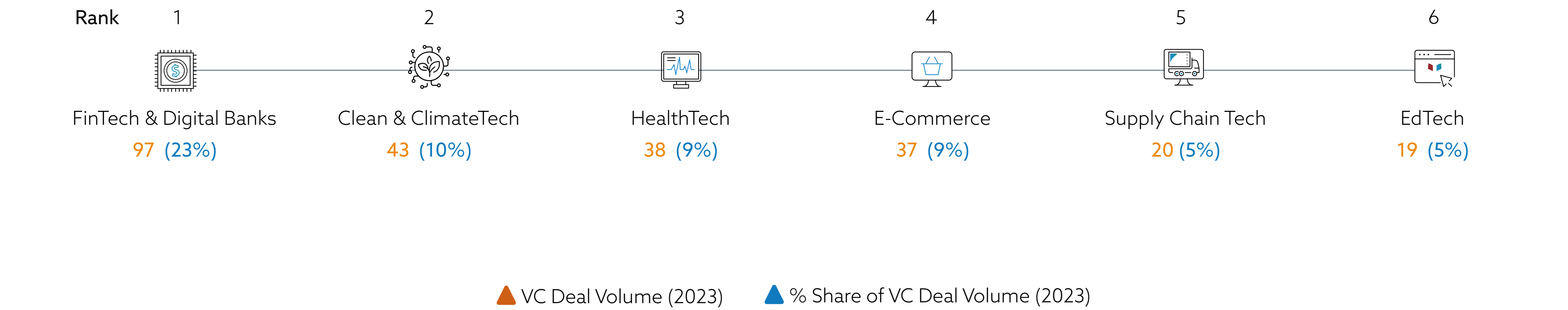
Figure 26: **Annual Evolution of Deal Volume in Tech or Tech-Enabled Startups in Africa, 2018 – 2023**



Source: AVCA

The growth trajectory of tech-enabled startups in the last several years (Figure 26) runs parallel to the growing emphasis placed on digital infrastructure, mobile penetration, and technological literacy across the continent. This created fertile ground for innovative solutions to thrive multi-sectorally, with FinTech enabling financial inclusion, HealthTech improving the accessibility of healthcare, and EdTech bridging the gap in access to quality education (Figure 27). Not only is technology being used to address these critical needs and more, the profile of tech-enabled startups that received venture backing in 2023 underscores the instrumental role played by digital solutions in driving socio-economic development across the continent.

Figure 27: **Top Verticals Amongst Tech-Enabled Companies in Africa, 2023**



Source: AVCA

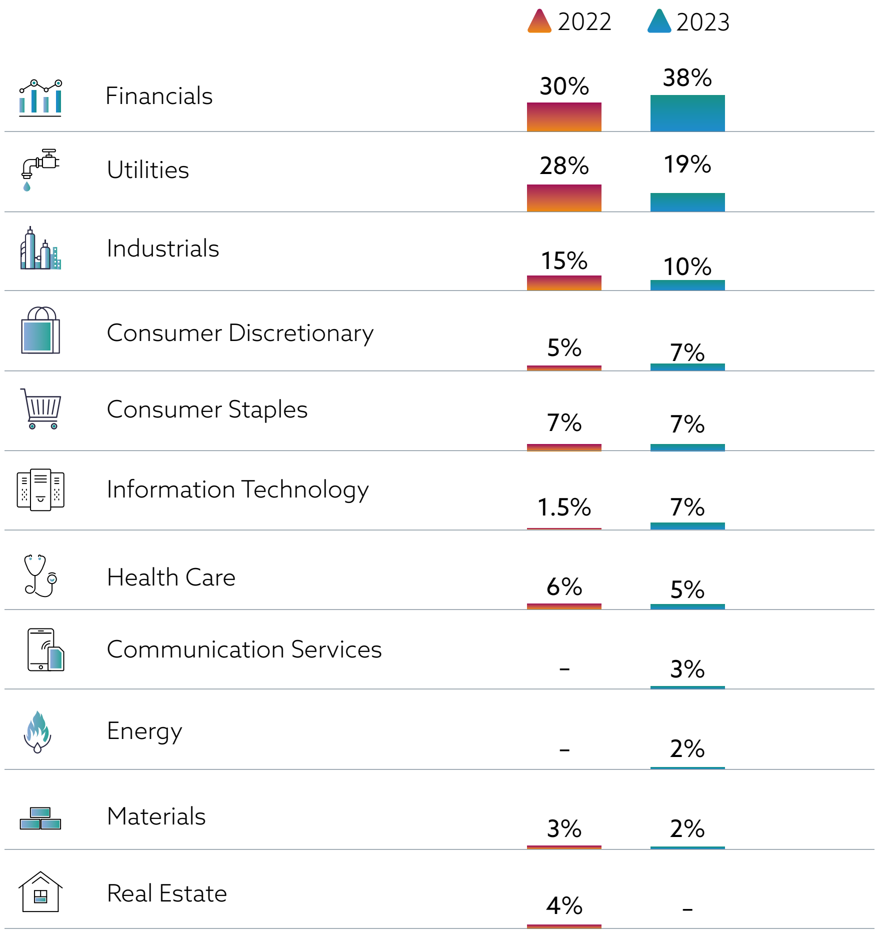
5.3 Venture Debt Deal Activity By Sector

Financials (driven by FinTech) and **Utilities** (driven by CleanTech) **dominated the venture debt market,** capturing 57% of deal volume and an overwhelming 69% of deal value in 2023

Given the macroeconomic downturn and increasingly stringent environment for equity funding, capital allocations of venture debt by sector can be used to infer the evolving preferences and risk assessments of lenders. Notably, the Financials and Utilities sectors emerged as frontrunners by both deal volume and value, underscoring their perceived stability and growth potential amidst economic uncertainty. More specifically, the Financials sector cornered the venture debt market by volume with 22 transactions (38% of total deal count), while the Utilities sector led in terms of monetary value with transactions amounting to US$360 million (39% of total deal value) in 2023. Industrials, Consumer Discretionary and Staples, and Information Technology also saw notable deal activity, albeit to a lesser extent, highlighting a diversified investor interest across the spectrum of African economies.

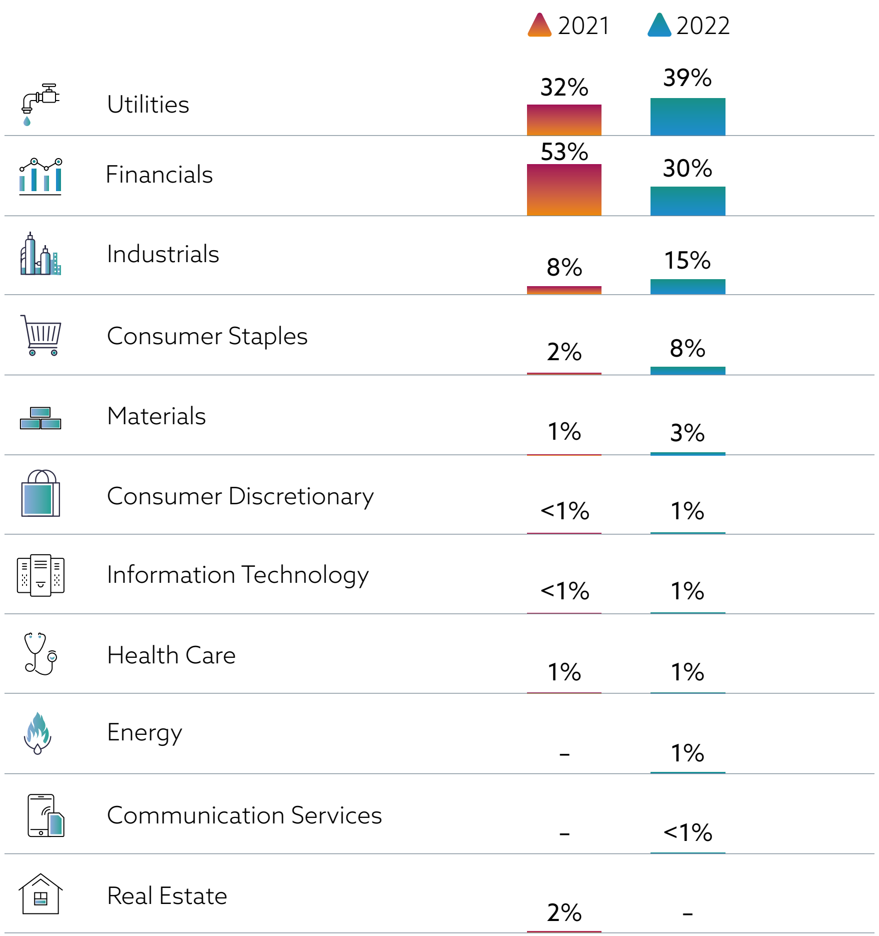
This sectoral distribution of venture debt underscores a strategic approach by lenders to bolster sectors critical to Africa's economic resilience and growth potential. The emphasis on Utilities and Financials highlights a trend towards investing in foundational economic pillars, while the presence of sectors like Industrials and Information Technology indicates a broader recognition of the continent's diversifying economic base.

Figure 28: **Share of Venture Debt Deal Volume by Sector, 2022-2023**



Source: AVCA

Figure 29: **Share of Venture Debt Deal Value by Sector, 2022-2023**



Source: AVCA

Super Sized Deals

KEY FINDINGS:

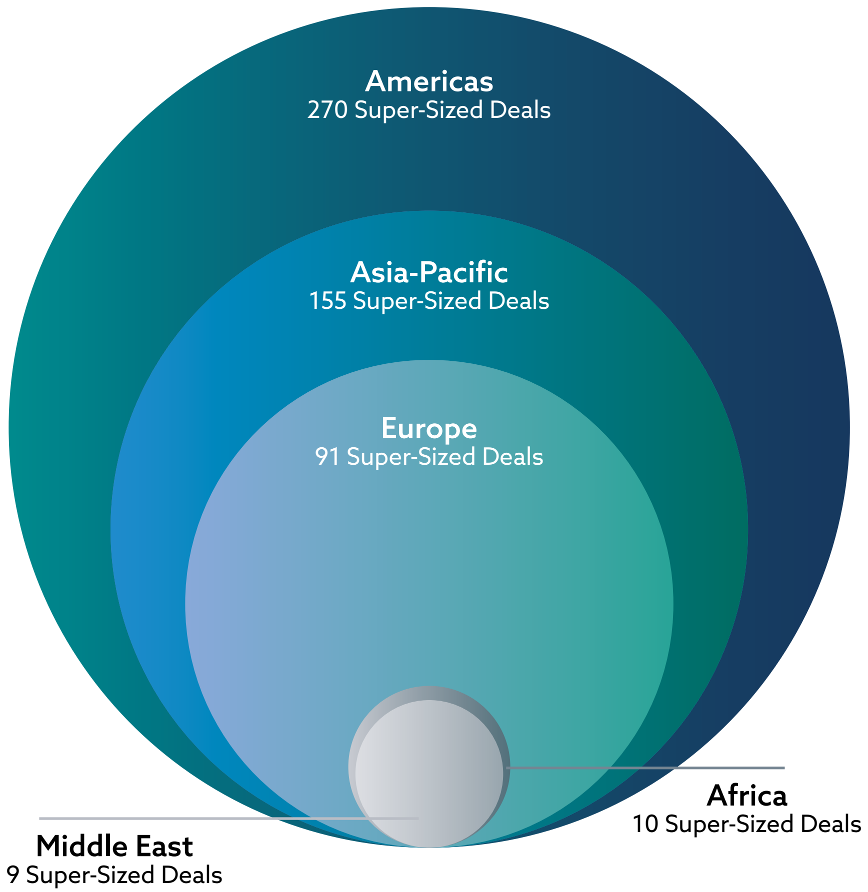
7 unique companies raised **super-sized venture capital deals** in 2023

3 unique companies raised **super-sized venture debt deals** in 2023

US$1.9 billion (42%) of total venture deal value (venture capital and venture debt) in 2023 **went to super-sized deals**

Although they generate a lot of buzz and attention, super-sized deals remain an elusive phenomenon not only within the African but also the global venture market. In 2023, the Americas[25] witnessed 270 super-sized deals out of over 12,000 transactions, Asia recorded 155 such deals out of a wider total of over 7,000 transactions, while Europe concluded the year with 91 deals that had a US$100 million+ price tag, out of approximately 6,900 transactions. Super-sized deals therefore consistently represent a mere 1-2% of all venture capital deals executed within these and other markets. The geographic distribution of super-sized deal activity mirrors broader trends in the global repartition of venture funding: the Americas (led by the United States) and Asia claimed 79% of the volume and 84% of the value of these high-value funding rounds globally.

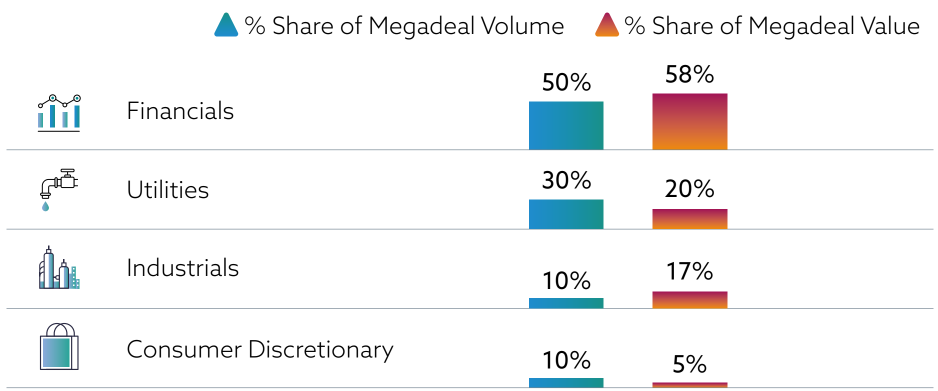
Figure 30: **Global Distribution of Super-Sized Deal Volume, 2023**



Source: AVCA, Pitchbook

In Africa more specifically, super-sized deal activity largely held steady. 9 unique companies raised US$100 million or more across 10 deals in 2023, registering only a slight dip compared to 12 unique companies that managed the same feat in 2022. With the inclusion of venture debt, which raised US$405 million across three super-sized deals last year, 2023 closed out with a total 10 super-sized deals. These were spread across an equal number of sectors and countries apiece, at five each. Financials (53%) was the most active sector by both deal volume and value for super-sized deals (Figure 31), bolstered in part by the mammoth US$360 million Series C in *PayJoy*, a smartphone-based finance provider and the US$255 million fundraise by Kenyan asset financing platform *M-Kopa*. The Utilities sector followed in second place, assuming 30% of super-sized deal volume and 20% of value. Notably, the dollars invested in this sector all went to companies servicing Africa's off-grid population with solar electricity and/or products. Befitting their scale, these sizable funding rounds are evidence of the ambitions of African entrepreneurs transitioning from being startups to scaleups, providing much-needed working capital to fuel geographic and product expansion.

Figure 31: **Sectoral Distribution of Venture Super-Sized Deals, 2023**



Source: AVCA

Figure 32: **Selection of Publicly Disclosed Super-Sized Deals, 2023**

Portfolio Company	HQ Location	Region (Operations)	Sector	Date	Funding Round	Deal Amount (US$mn)
Payjoy	United States	Multi-Region	Financials	Sep-23	Series C	360
Zipline	United States	Multi-Region	Industrials	Apr-23	Series F	330
Mnt-Halan	Egypt	North Africa	Financials	Feb-23	-	260
M-Kopa	Kenya	Multi-Region	Financials	May-23	-	255
Sun King	Kenya	Multi-Region	Utilities	May-23	Venture Debt	150
Mnt-Halan	Egypt	North Africa	Financials	Nov-23	Venture Debt	130
D.light	Kenya	Multi-Region	Utilities	Aug-23	Venture Debt	125
Husk Power Systems	India	Multi-Region	Utilities	Oct-23	Series D	103
Terrapay	United Kingdom	Multi-Region	Financials	Mar-23	Series B	100
Planet42	South Africa	Southern Africa	Consumer Discretionary	Feb-23	-	100

Source: AVCA

Impact & Diversity Focus

6.1 Impact Focus

32%

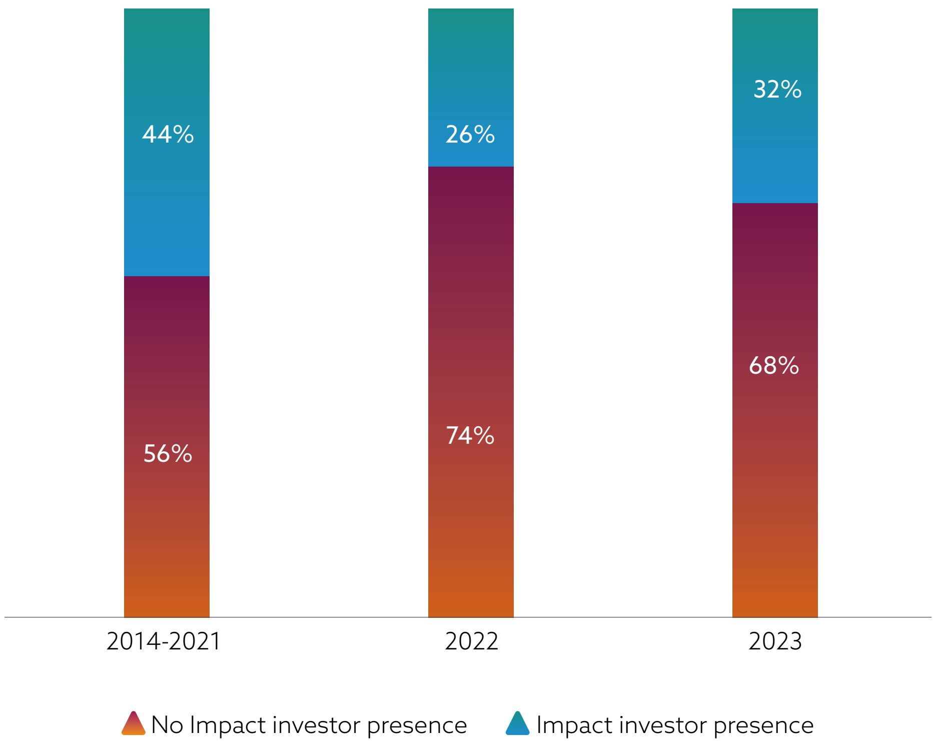
Close to a third (32%) **of VC deals** in Africa in 2023 **saw participation from at least one impact investor**[26]

172 venture capital deals saw participation from at least one impact investor in 2023, falling from 204 the year prior. While impact investor involvement fell in absolute terms in 2023, there was a notable increase in the proportion of deals with impact investor participation in Africa's innovation ecosystem. 32% of deals featured at least one such investor, up from 26% in 2022. Focus areas for impact investors were markedly diverse, addressing critical sectors that align with both societal needs and potential for economic returns. A breakdown of 2023's deal activity by impact category (Figure 34) illustrates the breadth of this commitment to driving sustainable development across the continent, shared by entrepreneurs and investors alike.

Sustainable Agriculture & Forestry was the leading category attracting impact investment in 2023, commanding 18% of deal volume with impact investor presence, closely followed by the Access to Quality Health Care category at 17%. Financial Inclusion and Clean Energy each accounted for 12%, reflecting a balanced emphasis on both economic empowerment and environmental sustainability. Sustainable Transport & Logistics and Access to Quality Education close out the top five categories, with shares of 9% and 7% respectively. The preceding illustrates the broad spectrum of investable opportunities that generate a positive impact, and therefore the synergy between profit and purpose.

African entrepreneurs are also responding to the climate crisis, demonstrating diversity and innovation in their response to the various environmental challenges associated with a changing climate globally. A total of 87 deals, constituting 16% of the year's aggregate deal count, were directed towards climate-related initiatives in 2023. These climate-related ventures collectively amassed US$784 million, which was disbursed across a wide array of sectors. Noteworthy examples include the US$19.5 million mixed equity and debt round in *Ampersand*, a Rwandan e-mobility startup, the US$2 million injection into Nigerian recycling champion *WeCyclers*, and the US$150,000 investment in *Africa Collect Textiles*, a startup building circular eco-systems for fashion in Kenya. These investments underscore a growing recognition of the critical role startups play in fostering environmental sustainability, from promoting ethical fashion and waste reduction to advancing electric transportation solutions.

Figure 33: **Share of VC deals in Africa with participation from at least one impact investor, 2014 – 2021 vs 2022 vs 2023**



Source: AVCA

Figure 34: **Top 5 Impact Categories Amongst VC Deals with Impact Investor Presence**

Sustainable Agriculture & Forestry

18%

US$15 million Series B round in *Koa Impact*, a sustainable cocoa producer in Ghana, with participation from **Zebra Impact** and **Mirova SunFunder**.

US$8.5 million Series B round in *Good Nature Agro*, a Zambian social enterprise that invests in smallholder farmers, with participation from **Goodwell Investments**, **Global Partnerships** and **KSF Impact**.

Access to Quality Health Care

17%

US$20 million funding round in *Hewatele*, a startup supplying medical oxygen to remote parts of Africa, led by **Soros Economic Development Fund** with participation from **Finnfund** and the **UBS Optimus Foundation**.

EUR4.5 million seed round in *Susu*, a HealthTech startup democratising access to healthcare services in Francophone Africa, with participation from **Health54**.

Financial Inclusion

12%

US$30 million Series B in *Lulalend*, a South African online lending platform catering to MSMEs, led by **Lightrock** with participation from **Women's World Banking**.

US$2.4 million seed round in *Emata*, a FinTech platform providing affordable digital loans to farmers in Uganda, with participation from the **Draper Richards Kaplan Foundation** and **Norrsken**.

Clean Energy

12%

US$14 million Series B led by **Tripe Jump** in *Yellow*, a Malawian pay-as-you-go energy access provider.

US$12 million Series A in *Okra Solar*, a Nigerian CleanTech startup providing rural communities with access to affordable solar systems, with participation from **Autodesk Foundation**, **EDF ElectriFI**, **FMO**, and **King Philanthropies**.

Sustainable Transport & Logistics

9%

US$19.5 million round in *Ampersand*, a Rwandese e-mobility startup, with participation from **Acumen** and **AlphaMundi**.

US$13 million pre-Series A in logistics startup *Jetstream Africa*, with participation from **Alitheia IDF** and **Proparco**.

Source: AVCA

6.2 Diversity Focus

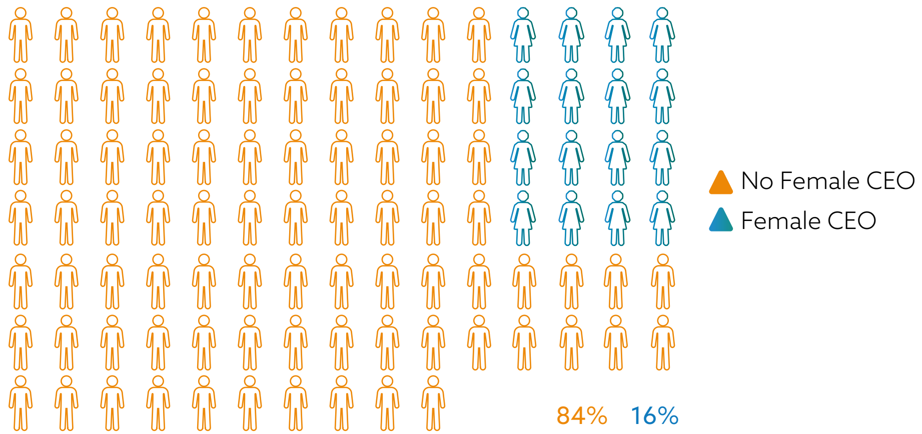
27% of VC investments in Africa in 2023 were in **startups with a female founder or multiple founders, including at least one female**[27]

Venture capital fundraising continues to be a challenging environment for female entrepreneurs, with only 16% of funding recipients in 2023 having a female CEO. This figure, though an improvement from previous years, still reflects a significant gender gap in the recipients of venture capital. Historically, the proportion of deals in companies with a female CEO has shown a gradual increase, from 11% in 2020 to 16% in 2023. While this suggests a slowly evolving landscape that is becoming increasingly receptive to female entrepreneurs, much work remains to be done to achieve equity in funding distribution.

A more optimistic picture on the progress to gender parity is painted when the broader category of gender-diverse startups (defined as those with at least one female founder) is considered. In 2023, 136 such companies raised approximately US$485 million, accounting for 27% of the total number of unique companies backed by venture capital. However, this only corresponds to 13% of the total deal value for the year, highlighting a discrepancy between the number of companies funded and the proportion of total capital received.

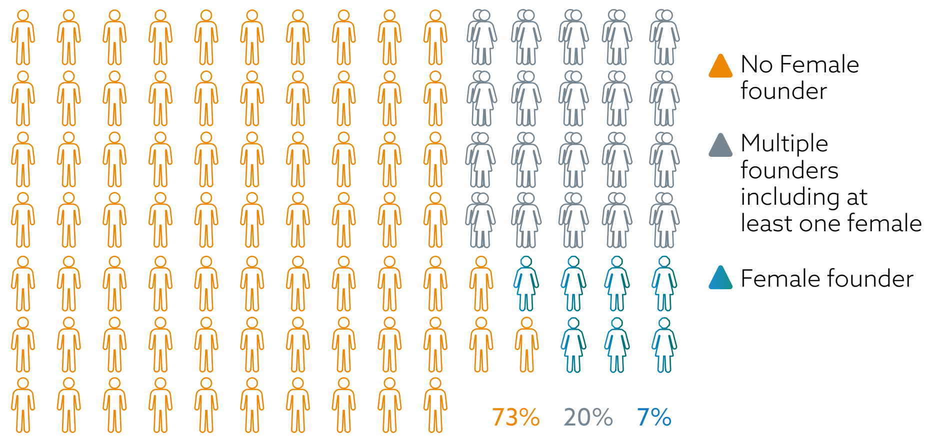
An examination of deal activity to startups that are entirely female founded further highlights this disproportionality, and the financial challenges faced by female entrepreneurs in Africa. In 2023, 36 unique female-founded startups successfully raised venture capital, capturing just 7% of deal volume for the year. The presence of mixed-gender teams has been shown to significantly increase funding opportunities. Teams that have at least one female founder have historically commanded a far greater percentage of venture capital dealmaking compared to all-women teams. This trend is not unique to Africa's venture capital industry, it was equally visible in the American market where it has remained consistent for over a decade. The percentage of venture capital allocated to all-female teams in the US stood at just 1.9% (US$4.5 billion) in 2022, increasing to 17.2% when the team was mixed-gender[28]. The importance of fostering diversity within startup teams is highlighted by these disparities, underscoring the need for continued efforts to support and invest in women entrepreneurs at the global level.

Figure 35: **Share of VC Deal Volume by Female-Led Startups in Africa, 2023**



Source: AVCA

Figure 36: **Share of VC Deal Volume by Female-Founded Startups in Africa, 2023**



Source: AVCA

Figure 37: **Selection of VC-Backed Female-Founded Startups, 2023**

Potfolio Company	Female Founder	HQ Location	Region (Operations)	Date	Funding Round	Deal Amount (US$mn)
Sabi	Anu Adasolum	Nigeria	Multi-Region	07/03/2023	Series B	38.0
Dawi Clinics	Magda Habib	Egypt	North Africa	23/05/2023	Series Unknown	8.0
Powered by People	Ella Peinovich	Kenya	East Africa	10/03/2023	Series A	8.0
Chefaa	Dr. Doaa Aref	Egypt	North Africa	17/12/2023	Series Unknown	5.3
Susu	Bola Bardet	France	Multi-Region	14/12/2023	Seed	4.9
Yebo Fresh	Jessica Boonstra	South Africa	Southern Africa	27/01/2023	Pre-Series A	4.5
Amini	Kate Kallot	Kenya	East Africa	30/11/2023	Seed	4.0
Emtech	Carmelle Cadet	Nigeria	West Africa	01/08/2023	Seed	4.0
Shuttlers	Damilola Olokesusi	Nigeria	West Africa	01/03/2023	Series Unknown	4.0
Almouneer	Noha Khater and Rania Kadry	Egypt	North Africa	31/10/2023	Seed	3.6

Investor Profile

781

investors participated in venture capital and venture debt deals in Africa in 2023

722 Investors

Venture Capital

24 Investors

Dual Strategy

35 Investors

Venture Debt

2022 was a year of record investor engagement in Africa's venture landscape. 1,148 unique investors participated in both venture capital and venture debt deals that year, marking a 27% increase from 2021. However, the narrative took a turn in 2023. The number of investors active on the continent dipped to 781, indicating a 33% year-over-year decrease from 2022's peak. This downturn reflects a broader contraction in deal activity on the continent, mirroring global economic trends and shifts in investor sentiment. The decrease suggests a recalibration of investment strategies amidst changing market conditions, underscoring the cyclical nature of venture capital flows and the impact of external economic factors on investment patterns in Africa's venture landscape.

This fluctuating investor participation over the years highlights the volatility inherent in the venture capital industry, particularly in nascent ecosystems. While the spike in 2022 illustrated a growing confidence and interest in the continent's startup ecosystem, the subsequent decrease in 2023 emphasizes the susceptibility of venture capital hubs to broader economic shifts. It also underscores the need for home-grown capital allocators with a dedicated rather than opportunistic mandate to invest in Africa.

7.1 Investor Profile by Type

38%

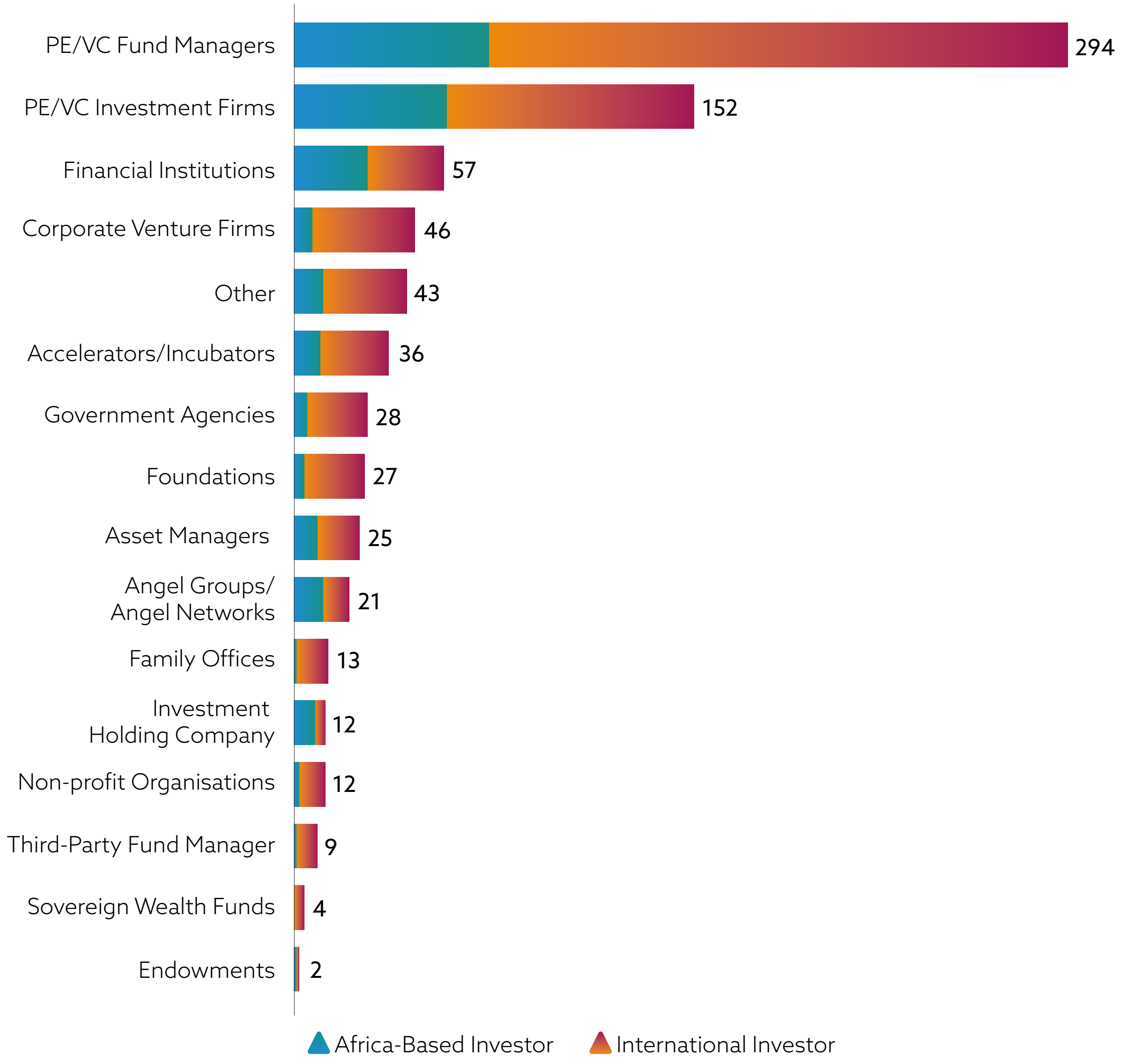
PE (42), VC (241) and Hybrid (11) Fund Managers were the most prominent investor type funding VC deals on the continent in 2023, jointly accounting for 38% of the year's active investors

A diverse array of investor types actively participated in funding ventures across the continent in 2023. PE & VC Fund Managers once again emerged as the most active investor category. This illustrates a sustained appetite for early-stage ventures (despite their increased risk) by firms that have raised, or are currently raising, third-party funds from institutional investors. This group was closely followed by PE & VC Investment Firms. This cohort played a significant role in driving investment in the region last year, albeit not from a dedicated, closed fund structure. An increasing number of these Investment Firms are being established by current or former key personnel of successful VC-backed startups. Examples include *Serunjogi Ventures* which was started by ChipperCash CEO Ham Serunjogi, and *Kairos Angels*, which owes its inception to Tayo Oviosu (the Founder and CEO of Paga).

Corporate Venture Capital (CVC)[29] investors were the third most prominent investor type funding VC deals on the continent in 2023. Examples of VC deals with backing from CVC investors include the US$8.5 million Series A round in Zambian NeoBank *Lupiya* which saw participation from MasterCard; Orange Digital Venture's US$1 million investment in Egyptian online marketplace and embedded finance platform *Chari*; as well as Visa's contribution to the US$500,000 investment round raised by Congolese FinTech startup *Tuma*. Remarkably, 39 of the 46 CVC investors that participated in venture activity in 2023 were foreign entities, highlighting the international interest in African innovation and the strategic importance of African startups to global corporations. This interest from CVCs not only brings capital, but also valuable industry insights and global networks to the startups they invest in.

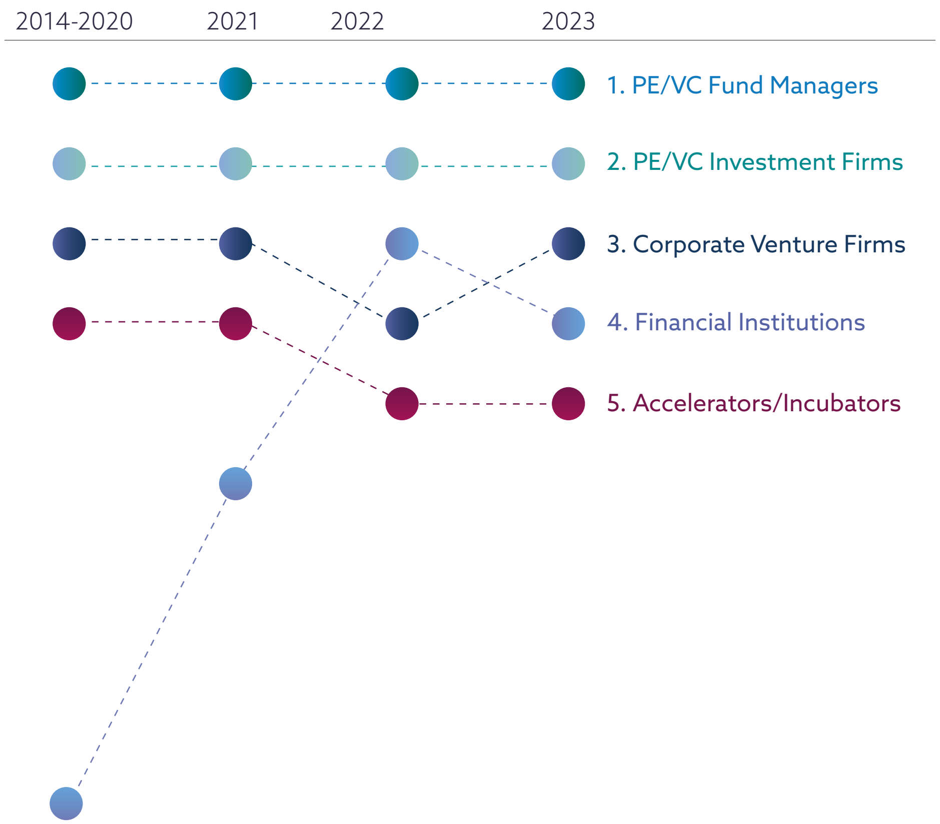
Finally, Accelerators and Incubators, although not the primary focus of this report's methodology, were identified as the fourth most active investor category. This cohort of investors are increasingly going beyond their traditional role as venture studios providing technical support to now invest more actively in promising startups. These are often (but not always) programme graduates and syndicate investments at the (pre)seed stage, demonstrating the collaborative nature of Africa's investment landscape. Overall, the data for 2023 illustrates a dynamic and interconnected venture capital environment in Africa, characterized by a blend of local and international investors across various categories.

Figure 38: **Investors Participating in Venture Deals in Africa by Category, 2023**



Source: AVCA

Figure 39: **Evolution of the Top 5 Investor Categories, 2014-2023**



Source: AVCA

7.2 Investor Profile by Location

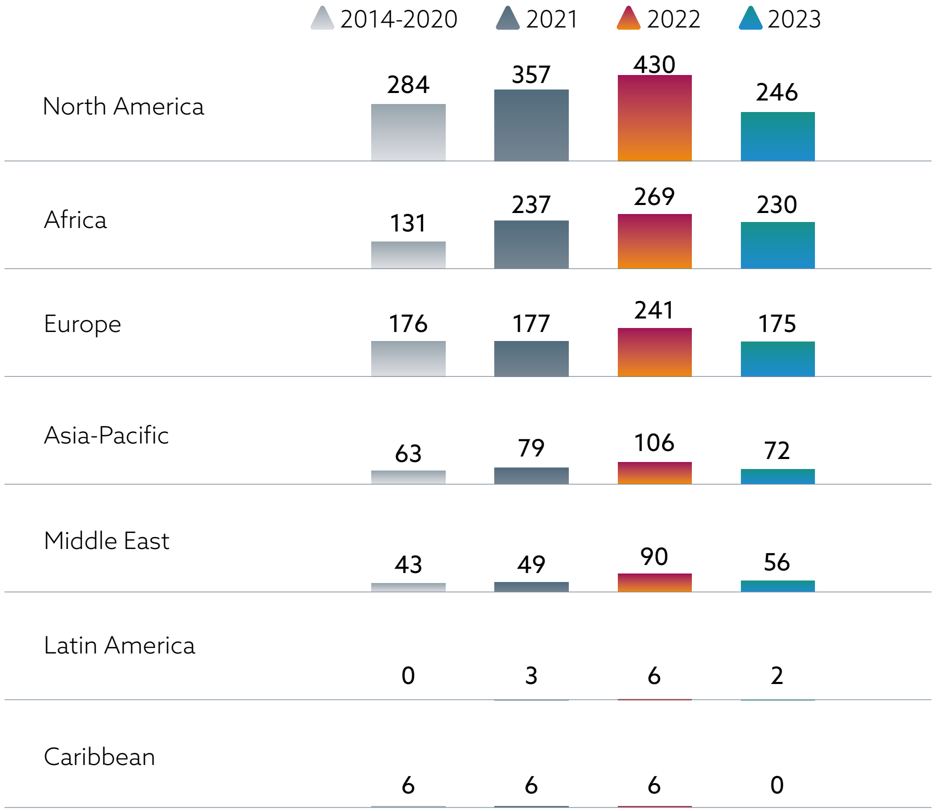
29%

Africa-based investors comprised 29% of the total number of investors **active in Africa's VC landscape in 2023**

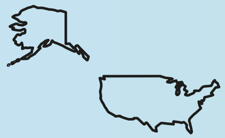
The decade between 2014 to 2023 saw a diverse participation of investors dealmaking on the continent, with a discernible trend in the regional composition of investors. The data illustrates a dynamic but consistently international participation in Africa's venture capital market. While African investors consistently contribute to the venture capital ecosystem, they are routinely outnumbered by their international counterparts. However, the steady upward trend in the participation of Africa-based investors from 2014 to 2020, which increased significantly in the years 2021 to 2023, indicates a growing interest and commitment from local investors in supporting African startups.

The participation of investors from regions outside Africa underscores the continent's appeal to a global audience. North American investors have been the most active in Africa, showing a sustained interest and an increasing presence over the years. This is followed by European investors, with notable contributions from Asia-Pacific, the Middle East, and, to a lesser extent, Latin America and the Caribbean. While these overall trends indicate a global acknowledgment of the potential within African venture capital, primarily led by American and European investor interest, a notable shift occurred in 2023. As Figure 40 illustrates, there was a steep decline in the number of active investors across all regions when compared to 2022. Notably, the withdrawal of North American investors was responsible for 54% of the overall decline in investor numbers in 2023, significantly overshadowing the retreats of European and African investors, which accounted for only 18% and 11% of the decrease, respectively. Several reasons may account for this capital flight. Given the global macroeconomic headwinds that prevailed in 2023, investors may have opted for a more insular and conservative strategy that focused on capital allocation in domestic markets they felt were more familiar and predictable. In light of these global market adjustments and inflated valuations in the years leading up to 2023, many international investors may have opted to the risk-reward potential of offshore investments, resulting in a "wait-and-see" approach as funds looked to reassess entry points in African markets. Finally, concerns related to the potential for successful, high yield exits may have influenced investors to reassess their venture capital investments in Africa, triggering their withdrawal.

Figure 40: **Investors Participating in VC deals in Africa By Region, 2014-2023**



Source: AVCA



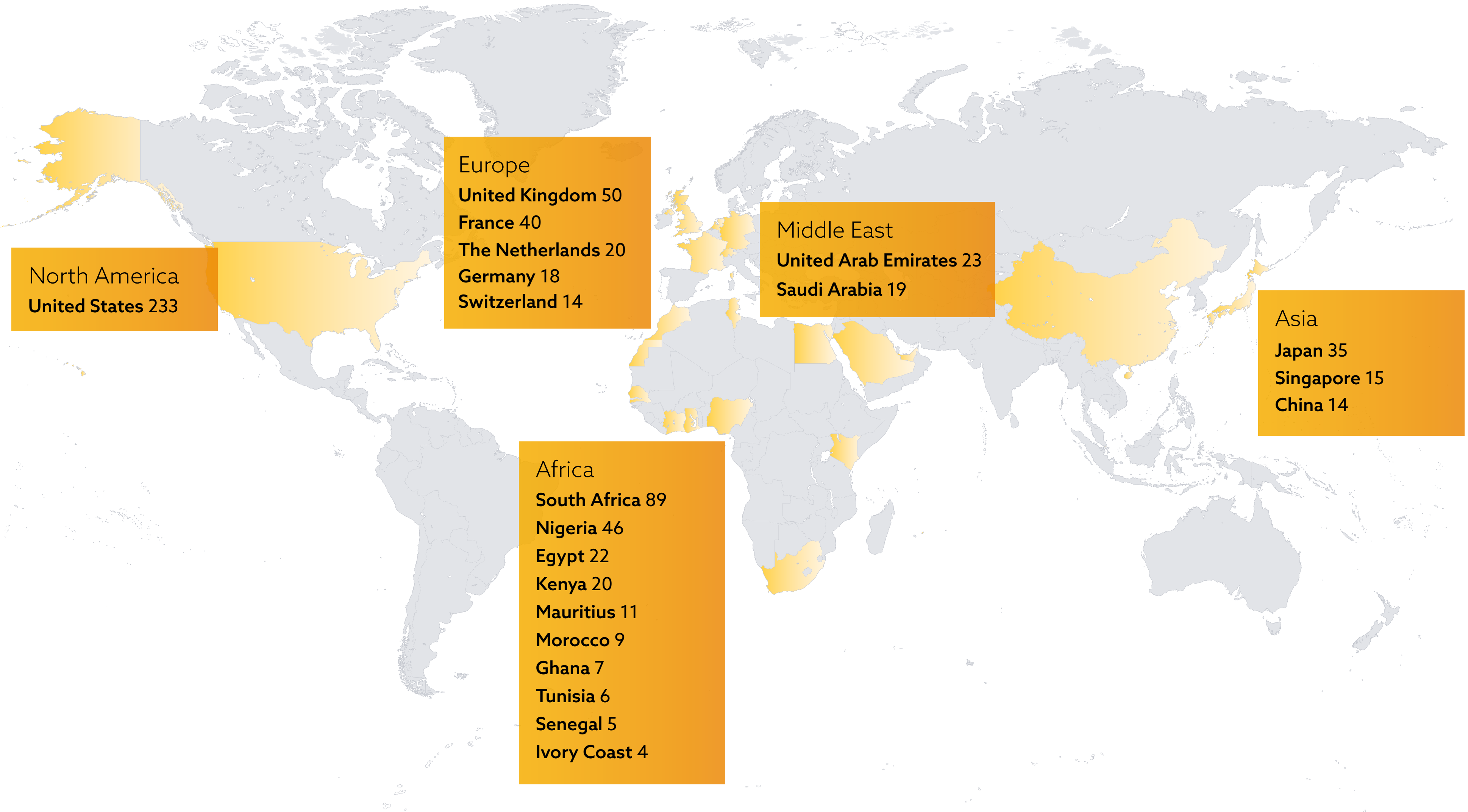
Investors from the United States comprised the largest share of international investors active in Africa's venture capital industry in 2023, while **South African claimed the largest share amongst African investors**

The United States (233) contributed more to the profile of active investors in Africa in 2023 than the entire continent (230) combined and is consistently the primary source of international venture capital to Africa. This is followed by significant contributions from European countries, particularly the United Kingdom, France, and the Netherlands, which have shown a keen interest in the African startup ecosystem.

Within Africa, South Africa, Nigeria, and Egypt have emerged as key players, with South African investors leading in terms of the number of unique investors from 2014 to 2023 (Figure 42). These countries not only serve as major sources of venture capital but also as primary destinations for investments, highlighting their strategic importance in the continent's economic development and innovation landscape.

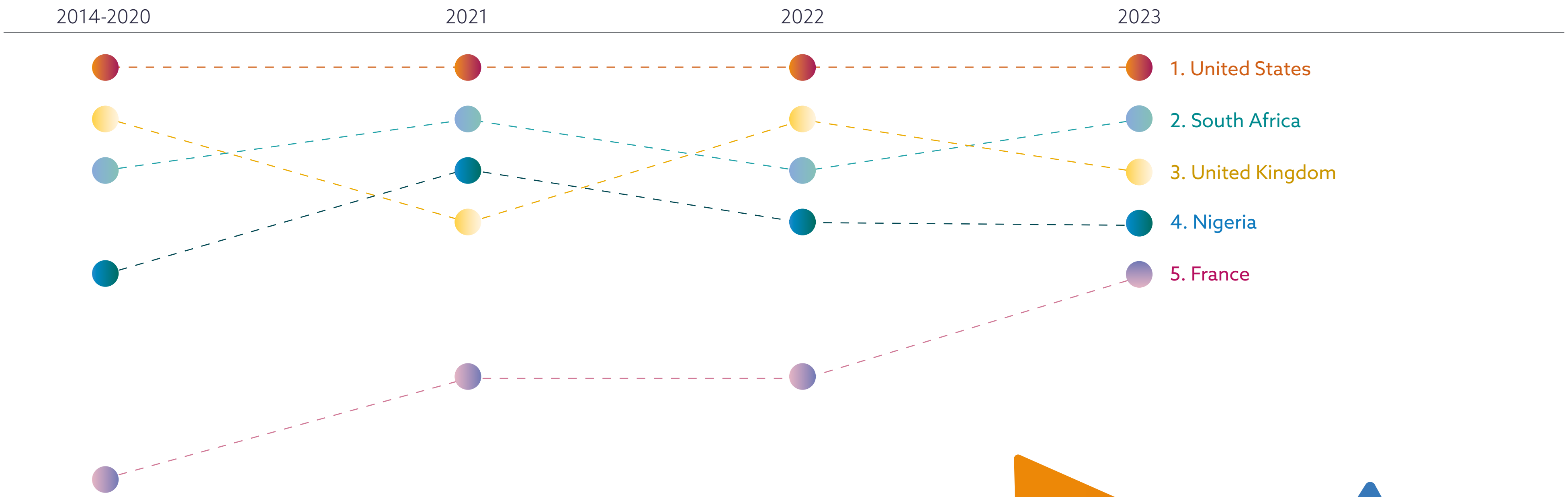
Africa's innovation ecosystem is one in constant motion, featuring year-on-year growth in the diversity of investor nationalities. This expanding interest in Africa's venture capital opportunities from a wide array of countries illustrates the diverse and evolving nature of Africa's VC landscape. It is also aligned with the geopolitical predilections of investors. For example, the UK's consistent position as a major contributor highlights longstanding economic ties and a keen interest in Africa's growth sectors. Meanwhile, the UAE's focus, particularly on North Africa, underscores the strategic interest in leveraging geographical and cultural proximities to foster economic and entrepreneurial collaborations.

Figure 41: **Top 10 Countries Where African Investors Are Based and Top 10 Countries Where International Investors Are Based, 2023**



Source: AVCA

Figure 42: **Evolution of the Top 5 Investor HQ Locations, 2014-2023**



Source: AVCA

Research Methodology

Key Definitions:

VENTURE CAPITAL:

An investment practice within private equity featuring short-medium term direct equity or equity-linked investments in earlier-stage, younger companies that need funding and support to get an idea off the ground, develop a business model or launch into the market. This capital is often deployed to companies in a series of "rounds" of funding as pre-agreed milestones are met.

For the purposes of this report, venture capital deal values include equity, mezzanine, and debt when the latter is part of a larger transaction that also involves equity. Therefore, companies that raise mixed (i.e. equity and debt) funding rounds are classified within the Venture Capital category. For example, the whole value of the US$6.5 million Series B round in Kenyan home furniture manufacturer *MoKo Home + Living* (US$3.5 million equity and US$3 million debt) is taken as venture capital in this Report.

VENTURE DEBT:

Loans offered to early-stage, high-growth companies with existing venture capital backing by venture debt providers (typically banks or private capital funds) to provide liquidity to a business for the period between equity funding rounds.

For the purposes of this report, venture debt deal values include convertible notes, mezzanine, private bonds, and direct lending when they occur in isolation. Companies that raise mixed (i.e. equity and debt) funding rounds are excluded, and only pure debt deals are classified within the Venture Debt category.

IMPACT INVESTOR:

Investors with an intentional desire to solve problems, address opportunities, and generate positive, measurable social and environmental impact alongside a financial return. Development Finance Institutions, Non-Profit Organisations and Foundations are also classified as impact investors.

PE/VC FUND MANAGERS:

Firms that have raised, or are currently raising, third-party funds from institutional investors.

PE/ VC INVESTMENT FIRMS:

Firms that are not known to be investing through a fund structure, making mainly direct investments.

Investment Scope:

AVCA's Venture Capital Database takes an **investment stage approach** to data collection. There is no minimum deal value threshold for data collection. Instead, our methodology tracks startups and early-stage companies that have raised seed, post-seed to late-stage financing only.

The following exclusions are applied to our methodology:

Pre-Seed Deals. The focus on seed+ stages is because seed funding is (often, but not always) the first official equity funding stage. Given that the most common sources of pre-seed funding are the founders themselves, angel or family networks, this stage is excluded from our analysis.

Deals from **Accelerators and Incubators.** Deals featuring accelerators or incubators have only been included when they were part of a larger consortium of investors that participated in the financing or funding round of a company.

Deals from Angel Investors. Deals featuring angel investors have only been included where they were part of a larger consortium of investors that participated in the financing or funding round of a company.

Growth Equity. Deals classified as growth equity are excluded from our methodology. AVCA Research classifies these transactions as private equity. As such, these deals are included in AVCA's *African Private Capital Activity* Report, not the *Venture Capital in Africa* Report.

Crowdfunding. Deals where capital was sourced solely from crowdfunding platforms are excluded.

Grants, Mergers & Acquisitions, Competition or **Award** financing is also excluded.

Data Sources & Quality Controls:

AVCA Research collects data on a bi-annual basis from a range of public and private sources. Public sources include news outlets, company press releases and public platforms. Private sources include data obtained directly from fund managers, investors and founders as well as from subscription-based platforms. The data from private sources are treated as confidential, and only reported in aggregate.

AVCA Research supplements these sources using desk-based research to ensure data completeness. AVCA Research reviews all data obtained, queries any obvious errors, verifies the cut-off rules, and processes all necessary changes to historical data that have been reported by contributors. As such, AVCA cannot guarantee the ultimate accuracy of the data.

Geographic Scope:

This Report is by no means exhaustive but intends to be indicative of the overall venture landscape in Africa. To provide a holistic overview of the volume and value of venture financing being channelled to the continent, this report covers the following:

Startups Headquartered In Africa.

Africa-Focused Startups. We define this as early-stage companies headquartered outside of Africa, but whose primary business, operations and market is in Africa. An example of what this Report classifies as an Africa-focused startup is *Flutterwave*, a payments infrastructure provider connecting Africa to the global economy. Although incorporated in the United States, this company operates in Nigeria, Kenya, Ghana and South Africa, thus meeting our methodology as an Africa-focused startup.

Startups not headquartered in Africa or whose primary business, operations and market is not in Africa, but have raised capital to **finance the company's expansion or strengthen the company's presence in Africa specifically.** In these instances, the entire deal value is used.

Temporal Scope:

This Report covers deal activity in Africa's venture capital industry between 2014 and 2023. Deal dates are taken to be the date on which the deal is announced, unless otherwise specified.

Sector Classifications:

The classification of invested company by sector is based on the *2023 Global Industry Classification Standard Classifications (GICS).*

ENDNOTES

1 DisruptAfrica, 2023. *10 African Startups That Have Closed During The "Funding Winter", And Some That Are Battling On*
2 WeeTracker, 2023. *Africa's Tech Workers Quietly Rebel As Brutal Layoffs Break Jobs Market*
3 DisruptAfrica, 2023. *Diversity Dividend: Exploring Gender Equality in the African Tech Ecosystem*
4 EisnerAmper, 2024. *Q4 Completes a Challenging Year for VC Activity*
5 KPMG, 2023. *Venture Pulse Q4 2023*
6 Reuters, 2023. *US Venture Firm GGV Capital To Separate China Business*
7 Reuters, 2023. *Sequoia To Split Off China, India/Southeast Asia Businesses Amid Geopolitical Tension*
8 TechCrunch, 2023. *Latin America's Q3 2023 Venture Results Show Glimmers Of Light*
9 Calculations of global industry growth averages are obtained using data from the Crunchbase *2023 Global Funding Report*. Calculations of Africa's growth averages are based on AVCA Data.
10 Calculations of global venture capital median deal sizes are obtained using data from the KPMG Venture Pulse Q4 2023 – Global analysis of Venture Funding Report. Calculations of Africa's median deal sizes are based on AVCA Data. For direct comparability between datasets, the median value for late stage deals in Africa only includes Series C and Series D transactions.
11 International Monetary Fund (IMF), 2023. *Regional Economic Outlook: Sub-Saharan Africa*
12 Crunchbase, 2023. *The Crunchbase Tech Layoffs Tracker*
13 WeeTracker, 2023. *Africa's Tech Workers Quietly Rebel As Brutal Layoffs Break Jobs Market*
14 Forbes Advisor, 2024. *Federal Funds Rate History 1990 to 2023*
15 Stears, 2023. *FX Analysis: Currency Pressures Persist for Key African Economies*
16 Transitional referring to pre-Series A or pre-Series B funding rounds, including Series extension rounds. There were a total 34 such rounds in 2023.
17 The US$1.1 billion invested at the late stage in 2022 was itself a 51% drop by value compared to 2021, where US$2.2 billion was allocated across 17 late stage deals.
18 Please note the annual evolution of median deal values presented here exclude those in the "Series Unknown" category.
19 The "HQ Outside Africa" category is a combination of all non-African countries that appeared in the list of 10 recipients of venture capital deal volume and value.
20 Although the Financials sector has historically always been a prominent sector for entrepreneurial activity and concomitant venture capital investment in Africa, the sector experienced elevated deal volume and value in late 2020 and early 2021. This is due to the closing of several late-stage, super-sized deals (including the US$400 million Series C in *OPay*, the US$292 million Series E in *Zepz* and the US$170 million Series C in *Flutterwave*, to name a few).
21 Crunchbase, 2024. *Artificial Buildup: AI Startups Were Hot In 2023, But This Year May Be Slightly Different*
22 Carnegie Endowment for International Peace, 2023. *China's AI Regulations and How They Get Made*
23 African Business, 2023. *AI-Focused VC Reaches First Close on $50m Software Fund*
24 World Economic Forum, 2022. *Meet the World Economic Forum's Technology Pioneers of 2023*
25 Given the paucity of deals above US$100 million in Latin America (4 in 2023), they have been grouped with those that took place in North America and the total recategorized to the "Americas".
26 This report draws on the Global Impact Investing Network's definition of impact investing to define impact investors as: investors with an intentional desire to solve problems, address opportunities, and generate positive, measurable social and environmental impact alongside a financial return.
27 Please note calculations of female participation exclude deal activity in companies where the gender of the CEO and/or Founder(s) are unknown or not disclosed.
28 TechCrunch, 2023. *Women-Founded Startups Raised 1.9% Of All VC Funds In 2022, A Drop From 2021*
29 The Corporate Venture Capital category includes venture capital arms / subsidiaries of corporate companies as well as individual companies making unique investments outside of a formal firm or fund structure.

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Championing Private Investment in Africa

The African Private Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.