P23 AFRICA

2025

The State of Funding in Africa in 2025

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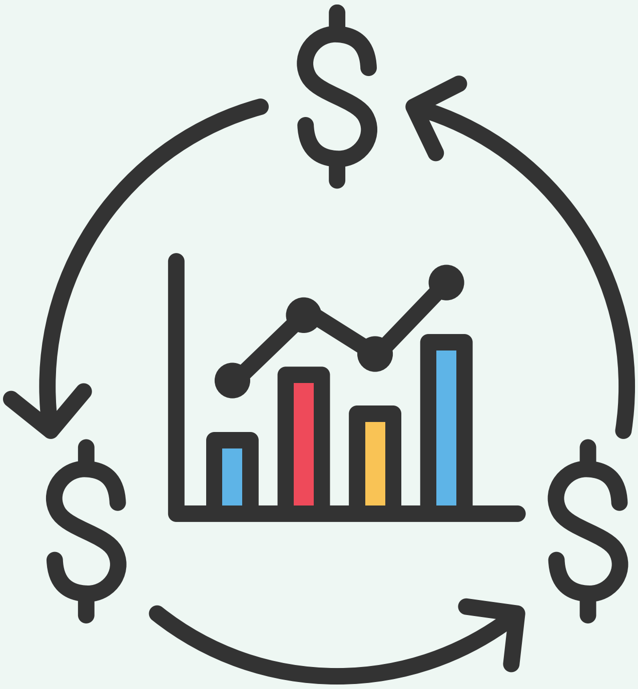
Intro

The State of Funding in Africa in 2025

Over the past several years, Africa’s private-capital markets have experienced a remarkable transformation. On one hand, tech-enabled ventures in fintech, digital banking, climate-tech, and artificial intelligence have attracted billions of dollars through venture capital (VC) and venture-debt deals. On the other hand, traditional small- and medium-sized enterprises (SMEs) , the “missing middle” that drive nearly 90% of firms and 80% of employment in sub-Saharan Africa, continue to be starved for capital. In 2025, the funding ecosystem is a juxtaposition of robust inflows to a decade’s worth of innovation and simultaneous structural challenges that leave many locally owned SMEs without the financing necessary to grow.

In this report, we explore what has come in, how much businesses have received, the impact of the funding, and the distribution of funding across various business types. We also highlight how little of this capital is reaching traditional SMEs, the entities that form the backbone of local economies and share insights and quotes from industry leaders who are on the ground in both West and East Africa.

1. Total Funding Inflows



Recent data from 2024 paints a clear picture for what lies ahead as we move into 2025. It is important to understand where the capital is coming from and how it is structured before analyzing its impact on the broader ecosystem.

Full-Year 2024 Totals

Equity and Debt Financing:

According to multiple industry sources, Africa's private-capital markets received between US $3 billion and US $3.6 billion in combined equity and debt financings during 2024. Despite some volatile performance in preceding years, the market appears to have stabilized at these levels.

$3 - $3.6 Billion

combined equity and debt financings during 2024

Venture Capital (VC) Funding:

Data from AVCA indicates that 427 VC rounds in 2024 raised approximately US $2.6 billion. Significantly, the median VC deal size increased by 32% year-on-year to about US $2.5 million. Seed-stage rounds, which are critical for early innovations, averaged US $1.5 million. In contrast, later-stage funding rounds critical for scaling mature companies often reached median near US $100 million. This spread suggests that investors are increasingly willing to deploy larger sums in companies that can demonstrate substantial growth potential.

Venture-Debt Transactions:

Market Forces Africa reports that around 60 rounds of venture debt transactions contributed an additional US $1 billion, with the median deal size climbing to roughly US $7.5 million, a robust 40% YoY increase. Venture debt has become a preferred financing instrument as companies seek growth capital without relinquishing equity.

An industry insider, Chris Kirubi once remarked,

“The upward trend in deal sizes reveals a maturing ecosystem. Investors are not only taking chances on new ideas but are committing larger amounts to nurture scalable ventures. However, this concentrated focus also leaves many fundamental businesses without the support they deserve.”

1. Total Funding Inflows

Quarterly & Half-Year Trends

The dynamics within 2024 also provide critical insights into shifting patterns in deal volumes and values over time:
H1 2024:
In the first half of 2024, MAGNiTT reported that funding reached only US $393 million across 119 VC deals, a YoY drop of 57%. This decline during H1 indicates that investors might have been more cautious at the start of the year.

$2.2 Billion **3%** ↓ YOY

Partech report about tech VC in Africa

$2.07 Billion **4.5%** ↑ YOY

Future Africa & WT Media report about tech VC funding in Africa.

Other Provider Estimates

Different industry sources offer complementary perspectives:

- **Partech:**

This global investor reported tech VC in Africa reaching approximately US $2.2 billion (a slight decline of 3% YoY) across roughly 350 deals.

- **Future Africa & WT Media:**

According to publicly disclosed figures on LinkedIn, funding in tech VC reached about US $2.07 billion a 4.5% increase YoY although early-stage funding has plummeted, comprising only 9% of the total.
These varied figures underscore that while the aggregate numbers seem stable, a larger share of capital is targeting later-stage and technology-driven ventures.

Funding Received by Businesses

Capital inflows are only one side of the coin. It is equally important to understand how much funding individual businesses receive, the size of these deals, and the sectors that capture the most attention.

Deal-Size Dynamics

Overall Median Deal Size:

The median VC deal size now sits at approximately US $2.5 million, a 32% YoY increase that reflects investor confidence. This upward trend enables startups with promising business models to access higher amounts of growth capital.

Seed-Stage vs. Later-Stage:

Seed-stage deals, which are vital for early innovation and experimentation, have a median value of around US $1.5 million. Meanwhile, later-stage investments that focus on scaling mature companies now reach median deal values approaching US $100 million. This wide differential illustrates that while early-stage companies receive modest funds to test ideas, later-stage companies demonstrating market traction can command much larger sums.

$1.5 Billion

Seed-stage deals vital for early innovation and experimentation median value

$7.5 Million

Median deal size For venture debt

40% ↑
YOY

Venture Debt Deal Sizes:

For venture debt, the median deal size is now around US $7.5 million up 40% YoY. This financing instrument allows companies to access growth capital without diluting equity, thereby preserving founder ownership while still supporting expansion.

As Nkemdilim Begho of Future Software Resources Limited from Nigeria explains,

“The growth in deal sizes is a testament to the increasing sophistication of African startups. It shows that investors trust our potential for scale, even though such funds are being concentrated in sectors that are easier to quantify like fintech than in traditional sectors.”

Sectoral Allocation

Sector preferences reveal which industries dominate investor attention:

Fintech & Digital Banks:

Representing 34% of tech-enabled deals, this segment has raised close to US $1.4 billion. Fintech remains a standout as it addresses the critical need for financial inclusion and digital payments.

Clean & Climate-Tech:

These deals now make up 13% of tech deal volume, compared to an average of 7% over the past five years. The increased emphasis on clean tech reflects a growing regional commitment to sustainable practices.

AI Startups:

Although only 42 deals totalling roughly US $108 million, AI ventures offer significant long-term potential. They are seen as disruptors, capable of driving efficiencies and transforming sectors ranging from manufacturing to healthcare.

A local investor commented, *"Our investment focus is shifting toward sectors that not only promise financial returns but also contribute to the sustainable development of our continent. Fintech and climate-tech are winning hearts and minds and capital because they address pressing local needs."*

Nkemdilim Begho, Nigeria

This sectoral breakdown shows that while technology-driven sectors continue to capture the majority of capital, many traditional business models still struggle, as support for them remains a distant secondary priority.

3. Impact of Funding

How does this funding translate into tangible economic growth, job creation, and overall ecosystem transformation? The impact of these investments is multifaceted, extending well beyond the immediate injection of capital.

High-Profile Initiatives:

The Tony Elumelu Foundation's US $100 million program, for example, has empowered over 20,000 entrepreneurs, generated 400,000 jobs, and contributed roughly US $2.5 billion in revenue. These figures highlight the transformative potential of targeted financing for SMEs.

SME Role in Economies

Economic Importance of SMEs:

SMEs constitute around 90% of all firms in sub-Saharan Africa and are estimated to create nearly 80% of employment. They form the economic backbone of the continent, driving local innovation, providing livelihoods, and fostering entrepreneurial culture. Their underfunding, therefore, has far-reaching consequences.

20,000
Entrepreneurs empowered

400,000
Jobs generated by the Tony Elumelu Foundation's US $100 million program

90%
Of firms in sub-saharan africa are SMEs

80%
Of employment in sub-saharan africa are created by SMEs

Ecosystem Benefits Beyond Capital

Beyond the raw financial injections, VC funding delivers a suite of additional benefits that accelerate business growth:

Governance and Mentorship:

Venture capital firms often bring expertise in management, governance, and strategy. This support can be crucial in scaling up operations and adopting best practices. As a result, companies not only receive cash they also gain access to networks, mentorship, and strategic guidance.

Accelerated Exits and Market Validation:

From 2019 to 2024, there have been 138 VC-backed exits, 84% of which were trade sales. With an average holding period of 3.8 years, these exits signal strong market validation and encourage further investment by reducing risk perceptions among potential investors.

Catalysing Ecosystem Maturation:

Investments in high-growth sectors create ripple effects. As innovative startups succeed, they attract further investments and talent, raising the overall quality of the entrepreneurial ecosystem. This cumulative effect has motivated even international investors to pay closer attention to Africa's potential. Mac Adebowale, a seasoned advisory figure in the VC community, stated,

"It isn't just about the money. What we're creating is an ecosystem where today's investments in technology create the foundation tomorrow. It's a virtuous cycle: capital brings expertise, expertise brings returns, and returns attract more capital. But the concern remains: will this cycle ever reach every enterprise that needs it?"

Such testimonials underscore that while high-growth ventures benefit immensely from funding, further attention must be paid to the broader economic impact especially among the "missing middle."

Distribution of Funding

A refined understanding of funding distribution helps clarify where capital is being allocated and which regions or business types are receiving the lion's share of investments.

Geographic Concentration

- **The "Big 4" Markets:**

Nigeria, Egypt, Kenya, and South Africa are the primary magnets for private capital. Data shows these markets collectively capture about 55% of the overall deal count and 64% of total deal value in Africa. For instance, Nigeria alone accounts for approximately 16% of total deals, reflecting its dynamic and rapidly expanding startup ecosystem.

- **Regional Dominance in West Africa:**

West Africa is particularly prominent, with 23% of the deal volume emerging from the region emphasizing that investment activity is significantly concentrated in established hubs.

- **Emerging Markets:**

Although the bulk of funding still goes to the "Big 4," other regions are beginning to see a gradual increase. Governments and local investors in these emerging markets are beginning to adopt policy reforms that could spur more diverse capital inflows in the future.

55%

of the overall deal counts are captured by Nigeria, Egypt, Kenya and South Africa markets

64%

of total deal value in africa are captured by Nigeria, Egypt, Kenya and South Africa markets

Investor Origins and International Participation

Local Versus International Capital:

Despite international investors still deploying most of the capital, the trend toward local participation is significant. African-based investors now represent 31% of active venture capital in the region a remarkable increase from 19% a decade ago. This change is an encouraging sign that local financiers are gaining confidence in homegrown opportunities.

Diversification of Investor Focus:

Local investors often have a deeper understanding of contextual challenges, enabling them to support businesses that international firms might overlook. As Fred Swaniker, a veteran in the African leadership arena, once stated,

"Our strength lies in our local knowledge. When local investors take center stage, they fuel an ecosystem that understands our unique challenges ensuring that money flows to where it can most effectively drive innovation."

Stage Spread:

While seed and late-stage deals are seeing robust activity, Series A/B rounds crucial for building the "missing middle" have slowed down considerably. This polarization in the funding timeline underscores why traditional SMEs often struggle to secure the necessary capital.

Stage Distribution of Funding

Robust Seed and Late-Stage Deals:

The vibrant early-stage financing encourages new ideas, and hefty late-stage rounds support companies that have already proven their viability. Yet, this strong bifurcation leaves a funding void in the mid-stage, where conventional SMEs cannot easily tap either microfinance or major VC funds.

Impact on the "Missing Middle":

This disparity further exacerbates the financing gap among traditional SMEs, which are not considered high-tech or fast scalable in the eyes of international investors even though they are critical for broad-based economic growth across the continent.

The SME "Missing Middle"

Perhaps the most pressing challenge in Africa's funding atmosphere is the vast gulf between the capital that flows into tech-driven startups and the money available for the so-called "missing middle" of traditional SMEs.

Financing Gap for Traditional SMEs

Enormous Capital Deficit:

The estimated funding gap for traditional SMEs in sub-Saharan Africa is a staggering US $331 billion. This gap is especially concerning given that these SMEs constitute around 90% of all firms and generate nearly 80% of employment.

Why the Gap Exists:

Many SMEs in Africa are caught in a financing limbo; they are far too large for the microfinance sector yet do not meet the rigorous standards for access to bank loans or international venture capital. The reliance on informal lending and the lack of collateral further restricts access to traditional credit facilities.

Bank Lending vs. Regional Norms:

In Africa, bank loans to SMEs average only 5.4% of total lending compared to 13.1% in other developing regions. This underdevelopment in traditional financing channels further widens the chasm between the capital demanded by SMEs and the capital supplied through formal channels.

$331 Billion

The estimated funding gap for traditional SMEs in sub-Saharan Africa

5.4%

Average africa bank loans to SMEs

SME Share of VC Investments

Limited VC Allocation:

Even though over US $2 billion in VC investments flowed into African ventures in 2019, less than 20% of that capital ultimately reaches the traditional SME sector. This disproportionate allocation showcases a large imbalance between the types of companies that investors choose and those that form the backbone of local economies.

Emerging Alternative Models:

Blended finance is an emerging model aimed at addressing this funding imbalance. Data from convergence. Finance reveals that there have been 145 SME-focused blended finance deals totalling approximately US $11 billion this represents only 14% of the overall blended capital in the region. Other innovative financing instruments, like revenue-based financing and dedicated impact funds (for example, Norfund's US $7.5 million SME fund), are slowly emerging to bridge this critical gap.

Real-World Perspectives from SME Owners

SME owners across Africa have expressed frustration over the financing gap. For instance, Precious, an SME owner in Lagos, Nigeria, shared:
"Every day, we see big tech startups getting multi-million-dollar checks, while local businesses like mine struggle to secure a fraction of that. Our growth is stunted not by lack of talent or potential, but by the very real difficulty of accessing affordable capital that understands our context."
Similarly, Mwangi, an SME owner in Nairobi, Kenya, stated:

"*In East Africa, many of us are driven to expand, create jobs, and improve our communities. Yet the funding available for our businesses remains minuscule compared to what tech-enabled ventures receive. It is high time investors recognize that these small enterprises can be the true engine of sustainable growth in our region.*"
These voices underscore the urgent and tangible impact that the "missing middle" funding gap has on local economic development and job creation.

Implications for 2025 and Beyond

The current state of funding in Africa sets the stage for two very distinct yet intertwined trajectories as we look ahead to 2025.

Continued Growth in Tech-Enabled Sectors

Robust Investment in High-Growth Industries:

The trends suggest that capital will continue to flow strongly toward technology-driven startups. Sectors such as fintech, digital banking, clean & climate-tech, and AI are expected to secure even larger deals in 2025. With rising median deal sizes and a widening investor pool that now includes a greater share of local capital, the high-growth tech ecosystem is poised for further expansion.

Innovation and Economic Impact:

As these startups mature, they contribute not only to economic metrics like GDP growth but also to broader measures such as financial inclusion and enhanced service delivery. This sectoral success generates ripple effects across the region; innovative ventures create jobs, promote skill development, and drive further technological adoption in related industries.

Urgent Need to Bridge the SME Gap

The Importance of the "Missing Middle":

Despite their modest fundraising, traditional SMEs remain the economic backbone of Africa. The current US $331 billion funding gap is not just a statistical anomaly, it represents a critical barrier to broader economic transformation. SMEs drive local employment, diversify regional economies, and promote a more inclusive pattern of growth.

Policy and Financial Interventions:

Addressing this funding gap will require multifaceted solutions. Expanding local-currency lending and introducing targeted credit schemes are essential. Furthermore, innovative instruments such as blended finance and revenue-based financing must become more mainstream to attract investment that is tailored to the local context.

Potential for Extensive Socio-Economic Change:

If the financing gap can be bridged, SMEs have the potential to unlock immense growth, improve job prospects for millions of Africans, and drive a broader framework of inclusive development. As Tony Elumelu puts it,

"Africapitalism isn't just about profit, it's about sculpting an ecosystem where every entrepreneur, every SME, has access to the capital needed to transform not only their business but the life of their communities."

Long-Term Impact:

Bridging the SME funding gap would catalyse other positive changes, more robust job creation, increased local innovation, and improved socioeconomic resilience. Realigning the funding ecosystem to support these enterprises would ensure that Africa's growth is broad-based, sustainable, and inclusive.

Perspectives from Industry Leaders and SME Owners

To further illuminate the nuances of Africa's funding ecosystem in 2025, it is valuable to hear directly from those involved in the industry both from among investors and SME owners.

Insight from Notable African Venture Capitalists

Chris Kirubi, a veteran investor, once observed,
"Our investments in tech startups are growing exponentially. Yet, despite significant inflows into these sectors, the vast majority of local enterprises still lack the support they need to scale. We're at a crossroads where the next phase of investment has to involve not just large-scale tech ventures but also the everyday businesses that power our economies."
Fred Swaniker of the African Leadership Group adds,
"The influx of international capital into high-growth sectors is a blessing, but it is also a wake-up call. We need more locally oriented investment vehicles that understand not only the promise of disruptive technology but also the potential of community-driven SMEs. It is our responsibility to nurture this ecosystem if we are to see truly transformational growth."

Voices from the SME Community

In Lagos, Nigeria, Precious, a long-time SME owner, said,
"We witness our tech start-ups thriving with multi-million-dollar funding, yet our business that has been serving the local community for over a decade seldom sees a fraction of that capital. The financial services available to us are not tailored to our realities, and that leaves us fighting for survival."
Across the continent in Nairobi, Kenya, Mwangi, another SME owner, observed,
"Accessing affordable credit to scale our operations remains a daily challenge. The gap is not just about dollars, it is about fostering local economic growth and providing opportunities for countless families. More innovative, locally specific financing solutions are urgently needed."
These perspectives highlight the very real human consequences of a financing ecosystem that is skewed towards a narrow range of high-growth tech ventures while overlooking the broader SME sector.

Looking Forward: Policy Recommendations and Future Pathways

Given the critical gaps identified, several policy recommendations and strategic pathways emerge as essential for bridging the funding divide.

Enhancing Local Financial Infrastructure

Expand Local-Currency Lending:

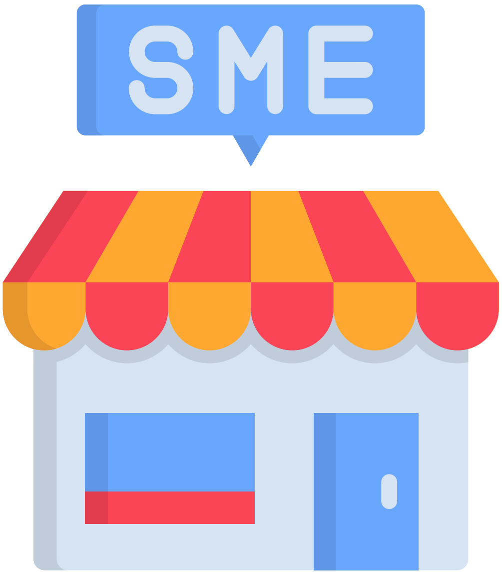
Encouraging banks to increase their lending to SMEs in local currencies can protect businesses from foreign exchange risks and make credit more accessible.

Develop Tailored Financial Products:

Financial institutions must innovate products specific to SMEs that might not have traditional collateral but have significant growth potential. This may include revenue-based financing and asset-backed lending vehicles designed for sectors like agribusiness and manufacturing.

Leverage Technology:

Digital platforms that enable real-time data collection and business analytics can provide lenders with better risk assessments. As digital tools evolve similar to those described by Brookings on real-time data collection banks can use these insights to better serve a wide range of enterprises.



Promoting Blended and Alternative Finance

Increase Blended Finance Deals:

Policymakers and international development agencies can help catalyze investments by blending concessional funds with private capital. With 145 SME-focused blended finance deals already amounting to US $11 billion, there is considerable potential for scale.

Support Impact Funds:

Dedicated impact and private equity funds, such as Norfund's SME fund, must receive more targeted support that would help them address the financing gap. Such funds not only invest in profit but also aim to generate social benefits.

Strengthen Government Incentives:

Governments in the "Big 4" markets and beyond should consider tax incentives, loan guarantees, and other policy tools to encourage commercial banks and international investors to direct more capital toward traditional SMEs.

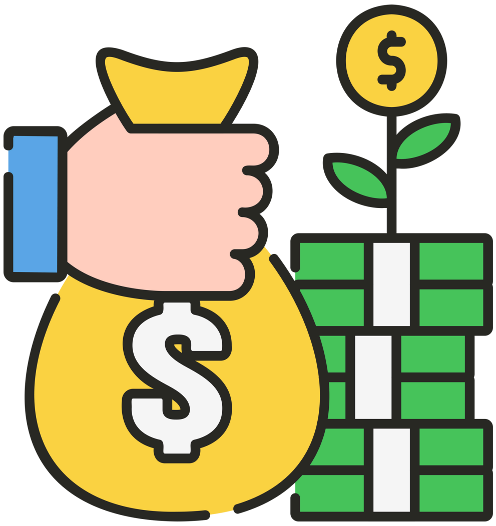
Stimulating Local Investor Participation

Empower Local Institutions:

With local investors now comprising 31% of active VC, further empowerment of these institutions can drive more homegrown capital flows. Government policies that encourage local investment will not only boost the SME sector but also align more closely with the continent's unique opportunities and challenges.

31%

Of local investors are now active VC



Public-Private Partnerships:

Programs like the Tony Elumelu Entrepreneurship Programme have shown that strategic partnerships can unlock significant capital and market access. Expanding this model to include broader regional and SME-focused initiatives will be key to bridging the funding divide.

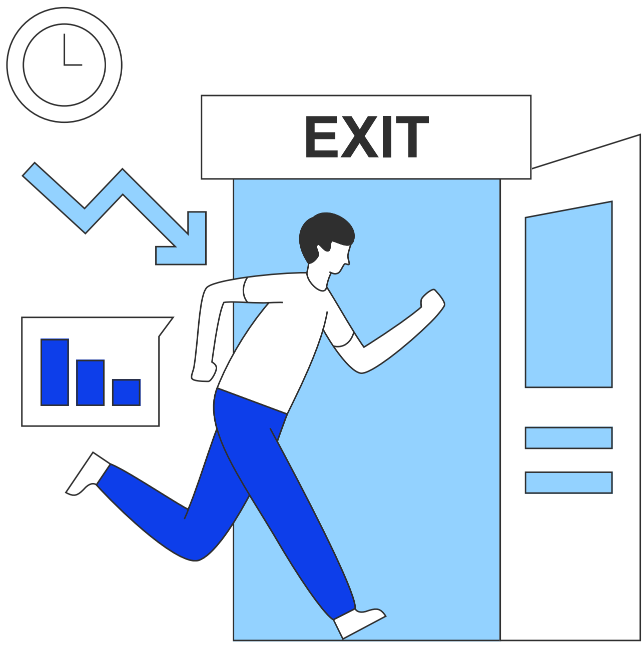
Enhancing Ecosystem Maturity

Mentorship and Capacity Building:

Beyond the dollars, there is a need for stronger mentorship and capacity-building programs for SMEs. Investors and development partners should work together to establish networks that support technology adoption, financial planning, and market expansion.

Developing Exit Strategies:

A mature ecosystem also requires viable exit strategies for investors. By tracking successful exits and drawing lessons from trade sales and IPOs, the ecosystem can attract more capital and provide assurance to both international and local investors.



Future Outlook and Concluding Thoughts

Looking into the near future, it is evident that Africa's funding landscape is at a pivotal juncture. On the one hand, robust ventures in fintech, digital banking, clean-tech, and AI continue to attract a significant slice of international capital. On the other, the traditional SMEs that power local communities and form the engine for broad-based job creation and sustained economic development face an overwhelming US $331 billion financing gap. As we stand in 2025, the challenge is clear: while the high-growth, tech-enabled startups are propelling the continent into a new era of innovation, the "missing middle" remains largely untouched. This discrepancy is not merely a technical issue, it is a human story that affects millions of lives. The gap in financing means that local entrepreneurs, who understand regional needs and have the potential to spur extensive socio-economic growth, are left battling an uphill fight to secure even basic capital.

Industry leaders emphasize that the solution lies in a reimagined financing landscape, one that harnesses blended finance, local-currency lending, and tailored credit schemes. As Fred Swaniker reflects,
"Sustainable and inclusive growth is not achieved by focusing on a select few; it is built on empowering the entire spectrum from cutting-edge tech startups to the small businesses that are the heartbeat of our communities."

For policymakers, investors, and the broader financial community, the mandate is to forge a more inclusive ecosystem that does not merely chase high returns in the short term but also invests in the long-term health of the economy. This includes being bold about reforming credit markets, creating innovative financial instruments, and investing heavily in developing local industry expertise.

Ultimately, the state of funding in Africa in 2025 is a story of promise and profound challenge. It is a narrative where impressive capital inflows signal confidence in Africa’s potential, yet the stark reality of the “missing middle” reminds us that much work remains to be done. With concerted efforts among public and private stakeholders as well as the increasing involvement of local investors the dream of a truly inclusive and dynamic financial ecosystem can become a reality.

As Tony Elumelu famously noted,

“Africapitalism isn’t just about reaping profits, it's about creating an ecosystem where every entrepreneur, every SME, has the capital they need to not only grow their business but also to drive forward the development of their communities.”

In conclusion, if Africa can reengineer its financing landscape to address both the needs of high-growth tech ventures and the equitable support of traditional SMEs, the continent will be well on its way to realizing its full economic potential. The journey ahead is steep and requires deep commitment, innovation, and collaboration at every level. Only then will the promise of Africa’s dynamic entrepreneurial spirit translate into a future that is as diverse, resilient, and inclusive as the people it represents.

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