Africa Venture Capital: Capital Returns, but Investors Are Becoming More Selective

KEY INSIGHT

Africa's venture capital market is moving from a funding race to a selection game. Capital remains available, but investors are concentrating it where scale, profitability and structural impact are clearest.

Executive Summary

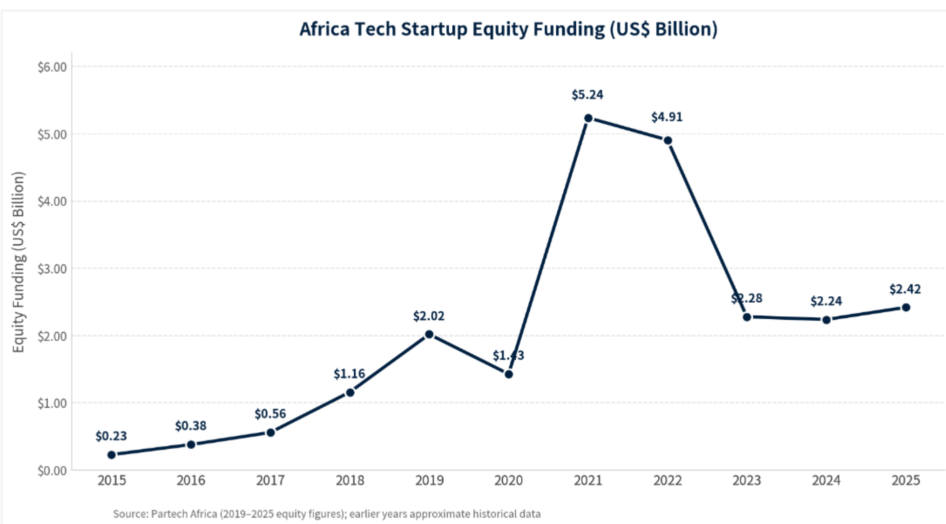
African venture capital has grown significantly over the past decade, rising from a relatively small market to a US$5.2 billion peak in 2022. That expansion was followed by a sharp downturn as tighter global liquidity and weaker risk appetite reduced the flow of capital into African startups.

H1 2026 points to a stabilising market, with an estimated US$1.44 billion raised. Yet the recovery is uneven. Funding is increasingly concentrated in fewer, larger transactions, while investors are placing greater weight on profitability, unit economics and the ability to scale sustainably.

This is reshaping where and how capital is being deployed. Healthcare logistics, electric mobility and fintech are attracting significant investment, while DFIs and venture debt are becoming more prominent sources of financing. The key question is whether the improving funding environment can broaden beyond a smaller group of mature companies and support a wider base of Africa's startup ecosystem.

From Funding Boom to Market Discipline

African venture funding grew rapidly between 2015 and 2021, reaching US$5.20 billion as digital adoption accelerated, fintech expanded and global investor interest in African technology businesses increased.



Data Source: Partech Africa

The boom was followed by a sharp correction as global interest rates rose, liquidity tightened and technology valuations fell. Higher financing costs reduced appetite for high-risk growth investments, while startups that had raised capital at higher valuations faced greater pressure to demonstrate revenue growth and progress toward profitability.

- *Capital is returning, but concentration is rising*

This has changed the basis on which capital is being allocated. Investors are placing greater weight on unit economics, revenue quality, cash management and the ability to scale sustainably. Startups are increasingly expected to show how new funding will translate into measurable growth rather than simply support expansion.

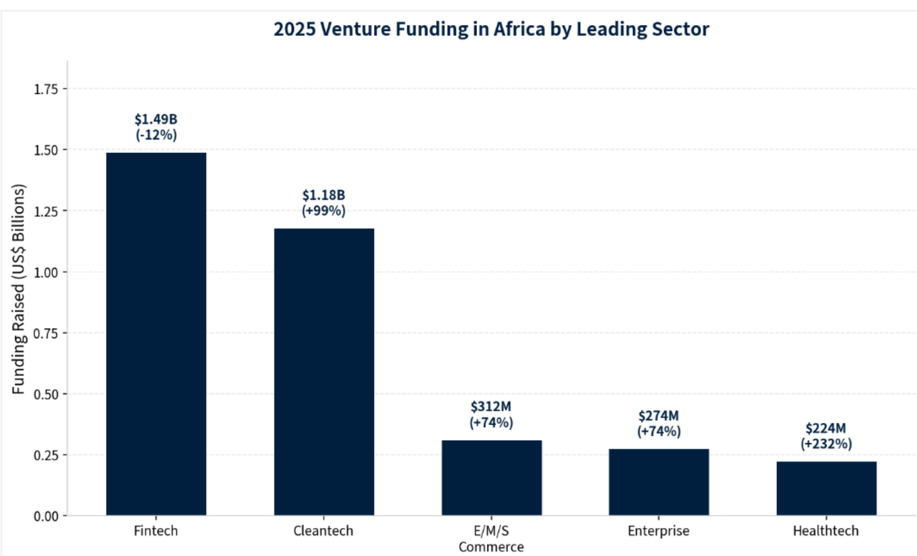
The result is a more disciplined venture market, where the quality of the business and the path to sustainable returns matter more than the growth potential alone.

Capital Is Concentrating in Essential Infrastructure

Venture capital is increasingly flowing toward businesses addressing critical infrastructure and service gaps across African markets. Healthcare logistics, electric mobility and fintech are attracting capital because they operate in large markets where demand remains strong and infrastructure constraints create clear commercial opportunities.

Zipline's US$950 million raise illustrates the scale of investor interest in healthcare logistics and last-mile delivery. Spiro's US$270–320 million funding similarly reflects growing confidence in electric mobility and battery-swapping infrastructure as African cities face rising transport demand and pressure to reduce emissions.

Fintech remains a major destination for venture capital, supported by continued digital adoption and large underserved markets. However, investors are becoming more selective, favouring companies with established revenues, stronger unit economics and clearer paths to sustainable growth.



Data Source: Partech Africa

- *Essential sectors are attracting strategic capital.*

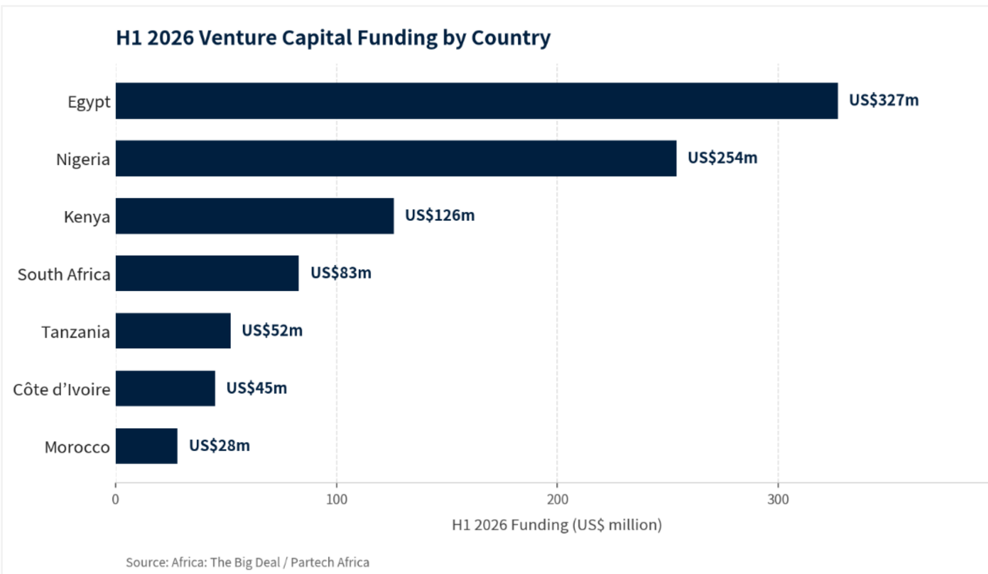
Capital Is Expanding Beyond Africa's Traditional Venture Hubs

Venture funding remains concentrated in Africa's established startup markets, but capital is beginning to reach a wider set of ecosystems. Egypt attracted approximately US$327 million in H1 2026, ahead of Nigeria at US$254 million, while Egypt, Nigeria, Kenya and South Africa together accounted for about 58% of total funding.

Tanzania's emergence among the leading funding destinations signals growing investor interest in less-developed ecosystems with room for expansion. However, sustaining this momentum will depend on the depth of local talent, supporting infrastructure and viable exit opportunities.

- *DFIs are becoming critical capital anchors.*

The broader geographic reach is encouraging, but Africa's venture market remains anchored in a small number of established hubs.

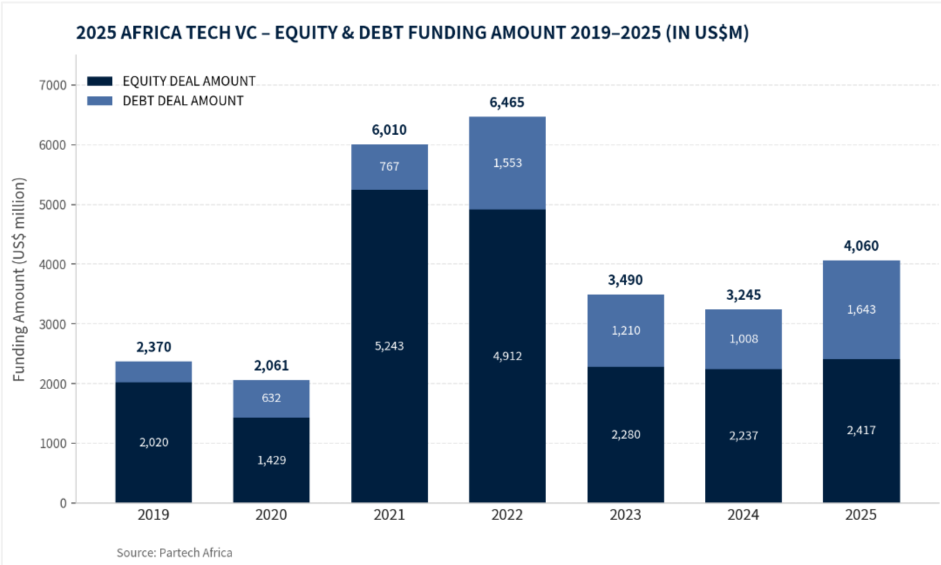


Data Source: Partech Africa

DFIs and Debt Are Reshaping the Capital Stack

As commercial VC becomes more selective, DFIs are playing a larger role in sustaining investment. Institutions such as IFC, Proparco and EBRD are providing capital to funds and companies where commercial and development objectives overlap, helping maintain financing for businesses with strong growth potential and development impact.

Debt is also becoming a larger part of the funding mix. Venture debt financing increased 37% year-on-year, giving more mature companies an alternative to raising additional equity and allowing founders to limit dilution. However, debt comes with repayment obligations, increasing the importance of predictable cash flow and stronger business fundamentals.



Data Source: Partech Africa

Strategic Outlook

Africa's venture capital market is stabilising, but the recovery remains uneven. Larger and more established ventures are attracting substantial funding, while earlier-stage companies face greater scrutiny and fewer financing options. The next phase will depend on whether capital can reach a broader base of companies and whether businesses can convert funding into sustainable growth.

DFI participation, venture debt and the emergence of new startup markets are broadening the sources of capital available to African businesses. Sustained growth, however, will depend on stronger company fundamentals, deeper local capital markets and a pipeline of ventures capable of achieving scale and profitability.

The market is moving toward greater discipline, and companies that can demonstrate sustainable economics are likely to remain best positioned to attract capital.