

# Africa's tech startup funding landscape in numbers

By  Lauren Hartzenberg

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Disrupt Africa, an independent news portal with a keen eye on the African tech startup scene, released its first industry [funding report](#) in January this year. The research provides a quantified look at just how much funding African tech startups raised in 2015. Although figures may not be exact - as funding details are not always announced - it provides a starting point from which to draw comparisons going forward, and gives investors an idea of what's happening in each sector and country.



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Tom Jackson, co-founder of Disrupt Africa, shared some of the report findings as part of the Ericsson AHUB stream at the AfricaCom conference that kicked off in Cape Town yesterday.

## Top six destinations

According to the report, 125 African tech startups raised \$185,785,500 over the course of 2015 – equating to an impressive average of around \$1.5 million per startup.

Breaking the funding down into countries, **South Africa** came out on top with \$54,568,000, which is 29% of the total amount of startup funding raised on the continent. In second place is **Nigeria** with \$49,404,000, making up 26.6% of the total. Interestingly however, Jackson noted that owing to a large portion of South African funding going to one company, Nigeria in fact raised a higher average funding amount per company than any South African startup did.

In third place is **Kenya**, raising \$47,365,000, amounting to 25.5% of total funds raised, followed by **Tanzania** with \$25,430,000 and 13.7% of the total. The vast majority of funding totals for these two countries came from solar startups that received significant funding rounds last year.

In fifth and sixth place is **Egypt** and **Ghana**, with \$4,750,000 (2.6% of the total) and \$1,750,000 (0.9% of the total) respectively.

Expanding on why South Africa tends to dominate, he says that the country, and Cape Town especially, seems to benefit from a much livelier angel investor scene. In Nigeria, and particularly in Kenya, the local angel scene hasn't really gotten off the ground just yet, with these investors still preferring to pump their money into things like real estate.

In terms of institutional investors and international venture capital firms, Johannesburg and Cape Town are also still considered more comfortable launchpads into Africa than Lagos and Nairobi, for example.

## Breakdown by sector

Zooming in on startup sectors, the top-funded from highest to lowest are: solar, fintech, e-commerce and e-health, with the rest being spread out across various areas like e-learning and transport.

**Solar** startups raked in 32.9% of the funding while **fintech** accounts for 29.6%. Unsurprising really, as the innovative solutions of startups in these areas are effectively servicing millions of people on the continent who have no easy access to power and basic financial services. Investors are indeed attracted to this.

"Investors in this case are not seeing it as just a massive return on investment by reaching millions of people, but it doubles up as a social investment," says Jackson.

**E-commerce** came in with a surprisingly low 9.7% of the funding as appetite for general e-commerce decreases, largely owing to the amount of time and money it takes for these businesses to become profitable. According to Jackson, most funding that went into e-commerce in 2015 were more niche e-commerce investments – companies focusing on one particular line of goods or a specific item.

While **e-health** performed quite well with 5.85%, Jackson says there were a few sectors that fared poorer than expected, e-learning being one of them. These startups appear to still be working out how to monetise their offering and attract significant investment numbers.

## 2016 report predictions

Jackson expects the 2016 report to reflect a significant growth in the number of startups that raise funding and a larger headline funding figure to boot. And while he thinks a radical shakeup in the country order is unlikely, he predicts sector improvements for e-health, jobs and e-learning. The sector frontrunner will be fintech, which is to see massive growth in funding. "Fintech will be the place to put your money," Jackson concludes.

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