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Africa sees record venture capital investment, bucking global decline

By Joe Bavier

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African startups attracted a record $3.5bn in venture capital investment in the first half of this year, bucking a global decline in dealmaking linked to worldwide economic turmoil, data released by an industry group has shown.

Source: Reuters. A staff member works at the reception of the paystack online payment company in the government reserved area in Ikeja, in Lagos, Nigeria, June 21, 2018.

The funding, raised by 300 different companies, represents growth of 133% compared to the same period last year, according to the African Private Equity and Venture Capital Association (AVCA), which promotes private investment on the continent.

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The financials sector continued to dominate the African startup space in the first half of 2022, accounting for 44% of total deal value. Payments platform MFS Africa, Kenyan fintech and solar firm M-Kopa, and e-commerce company Wasoko, all secured funding of $75m to $125m during the period.

The success of companies like Nigeria's Paystack, acquired in 2020 by US payments firm Stripe, and fellow fintech unicorn Flutterwave has fuelled international interest in up-and-coming businesses on the continent.

Startups bounced back from a pandemic-induced dip in 2020 with a nearly five-fold increase in venture capital investments in 2021, though Africa still attracts a fraction of the funding levels destined for more developed markets.

Globally, after hitting record levels last year, venture capital funding contracted in the second quarter of this year, with Latin America, Europe and North America hardest hit by the exodus of spooked investors.

While venture capital funding in Africa increased during the second quarter, the rate of growth was slashed by more than half to 78% from a first quarter increase of 171%, according to the AVCA data.

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