

Ecosystem Report:

Nigeria Startup Scene 2023

Foreword

In 2023, Nigeria's startup ecosystem showcased remarkable resilience and innovation, with significant growth in sectors like fintech, agritech, and healthtech. Japan International Cooperation Agency (JICA)'s involvement through various programs in partnership with government institutions like the National Information Technology Development Agency (NITDA) and the Office for Nigeria Digital Innovation (ONDI) has been pivotal in fostering this growth, offering support in the form of incubation, acceleration, and facilitating Japanese investment in Nigerian technology sectors. This collaboration has empowered local startups and strengthened ties between Nigeria and Japan, contributing to sustainable economic development and innovation.

By facilitating knowledge exchange and financial support, JICA's activities underscore a commitment to sustainable economic growth and innovation in Nigeria, exemplifying a successful international cooperation and development model in action.

This is the third edition of the Ecosystem report publication, and we are certain readers will find the insights in the report very useful.



Nao Fuwa

JICA Expert on Startup Ecosystem

Table of contents

Content	Page
Abbreviations	4
List of Figures	6
List of Tables	6
Highlights of JICA activities in 2023	7
1. Continental overview	13
A. The African Startup Scene 2023	15
B. Top 10 major events in the African startup ecosystem in 2023	19
C. Interview with Nobuhiko Ichimiya, AAIC	30
D. Interview with Hiroto Sorita, Global Brain	32
2. State of the Startup Ecosystem in Nigeria in 2023	33
A. Nigeria Economic Overview in 2023	34
B. Top 10 major events in the Nigerian startup ecosystem in 2023	36
C. Interviews with Brian Waswani Odhiambo, Novastar Ventures	42
3. SWOT Analysis on the Startup Ecosystem in Nigeria	44
Strengths: Highlighting areas of robust growth and innovation	46
Weaknesses: Identifying challenges and areas for improvement	51
Opportunities: Exploring untapped markets and potential collaborations	53
Threats: Analysing external factors impacting the ecosystem	55
A. Interview with Segun Adeyemi, CEO, Anchor	58
B. Interview with Moniepoint	59
4. Factors catalysing the growth of startups in Nigeria	61
A. Interview with Cohort winners	68
5. Conclusion	71
6. Appendix	74
I. Acknowledgement	74
II. References	75

Abbreviations

3MTT – 3 Million Tech Talents

ACES – Alternative Credit Scoring Evaluation System

AI – Artificial Intelligence

AUDA-NEPAD – African Union Development Agency – New Partnership for Africa's Development

BaaS – Banking as a Service

BNPL – Buy Now Pay Later

BOI – Bank of Industry

BVN – Biometric Verification Number

CAC – Corporate Affairs Commission

CBN – Central Bank of Nigeria

CChub – Co-Creation Hub

CCI – Cost-cutting initiative

FX – Foreign Exchange

iDICE – Investment in Digital and Creative Enterprises

IPO – Initial Public Offer

JICA – Japan International Cooperation Agency

KYC – Know Your Customer

LP – Limited Partners

MinT – Ministry of Innovation and Technology of Ethiopia

MSMEs – Micro, Small and Medium Enterprises

NCC – Nigerian Communications Commission

NEST – North-East Startup Training

NGX – Nigeria Exchange Group

NIBSS – Nigeria Inter-Bank Settlement System

NIN – National Identification Number

NINJA – Next Innovation with Japan

NIP – NIBSS Instant Payment

NITDA – National Information Technology Development Agency

NSA – Nigeria Startup Act

ONDI – Office for Nigerian Digital Innovation

PE – Private Equity

PSSP – Payment Solution and Service Providers

Q/Q – Quarter on quarter

RSK – Robotic Society of Kenya

Abbreviations

SEC – Securities and Exchange Commission

STEM – Science Technology Engineering and Mathematics

SVB – Silicon Valley Bank

SWOT – Strength Weakness Opportunities and Threats

TAP – Touch And Pay Technologies

US\$ – United States dollars

VASP – Virtual Assets Service Providers

VC – Venture Capital

VOIP – Voice Over Internet Protocol

YoY – Year-on-year

List of Figures

Figure	Page
Figure 1: Number of equities deals and funds raised (Q/Q)	16
Figure 2: Total funds raised in 2023 declined by 30% from 2022.	19
Figure 3: Mega deals as a percentage of total funding	20
Figure 4: Value of debt deals (in US\$ million)	21
Figure 5: Number of Acquisitions from 2022 – 2023	22
Figure 6: Africa – Equity deal count by stages, 2019 – 2023	24
Figure 7: Africa – Equity funding by stages, 2023	24
Figure 8: Funds raised by fintech startups	25
Figure 9: Funds raised by startups in Nigeria declined q/q.	35
Figure 10: Nigeria was behind the Big 4 in 2023	36
Figure 11: Total funds raised by Nigeria startups y/y.	37
Figure 12: Number of startups by country	48
Figure 13: Startups in Nigeria by sub-sectors	48
Figure 14: Nigeria regained its leadership after poor Q4-Q1 performance	49

List of Tables

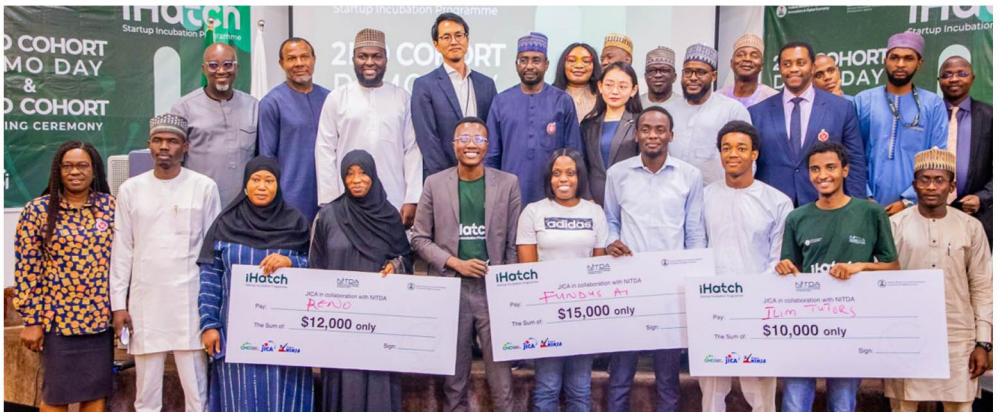
Table	Page
Table 1: Mega deals in 2023	20
Table 2: Growth of deals 2020 – 2023	21
Table 3: Some startups that expanded into other African markets	22
Table 4: List of Nigerian startups that shut down.	37
Table 5: Some major M&A activities in Nigeria, 2023	38
Table 6: SWOT analysis	45

Highlights of JICA Activities in 2023

In Nigeria, JICA supports the local development agenda through partnerships with credible local institutions and government to deliver positive social impact. JICA has been very instrumental in the evolution and growth of the Nigerian startup ecosystem through program initiatives such as the Idea Hatch (iHatch) Incubation program in partnership with the National Information Technology Development Agency (NITDA) and the Office of the Nigerian Digital Innovation (ONDI), the Next Innovation with Japan (NINJA) Accelerator program, and the North-East Startup Training (NEST) program among others. These programs and initiatives are instrumental in the rise of Japanese investments in the Nigerian and African tech ecosystem.

Some of the major activities in 2023 include:

A. iHatch demo day for the 2nd cohort and Opening ceremony for the 3rd cohort



The Idea Hatch (iHatch) incubation program's Cohort II Demo Day in Abuja, Nigeria, served as a launchpad for three promising Nigerian start-ups. These trailblazers were awarded a cumulative seed funding of \$37,000 by JICA to bolster their growth and facilitate their contribution to Nigeria's burgeoning digital economy.

The funding was judiciously distributed among the top three start-ups, Fundus AI as the first-place winner bagged US\$15,000; Reno the second place got \$12,000, and in third place, Ilim Tutors received \$10,000. This financial support is part of JICA's commitment to fostering youthful innovation, entrepreneurship, and technology in Nigeria. The event was held at the iHatch Cohort II Demo Day and Cohort III opening ceremony held in Abuja.

Other participating startups like Gifty have gone on to win US\$8,000 in cash prizes as the winner of the Africa Fast Award at the North Star, GITEX Global, Dubai 2023. Gifty, a digital Shop Maker, is Africa's first AI sales growth assistant for micro, small and medium enterprises (MSMEs) using e-commerce platforms.

The Idea Hatch (iHatch) incubation program is an annual initiative of the National Information Technology Development Agency (NITDA), the Office of the Nigerian Digital Innovation (ONDI) in collaboration with JICA aimed at enhancing Nigeria's digital economy by assisting Nigerian entrepreneurs to create scalable and flexible business models for the nation. iHatch is a 5-month free intensive incubation program designed to help Nigerian entrepreneurs refine their business ideas through a series of coaching, lectures, and boot camps, to generate viable and scalable business models.

B. Support for the Nigeria Startup Act (Tunisa, Algeria and Democratic Republic of Congo)

With the support of the JICA Tunisia office, JICA Nigeria led a delegation from the office of Nigeria Digital Innovation to explore and understudy how the Tunisian Startup Act is being implemented to drive the startup ecosystem in the country. The delegation was led by Guobadia Osaretin Oswald, Senior Special Assistant (Digital Transformation) to the President of the Federal Republic of Nigeria.

As Nigeria strategizes about operationalizing the Startup Act which was signed in 2022, it becomes critical to review Tunisia's successes and challenges in implementing its Startup Act. Tunisia was one of the first countries in Africa to pass a Startup Act in 2018. JICA also facilitated tours to other countries such as Algeria and the Democratic Republic of Congo.



Some of the highlights of the trip include:

1. A visit to Smart Capital where they reviewed Tunisia's Startup Portal. The teams visited Instadeep – a Tunisian AI startup, where they met with the Co-founder, Zohra Slim and her team to discuss how the implementation of the Tunisia Startup Act has enabled the progress of the firm.
2. The Teams had a meeting with the president (Amel Saidane) and general secretary (Oussema Messaoud) of Tunisian Startups – an association of Tunisian startups within the ecosystem.
3. A visit to Elgazala Technopark where the teams met with the Entrepreneurship and Business Development Head – Monia Jendoubi and her team.
4. A visit to Tunisia's Ministry of Communications, a tour of Startup Village in Tunis and a visit to JICA's office in Tunisia.

C. Promotion of the idea of a pan-African startup in collaboration with AUDA-NEPAD



At GITEX Africa, AUDA-NEPAD co-organized a round table with JICA on the current state and prospects of the “Startup Act in Africa”. The purpose was to spark conversation and drive action to establish a startup act in more African countries. The Startup Act is a very effective system for developing the startup ecosystem but only a few African countries such as Tunisia, Nigeria, DR Congo and Togo have passed Startup Acts.

It is, therefore, important for African countries to work collaboratively to share knowledge and experiences on the process from enactment to implementation of the Start Act. George Murumba representing AUDA-NEPAD said that “while it is natural that the mode of operation differs from country to country, it would be useful for countries, which are considering legislation, to share their knowledge on the enactment process, the actual operation, lessons learned and impact of legislation on the start-up ecosystem experienced by countries that have already enacted and are implementing their legislation. He emphasized that collaboration regarding the Startup Act between counties is also key to improving the pan-African startup ecosystem.

Nao Fuwa emphasised that JICA, through its NINJA project will continue to support startups in Africa, helping them grow and expand into other African and international markets.

JICA, together with 12 Startups (8 Ethiopian, 2 Nigerian and 2 Tunisian startups) and the Ministry of Innovation and Technology of Ethiopia (MiNT), the government of Nigeria and Tunisia, and the African Union Development Agency – New Partnership for Africa's Development (AUDA-NEPAD), participated in GITEX Africa (Morocco) from 31st May to 2nd June. This is the largest comprehensive tech forum on the African continent and is part of JICA's Project NINJA.

D. Credit scoring with Zowasel and Mitsubishi Corps

Zowasel partnered with JICA to develop an AI-powered alternative Credit Scoring Evaluation System (ACES) to enable farmers to digitise their footprints to access affordable agricultural loans to improve productivity.

Zowasel is an agricultural technology company dedicated to enhancing farmers' productivity, sustainability, and profitability through technology and data science. ACES is a comprehensive risk assessment model and an alternative credit measurement tool designed to revolutionise the way creditworthiness is evaluated. Its primary goal is to bridge the gap between financial institutions and organisations that interface with farmers, including startups, cooperatives, and SMEs. This innovative approach unlocks alternative financing opportunities across agricultural value chains.

The software development was supported by JICA, the Office for Nigerian Digital Innovation (ONDI), and Mitsubishi Corporation, Nigeria to enable farmer-interfacing organisations to digitise farmers' data and automate various value chain processes, encompassing cultivation practices, farm details, farmers' profiles, behavioural biometrics, harvest, income, and sales records, as data points. By transforming these data into actionable insights, ACES provides these data to financial institutions with little or no agricultural knowledge to access farmers' data conveniently, conduct creditworthiness checks, and verify know-your-customer (KYC) applications to make quick lending decisions in a low-risk, cost-effective, and efficient manner.



E. Startup Insight webinar series

In December 2023, JICA started the Startup Insight webinar series in collaboration with NITDA/ONDI to engender conversations about the investment strategies of VCs and enhance knowledge of the startup ecosystem as it were.

The first series was held on December 13, 2023, with Brian Waswani and Riki Yamauchi of Novastar as guest speakers. The audience was a motley collection of startups from across Nigeria. This webinar series will be held once every quarter.



F. Japan study tour (Tokyo, Kyoto and Okinawa)

In July 2023, ONDI staffs and Nao Fuwa embarked on a business trip to Japan, aimed at promoting Nigeria's startup ecosystem, regional revitalization, and academia-industry-government collaboration. The trip covered meetings and seminars in Kyoto and Okinawa, focusing on circular and sustainable ecosystem building and

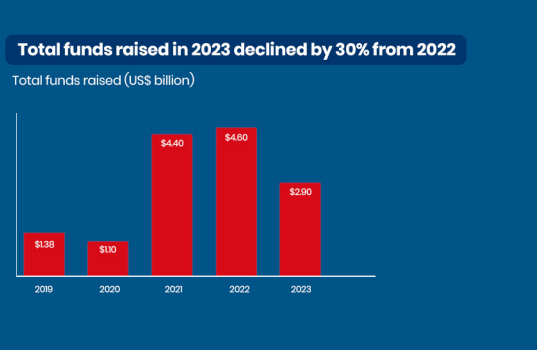
innovation promotion. The visit highlighted Nigeria's progress in establishing a national ecosystem, albeit concentrated in Lagos, and the need for broader enhancement and stronger R&D for university startups. Okinawa's focus on IT, biotechnology, and environmental sectors was identified as a model for ecosystem support. The trip also included fruitful interactions in Tokyo with potential investors, setting the stage for future collaborations and showcasing the potential for African startups, particularly in the context of Nigerian economic growth and innovation.

Continental Overview

Continental Overview

<p>2022</p>  <p>Founders Raised \$6.5billion</p> <p>• Debts • Equities • Exits</p>	<p>2023</p>  <p>Founders Raised \$3.5billion</p> <p>• Debts • Equities • Exits</p>
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10 Startups } **\$1.23 billion**
Accounting for 35% of 2023 total funds

Number of debt deals

2022 71 debt deals

2023 74 debt deals

Shutdowns
(Major shutdowns)

Mergers and acquisitions

  Deal Value: US\$ 670 million	  Deal Value: N/A	  Deal Value: US\$ 15 million	  Deal Value: N/A	  Deal Value: N/A
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1. Continental Overview

A. The African Startup Scene 2023

The startup ecosystem in Africa in 2023 has been one of survival; from the funding crunch that started in Q2 and intensified in 2023, to the collapse of Silicon Valley Bank (SVB) and its impact on startup funds around Africa. Following SVB's collapse in March 2023, several startups in Africa and Venture Capital (VCs) **struggled** with funds and other banking support that SVB offered to startups. As VCs struggled with access to funds, startups struggled to raise funds to fulfil payroll needs and expansion plans.

In 2023, African founders raised US\$3.5 billion in funding (debt, equities, and exits) compared to US\$6.5 billion in 2022. Altogether, 10 **startups** raised US\$1.23 billion, accounting for about 35% of total funds in 2023. Still, the value of equity deals declined from US\$ 975 million in Q4 2022 to US\$706 million in Q1 2023 and even further down through the rest of the year (see Figure 1). While the value of equity deals declined by more than half to about US\$ 2.3 million over 473 deals (compared to US\$ 4.9 million over 693 deals in 2022), debt deals were also prominent as investors withdrew from long-term commitments in equity financing. Although the value of debt deals was 22% higher in 2022, the number of debt deals rose from 71 in 2022 to 74 in 2023.

Layoffs, shutdowns and exits also characterised the year (See Table 1 for the list of major shutdowns in 2023). As many startups could not raise funds to keep the lights on, they extended the runway by laying off employees as a cost-cutting initiative (CCI) to enhance operational efficiency. Many others shut down. Some of the shutdown cases in 2023 include 54gene, Lazerpay, Dash, Sendy, and recently Whereismytransport and Zazuu among others.

For most of the year, founders in the region faced heightened competition and increased scrutiny, necessitating innovative approaches to secure funding. Entrepreneurs sought alternative funding sources, exploring local and regional partnerships, as well as strategic acquisitions to expand into new markets. Some of the successful acquisitions include BioNTech (acquired Instadeep), Risevest (acquired Chaka), GBarene acquired (Galactech), Moniepoint (acquired Kopo Kopo), and Autocheck (acquired AutoTager and CoinAfrique) among others.

As the African startup ecosystem navigates the complexities of the global landscape, it is evident that while challenges persist, opportunities for growth and collaboration are emerging. The resilience and adaptability demonstrated by African entrepreneurs position the continent to overcome obstacles and contribute to the evolving global innovation network.

10 Most funded startups in Africa

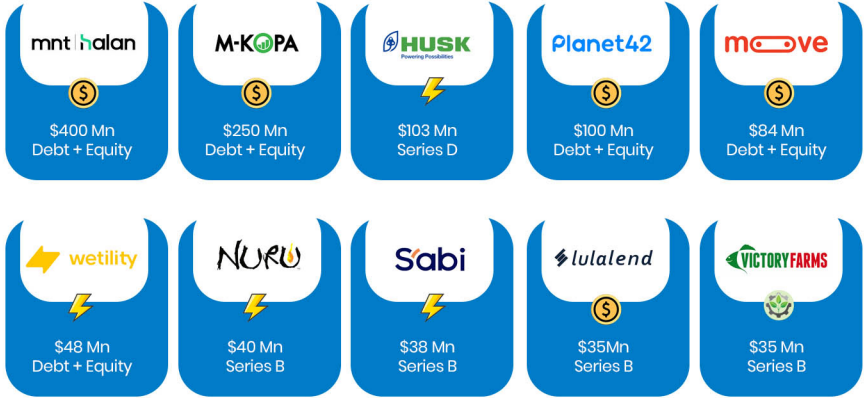
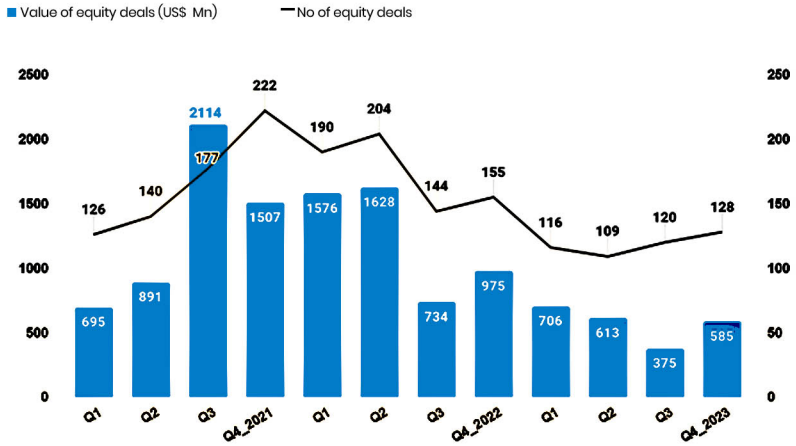


Figure 1: Number of equities deals and funds raised (Q/Q)

Value of equity deals and count of equity deals (2021 - 2023)



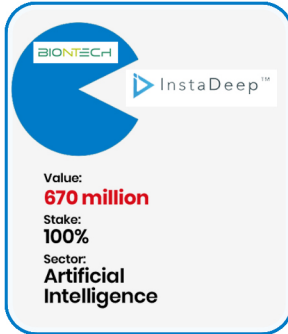
Major shutdown cases in Africa



Logistics BNPL Crypto/ Web3 e-commerce Health Fintech Edtech

A row of seven icons representing different sectors: Logistics (globe with truck), BNPL (BNPL text in a black circle), Crypto/Web3 (Bitcoin symbol), e-commerce (shopping cart), Health (cross in a circle), Fintech (dollar sign in a circle with circuit lines), and Edtech (classroom with teacher and students).

Major acquisitions in 2023



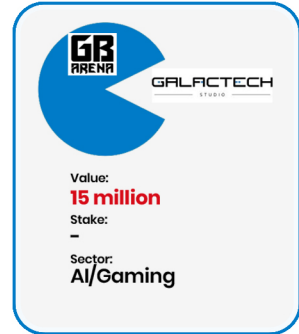
BIONTECH acquires **InstaDeep™**

Value: **670 million**
 Stake: **100%**
 Sector: **Artificial Intelligence**



DriveMe acquires **GO!**
twentysix

Value: **Undisclosed**
 Stake: **100%**
 Sector: **Mobility**



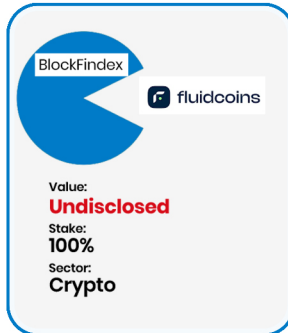
GB ARENA acquires **GALACTECH**
STUDIO

Value: **15 million**
 Stake: **-**
 Sector: **AI/Gaming**



Andela acquires **QUALIFIED**

Value: **Undisclosed**
 Stake: **100%**
 Sector: **Talent marketplace**



BlockFindex acquires **fluidcoins**

Value: **Undisclosed**
 Stake: **100%**
 Sector: **Crypto**



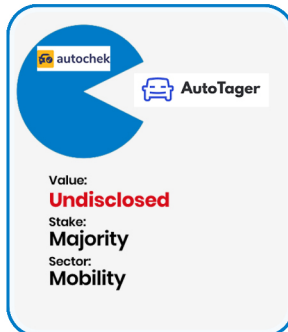
FairMoney acquires **payForce**
by FairMoney

Value: **Undisclosed**
 Stake: **-**
 Sector: **Fintech**



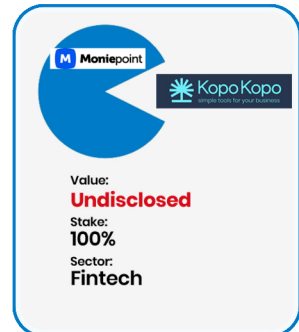
fin acquires **THUTHUKANI™**

Value: **Undisclosed**
 Stake: **-**
 Sector: **Fintech**



autochek acquires **AutoTager**

Value: **Undisclosed**
 Stake: **Majority**
 Sector: **Mobility**



Moniepoint acquires **KopoKopo**
Empowering Small Business

Value: **Undisclosed**
 Stake: **100%**
 Sector: **Fintech**



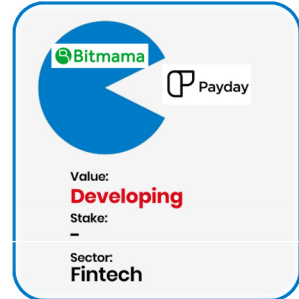
rise acquires **chaka**

Value: **Undisclosed**
 Stake: **100%**
 Sector: **Fintech**



kwara acquires **IRNET COOP KENYA**
Opening Tech Doors For Success

Value: **Undisclosed**
 Stake: **100%**
 Sector: **Fintech**



Bitmama acquires **Payday**

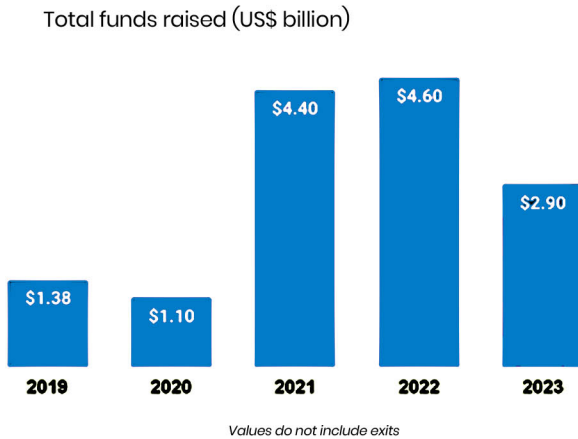
Value: **Developing**
 Stake: **-**
 Sector: **Fintech**

B. Top 10 major events in the African startup ecosystem in 2023

The funding crunch for African startups lingered.

Compared to the previous years, 2023 shows the extent of the funding squeeze in Africa's tech ecosystem. Slightly above the 2020 levels, funding in 2023 declined by about 40.8% to US\$2.9 billion from nearly US\$4.6 billion in 2022 (debts and equities). The decline is attributed to a mixed bag of issues including unstable macroeconomic conditions around Africa (rising public debt, inflation, foreign exchange issues, coups), exogenous factors (Russia-Ukraine war), sector-specific issues (founders' attitude, overvaluation), and VCs refuelling to act better.

Figure 2: Total funds raised in 2023 declined by 30% from 2022.



In 2023, the number of mega deals (debt or equity deals \geq US\$100 million) fell by half, from 8 in 2022 to 4 in 2023. The total value of the mega deals in 2022 was US\$1.25 billion compared to US\$880 million in 2023. No Mega deal occurred in the second half of the year; there were large deals ($>$ US\$20 million) nonetheless. For instance, Moove raised US\$76 million in August, LemFi raised US\$ 33 million in August, Helium Health's US\$30 million in Series B and Nombca's US\$30 million in pre-Series B.

Overall, the total **number of deals** (debt, equities, grants and exits) in 2023 was 547, valued at US\$3.5 billion compared to US\$6.5 billion over 764 deals in 2022.

Figure 3: Mega deals as a percentage of total funding

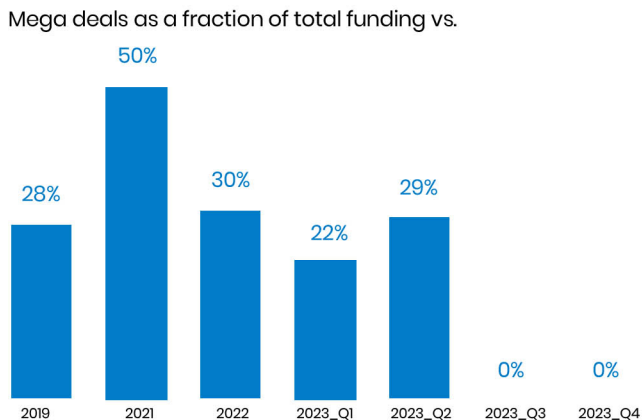


Table 1: Mega deals in 2023

MNT Halam	Q1	Debt + equity finance	\$400 million
Planet 42	Q1	Debt financing	\$100 million
M-KOPA	Q2	Debt + Equity finance	\$250 million
Sun King	Q2	Loan Securitization	\$100 million

Equity vs Debt deals: debt deals are rising.

The number of debt deals has been increasing as investors sought alternatives to hedge against risks. In 2022, the number and value of debt deals jumped to 71 and **US\$1.55 billion over about 71 deals** respectively. In 2023, though the value of debt deals declined by 22% to US\$1.2 billion, the number of debt deals increased to 74 – representing 13.5% of total deals (compared to 9.3% in 2022).

Figure 4: Value of debt deals (US\$ million)

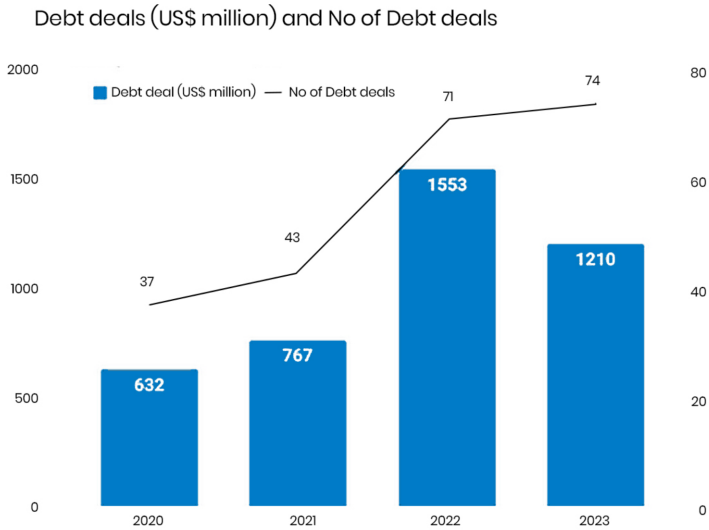


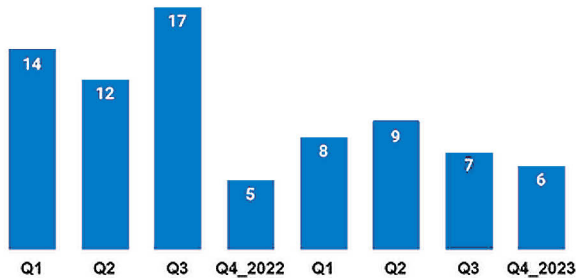
Table 2: Growth in number of deals 2020 – 2023

	2020	2021	2022	2023
Debts	37	43	71	74
Equity	359	681	693	473
Total	396	724	764	547
Debt/Total	9.3%	5.9%	9.3%	13.5%

3. Acquisitions declined from 2022 levels but are gradually rebounding.

Though a record decline from 48 major acquisitions in 2022, 2023 recorded several acquisitions valued at over US\$ 700 million as startups sought strategic expansion into other markets. Some of the major acquisitions are listed in Table 2.

Figure 5: Number of Acquisitions from 2022 – 2023



Aside from acquisitions of startups in other markets, some startups made direct expansions into other African countries. TechCabal tracked about 14 direct expansions in 2023. Some of them include Flutterwave’s expansion into Kenya, Safaricom’s entry into Ethiopia, and Auto24’s expansion into Morocco, South Africa, Senegal, and Rwanda.

Table 3: Some startups that expanded into other African markets

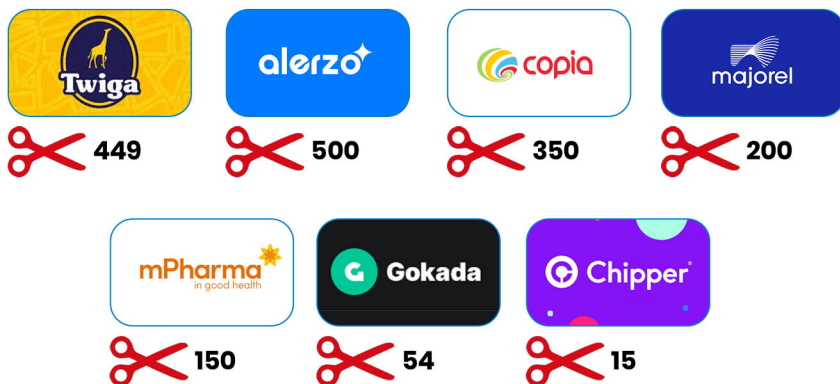
Company name	Primary location	New market	Vertical
Treepz	Nigeria	Kenya	Mobility
iProcure	Kenya	Tanzania	Agtech
Farmerline	Ghana	Cote d’Ivoire	Agtech
Wasoko	Kenya	DRC	B2B e-commerce
Dabchy	Tunisia	Egypt	Agritech
Chargel	Senegal	Ivory Coast	Logistics
Farmerline	Ghana	Ivory Coast	Agritech
Flutterwave	Nigeria	Kenya	Fintech
Safaricom	Kenya	Ethiopia	Fintech
Auto24	Ivory Coast	Morocco	Auto marketplace
Autocheck	Nigeria	Egypt	Automobile
Umba	Nigeria	Kenya	Flntech
Liquid	Nigeria	Egypt	internet
RoomRacoon	South Africa	Zanzibar	Hospitality

4. Layoffs & shutdowns

The year was characterized by layoffs and shutdowns as startups struggled to stay afloat without adequate funding. Throughout the year, over 3,000 employees have been laid off across startups in Africa. Alerzo recently fired an additional 100 employees 8 months after it laid off 400 employees. To end the year, Bolt and Jumia shut down their food delivery operations – more staff will be laid off. See Table 1 for a list of the major shutdown cases across Africa in 2023.

Layoffs in the African startup ecosystem

Major layoffs in 2023



5. Funds allocation: by stages and sector

By stages, the Seed stage accounts for most of the equity deals in 2023, with 337 deals valued at US\$518 million. Though this represents a significant contraction from 506 deals in 2022 (-33% YoY). This 33% reduction (from 506 deals valued at US\$958 million in 2022) is consistent with the decrease in venture activities in 2023.

For Series A, whereas the number of deals declined by 20% from 108 in 2022 to 86 deals in 2023, the value of deals declined by half (49.6%) from US\$1.09 billion to US\$547 million in 2023. Meanwhile, Series B and Growth stage faced a notable decrease, dropping from 56 deals valued at US\$1.4 billion in 2022 to 36 deals valued at US\$642 million in 2023, and from 23 deals (US\$1.5 billion) to 14 deals (US\$573 million), respectively. These all show that although investors are still interested in African startups, they are taking a more cautious approach to measuring market performance.

Figure 6: Africa – Equity deal count by stages, 2019 – 2023

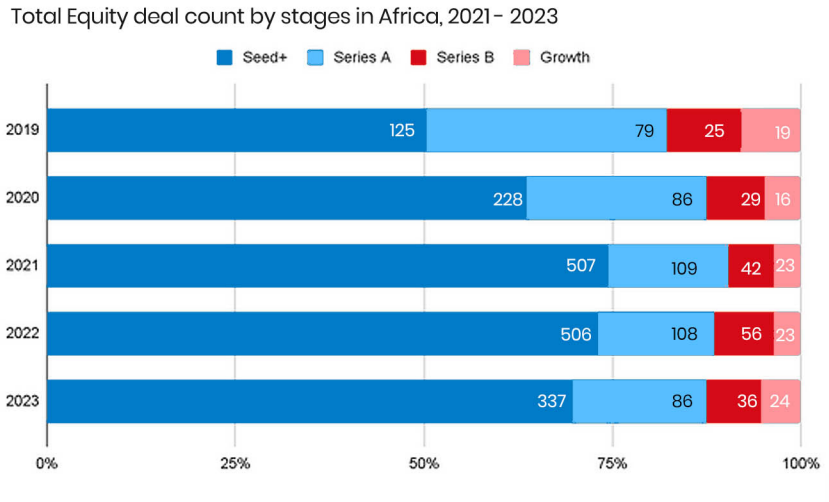
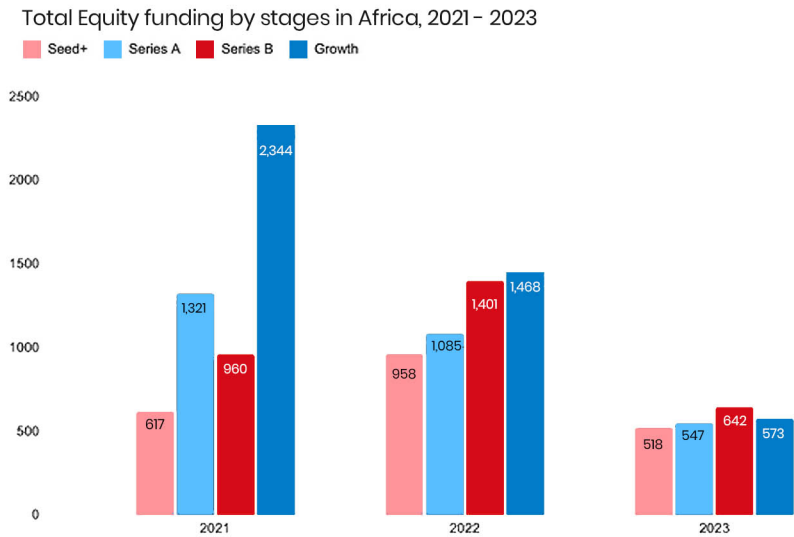


Figure 7: Africa – Equity funding by stages (US\$ million)



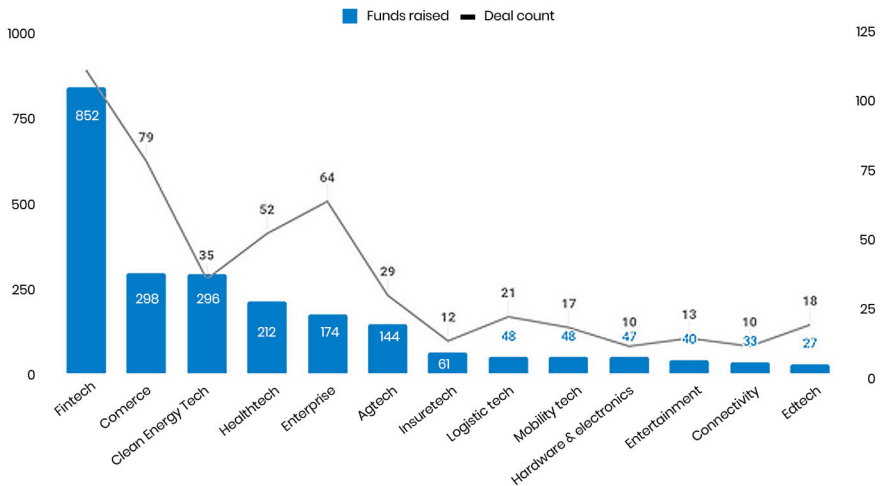
By sectors, Clean Energy startups had an impressive run getting the most of VC funds in two quarters (Q2 and Q3). Nevertheless, Fintech got the most in terms of total funding for the year. Fintech held its position as the leading sector in the African tech ecosystem, securing US\$852 million across 113 deals (24% of the total deal count) in 2023. This figure marks a 56% reduction from the previous year, yet still accounts for 37% of the total funding in the ecosystem.

Commerce (including e-commerce, mobile and social commerce) got US\$298 million over 79 deals followed closely by Clean Energy tech at US\$296 million over 35 deals - surpassing enterprise and health sectors with much higher deal counts. Agritech grew by 21% in deal counts (29) to reach US\$144 million, while Healthtech was essentially flat in deal count (52) and reached US\$212 million.

This shows that investors are interested in other sectors of high social impact, but given the high macroeconomic uncertainty, investors tend to make more secure bets in Fintech which has shown a lot more traction than other sectors over the years.

Figure 8: Funds raised by fintech startups is more than the sum of the next top three

Sectors: Funds raised (US\$ million) and Deal count, 2023



6. Safaricom takes giant strides.

Safaricom Kenya obtained an operational license to operate the second mobile network in Ethiopia as well as launch its mobile money service, M-PESA in Ethiopia. The World Bank supports this move as it **takes up stakes** in the company through equity funding. Ethiopia is moving toward opening up its tech ecosystem by opening up the sector to foreign competition alongside the state monopoly, Ethiotel.

On the other hand, Safaricom completely bought M-PESA Holding from Vodacom B.V. To close the year, Safaricom, M-PESA Africa, and Sumitomo Corporation partnered to launch the Spark Accelerator program to support early-stage startups to grow and scale their businesses. Sumitomo Corporation is a Japanese Fortune 500 global trading and business investment company with 128 offices in 65 countries. It is also supporting the Ethiopian economy with talent capacity building through partnerships with Gebeya - a freelance market space in Ethiopia.

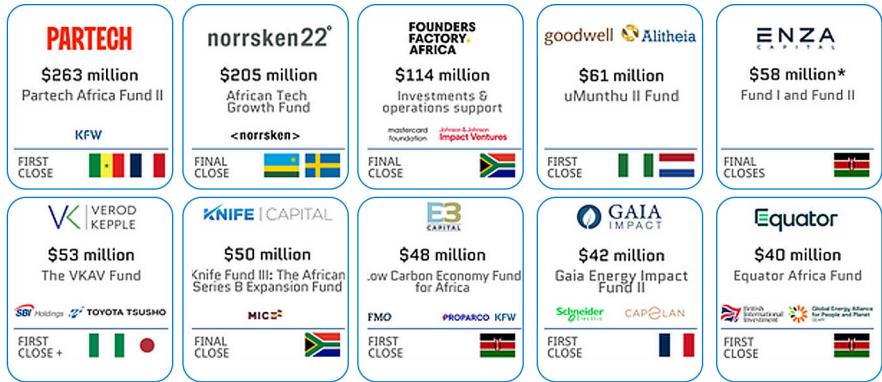
7. VCs are raising funds too!

Despite the economic and political challenges that plagued African economies in 2023, investors remained optimistic about the future of startups in Africa. These investors, cumulatively, raised over US\$1 billion in 2023 for investments in African tech startups.

Though there were fewer investors in 2023, some of the VCs that remained committed include Techstars which was the most active investor in the African startup scene with 56 deals, followed by Launch Africa doing about 19 deals - half of what it did in 2022 and 2021, Founders Factory (16), Ventures Platform (15), Norrsken (13), Catalyst Fund (13), Y Combinator (12).

Towards 2024, some investors raised significant capital to support startups. They include Launch Africa, LoftyInc, Flat6Labs and recently Norrsken22's **US\$ 205 million** to back growth-stage startups in Africa. Some of the top 10 VCs that were raised are in the table below.

Top ten Africa tech VC funding commitments announced in 2023



Source: Afridigest

Noticeably, Japanese investments in the African startup ecosystem is rising. They are exploring partnerships with local institutional stakeholders to make impact investments on the continent. For instance, in January 2023, Inclusion Japan, a Japanese VC, partnered with Kazana Funds, an Ethiopian VC, to allocate **US\$100 million** to early-stage startups in Ethiopia. EMURGO Africa, an Africa-focused entity of EMURGO Middle East & Africa (“EMURGO MEA”), and Kepple Africa Ventures Inc., a pan-African venture capital firm, announced the establishment of a **business joint venture**, EMURGO Kepple Ventures to further accelerate its strategic partnership investing in African Web3 businesses. In November 2023, SBI Holdings, one of the largest VC groups in Japan, forged a strategic partnership with Novastar Ventures, one of the earliest VC investors in Africa to commit **US\$40 million** to anchor Novastar’s fund.

Other new Africa-focused VCs that raised capital include Aduna Capital, Black Ostrich, Emerging Africa and Afri-venture. Plesion Capital indicated an interest in African startups but did not disclose the funds raised.

5 Africa-focused VC funds announced in 2023 & led by new managers



Source: Afridigest

8. Mastercard deepens its foothold in Africa's mobile money market

In August 2023, Mastercard **secured a minority stake** in the fintech branch of MTN Group, Africa's premier mobile service provider, at an estimated valuation of \$5.2 billion. This is similar to Mastercard's investment of \$100 million in Airtel Mobile Commerce BV, the overseeing entity for Airtel Africa's mobile money operations, in 2021. Through this investment, Mastercard acquired a minority stake in the telecom's fintech arm.

Before the MTN deal, Mastercard and Airtel had launched a remittances transfer service to enable Airtel customers in 14 African countries to send money to and receive funds from wallets in over 145 markets worldwide.

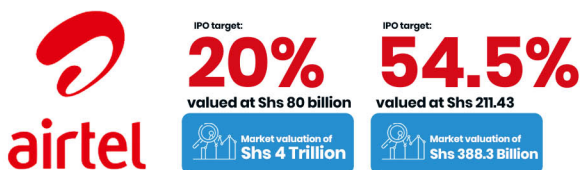
As these moves enhance fair competition in Africa's mobile money and remittances market, it deepens Mastercard's position in the market against its competitor, VISA.



9. Airtel takes the IPO route in Uganda

In November 2023, Airtel Uganda became the second telecom company listed on the Uganda Securities Exchange, after MTN Uganda, which accomplished this feat in 2021. However, the IPO fell short of the **anticipated enthusiasm** in the local stock market. It achieved a subscription rate of 54.45%, raising Shs 211.43 billion. This subscription rate, though slightly below MTN's 64% achievement, represents a significant stride in the government's drive to promote local ownership in the telecom industry.

Airtel Uganda, mostly owned by Bharti Airtel, originally aimed to divest a 20% stake as the country's new licensing requirement demands. Of the 11% shares taken up, the National Social Security Fund acquired 10.55% while retail investors held 0.34%. There are plans to list the remaining 9%. Observers in the industry are of the view that Airtel Uganda's decision to exclude its fintech services from the IPO might have contributed to the low subscription, signalling a potential intention to retain earnings in the lucrative fintech sector in the short term.





10. Tingo CEO gets charged for fraud

On December 18, 2023, the U.S. Securities and Exchange Commission (SEC) filed charges against the CEO of Tingo Group, Dozy Mmobuosi, alleging that he inflated the financial performance of the companies and key subsidiaries which include Tingo Foods and Tingo Mobile to defraud investors.

Mmobuosi falsely represented these companies to be fully operational and earning millions of dollars in revenue and then sold Tingo Mobile and Tingo Foods to companies listed in the United States, including Tingo Group (listed on Nasdaq as “TIO”) and Agri-Fintech Holdings (traded in the Over-the-Counter Markets under symbol “TMNA”). As a result, Mmobuosi caused Tingo Group and Agri-Fintech to issue financial statements that falsely portrayed Tingo Mobile and Tingo Foods to be cash-rich, revenue-generating companies when, in fact, they were not. Mmobuosi



then looted Tingo Group and Agri-Fintech by misappropriating cash from those companies and engaged in well-timed sales of their shares at inflated prices, generating millions of dollars of profits from his scheme.

Mmobuosi, has been charged with one count of conspiracy, which carries a maximum sentence of five years in prison, one count of securities fraud under Title 15, which carries a maximum sentence of 20 years in prison, and one count of making false filings with the SEC, which carries a maximum sentence of 20 years in prison.

C. Interview with Nobuhiko Ichimiya, AAIC



Nobuhiko is a principal at Asia-Africa Investment & Consulting (AAIC).

Q: What is your general opinion about how the startup ecosystem in Africa performed this year 2023? How is your fund's performance this year?

Nobuhiko Ichimaya: I agree with the general view that it has been a very difficult year. Especially the exchange rate, which had held up well last year, suddenly depreciated against the Nigerian naira. South Africa and Egypt were depreciating their currencies, and many startup variants were gradually falling. I think that startups, especially after the Series A and B, had a very difficult time raising funds because they had to access the global capital market.

In addition to fundraising, it was a year in which it became more difficult for startups with inventory, such as e-commerce companies, to manage their working capital due to weak currency and high prices.

Since many of our investments are in the healthcare sector, it is relatively less difficult to add prices to the market compared to other industries, but I think many startups still had a tough year.

Q: In 2023, Investment in startups saw a massive drop of about 40%. A phenomenon called the Funding winter. Would this continue in 2024?

Nobuhiko Ichimaya: This is a question to which no one has the right answer, but I hope that the changes in Nigeria will not be as drastic as last year and that investment in African startups will return as the global economy recovers since there are some positive factors such as the operation of the Dangote refinery. I hope that investment in African startups will return as the global economy recovers.

Q: In Q2 and Q3, Energy startups raised more funds than Fintech. Startups in sectors such as health, logistics, and education also raised impressive amounts. What does this say about how/where investors use/spend their money?

Nobuhiko Ichimaya: The trend was most pronounced in Africa, especially in Nigerian startups. I see that fintech startups have raised relatively larger amounts of money so far, and the valuation has been high accordingly. With the overall great reset, it was an inevitable move for investments to diversify into different sectors.

Although we are a healthcare-focused investment institution, we see that more investment institutions are paying attention to the healthcare sector than ever before, partly due to Covid-19, but also due to a variety of players, including not only private investors but also DFIs and international organizations (donors).

Q: Some VCs have been raising funds, what does that mean for startups in Nigeria and Africa? Are investors still generally interested in Nigeria?

Nobuhiko Ichimaya: **Africa remains an attractive market for investors and companies. We are one of them: we closed the first close of our second fund in March 2022 and the second close in November 2023.** Most of the LPs in our fund are large corporations rather than financial institutions. They have invested in our fund as a means of entering the African market and have begun strategic collaborations with the startups in which they have invested. The great reset gives more comfortable environment to those big corporates as startups are now looking for profitability and valuations are being reevaluated.

Interview with Nobuhiko Ichimiya, AAIC

Q: Venture debt became popular in the Funding winter. What is the implication? What is your outlook on the venture debt market in 2024?

Nobuhiko Ichimiya: The players in debt and capital markets will continue to diversify.

With the great reset, startups are also placing more emphasis on the profitability and sustainability of their businesses rather than the growth and expansion of their business scale. Valuations are also being reevaluated, and the presence of PE and large company investments is stronger than in the past few years. In this context, some startups have achieved monetization and are expected to generate sufficient future cash flow, so we feel that there are more opportunities to supply Debt.

Q: Do you consider the government's regulatory decision in framing your investment decisions? Does the government regulation impact your confidence as an investor?

Nobuhiko Ichimiya: Yes/No. As for Nigeria, there were startups in the fintech and other sectors that were forced to scale back or shut down their operations due to regulations, but there were also startups that proved their resilience by the restriction of the regulations.

The new government has placed Bosun of CChub as a minister, and it seems that the new government intends to somehow link the growth of the startup ecosystem to the growth of the country, so I have high expectations.

Q: What is your investment outlook for the Nigerian tech ecosystem as well as the African tech ecosystem in 2024? How should investors look at Nigeria going into 2024? What sectors are you interested in 2024? Please tell us why.

Nobuhiko Ichimiya: Nigeria remains a promising market for startup investment. 2023 has seen a change in the environment, a change in the rules for startup strategies and business models, and more startups are aiming for profitability and business sustainability. As a result, many startups became more aware of the business model with a higher take rate, more like the digitized brick-and-mortar type model rather than a simple SaaS model.

I think this trend will continue in 2024. **Many of the LPs in our fund are Japanese companies, and they are interested in strategic investments and collaborations for business development in Africa, making the environment more favourable than ever.** We look forward to promoting these collaborations and continuing to create new value in the ecosystem.



Africa remains an attractive market for investors and companies. We are one of them: we closed the first close of our second fund in March 2022 and the second close in November 2023.”

D. Interview with Hiroto Sorita, Global Brain



Hiroto is the director of the Investment group at Global Brain

Q: What's the reason behind the increasing interest of Japanese Investors in African tech?

Hiroto Sorita: Japan has a long history with Africa, but it was mostly from the grant side, i.e., Overseas Development Agencies (ODAs). In recent times, there has been more collaboration between Japan and African countries through conferences like TICAD, which began in 1993. In 2000, a close relationship emerged between both parties. In 2008, the Japanese government began to invite a lot of Japanese corporations to Africa. In 2022, the Japanese Prime Minister pledged to invest \$3 billion into Africa through the Tunis declaration for the next three years. The funds are going to be disbursed towards startup investment rather than infrastructure.

Q: What's your general opinion about Nigeria's startup ecosystem?

Hiroto Sorita: Nigeria and Africa's tech ecosystem is now being affected by the standardization of the market. Compared to 2022 and 2021, startup valuation has become realistic in line with market realities. Investors are more open to investing in startups.



In recent times, there has been more collaboration between Japan and African countries through conferences like TICAD, which began in 1993."

Q: Debt funding is becoming prominent as an alternative financing vehicle for startups. What are your thoughts on this?

Hiroto Sorita: For companies in our portfolio that require a lot of working capital, it's advisable to use debt. However, if the working capital is provided in USD, startups need to de-risk the forex rate through local banks. One way around this is to make deposits in USD but borrow from the bank in local currency to reduce operating costs.

Q: What's your outlook for 2024? What sectors are you interested in at Global Brains?

Hiroto Sorita: Nigerian/African Startups should create solutions for a global market. For startups who intend to focus on their local market, business models that lead to high ARPUs should be adopted. This guides our investment thesis at Global Brains.

For now, we are exploring investments in fintech, healthcare, logistics, commerce, and cleantech but we are more interested in the Go-To-Market strategies of companies that pitch to us.



State of the Startup Ecosystem in Nigeria 2023

2. State of the Startup Ecosystem in Nigeria 2023

A. Nigeria Economic Overview in 2023

The Nigerian macroeconomy in 2023 has been quite challenging for startups and investors alike. The year 2023 was an election year that saw the incumbent president hand over power to an emerging winner, Bola Ahmed Tinubu, in the presidential election. Moreso, it was also the last term for the controversial CBN governor, who in a bid to curtail the volume of cash in circulation and to curb cash bribery during the election, attempted a demonetisation exercise that abruptly caused an artificial scarcity of the naira throughout the country.

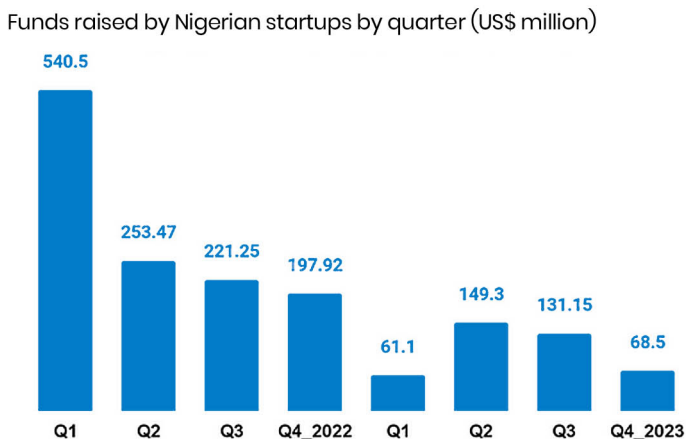
The Central Bank had planned the introduction of the newly designed currency notes for higher denominations of the naira, precisely N200, N500, and N1,000, to curb counterfeiting and reduce excess liquidity in the economy. After the [Initial press briefing](#) about the naira resignation on October 26 2022, the CBN [slated January 21 2023](#) as the deadline to recall all old currencies in circulation. This restrictive timeframe was widely rejected for its impact on formal financial institutions, small businesses, and households.

On the upside, the exercise led to a massive switch to digital payments due to the scarcity of cash. As banks' digital infrastructure could not handle the sudden surge in digital transactions, platforms like Moniepoint, Opay and other payment startups stepped in to win subscribers with cheap, seamless transactions.

Still, on the assumption of the new president, Bola Tinubu, he stopped subsidy payments on petrol products and subsequently liberalized the Naira exchange rate under a managed float system. This move raised the costs of goods and services in the country as inflation rose to 28.9% in December 2023 and the naira lost more than 40% of its value since June 2023.

For startups in Nigeria, this means that the road to profitability is further extended as dollar debts widen against weak naira revenue and rising operating costs. It is especially tough for foreign-backed companies that earn revenues in Naira but report financial performance in dollars. For instance, startups like Sabi, Nomba, and Helium Health which respectively raised over US\$ 30 million in 2023 to expand operations in Nigeria could face currency risks due to the massive exchange rate devaluation.

Figure 9: Funds raised by startups in Nigeria declined q/q.



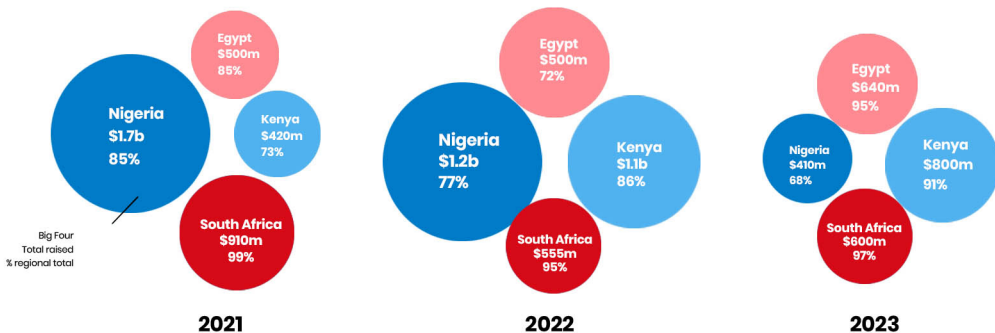
Nonetheless, these events made investors cautious about investing in Nigeria through the year 2023 - amplifying the funding winter already blowing through the ecosystem since Q2 2022 (see Figure 7). In Q1 2023, the total funds raised by startups in Nigeria (including debt and equities) was US\$61.1 million (the lowest since 2021), behind Kenya and South Africa. The total funding rebounded in Q2 and moderated slightly in Q3. Figure 8/9 clearly shows that the total funding raised in 2023 is less than half the funds raised in 2022 and less than the amount raised in Q1 2022, before the funding winter.

Figure 10 shows how Nigeria performed relative to the Big 4 African countries - South Africa, Kenya, and Egypt. The Nigerian startup ecosystem received the least funding in 2023.

However, the slowdown in funding does not imply that VCs are abandoning Nigerian or African startups. Within the year, local startups have raised impressive amounts, although mega deals have declined drastically - no mega deals in H2 2023. Some of the Nigerian startups that have raised funds include [Moove's US\\$38 million](#) in debt and equity and [Nomba's US\\$30 million](#) pre-series B funding. To the end of the year, startups like Tappi still raised US\$1.5 million in pre-seed funding.

Figure 10: Nigeria was behind the Big 4 in 2023

Big Four’s harmony confirmed (except in Western Africa)



Source: Africa: The Big Deal’s proprietary database

B. Top 10 major events in the Nigerian startup ecosystem in 2023

1. VC funding to Nigerian startup

Though some startups in Nigeria raised funds, overall performance showed a massive decline to 2020 levels. The total funds raised in 2023 is less than half of the total funds raised in 2022 and 2021 respectively. The top 10 Nigerian startups that had a successful fundraising in 2023 include Moove (US\$38 million), Sabi (US\$38 million), LemFI (US\$33 million), Nomba (US\$30 million), Helium Health (US\$30 million) and Remedial Health (US\$12 million), Traction (US\$ 6 million), FairMoney (US\$5.39 million), OnePipe (US\$4.8 million) and Temii (US\$3.65 million).

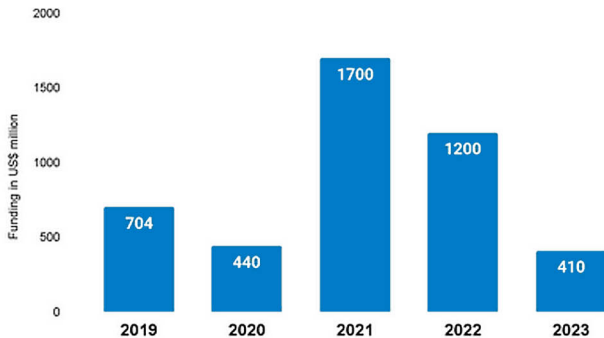
10 Nigerian startups that raised above US\$ 3 million



However, these firms could face foreign exchange (FX) risks ahead unless they pursue strategic operational efficiency and increase FX revenue. The Naira devaluation would reduce by half the current revenue performance in terms of dollars compared to the previous exchange rate. This means that raising funds could be harder for startups in Nigeria, because exchange devaluation erodes revenue growth.

Figure 11: Total funds raised by Nigeria startups y/y.

















Funds by startups in Nigeria (US\$ million)
 The total funds raised in 2023 is not nearly half the total in 2022.



2. Layoffs and Shutdown characterized the ecosystem

Due to the funding squeeze which combined with the tough macroeconomic environment in 2023, some startups in Nigeria were shut down and employees were laid off. From Table 1 above, a significant fraction of the major shutdowns counted in the continent occurred in Nigeria. Table 6 below shows that funding due to the economic downturn was the reason for most shutdown cases in Nigeria.

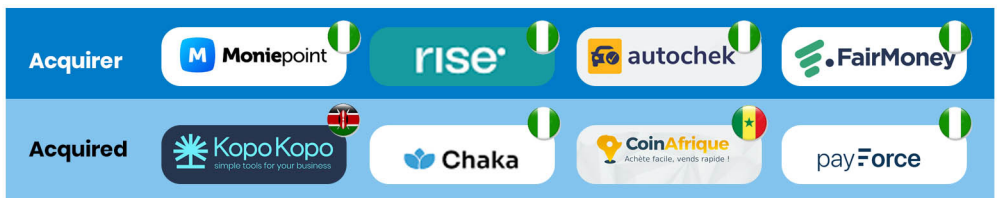
Table 4: List of Nigerian startups that shut down.

		Health	Financial issues, Management crisis
		Crypto, Web3	Inability to raise funds
		Logistics	Funding challenges
		e-Commerce	Pivoting to new markets
		Crypto, Web3	Pivoting to other businesses
		Fintech	Funding challenges
		Edtech	Challenging macroeconomic environment
		Fintech	Co-founder dispute

3. Startups played the acquisitions and expansion game

As funding was shrinking and startups struggled financially, some startups sought leverage in new markets. Expanding into new markets with friendlier business environments could extend the runways by exposing startups to different opportunities and cushioning some of the macroeconomic challenges in Nigeria. For instance, Moniepoint acquired Kopo Kopo as an entry strategy into Kenya, while Flutterwave is outrightly clearing its name and working towards finalizing the licence procedures to operate in Kenya. On the other hand, WriteSea, a New York-based firm, acquired CoverAI in Nigeria and Blockindex in UAE acquired Fluidcoin in Nigeria. While CoverAI was sold 3 months after launching, Blockindex acquired Fluidcoin as part of strategies to venture into wallet services and crypto payment processing in Nigeria.

Table 5: Some major M&A activities in Nigeria, 2023



4. IDICE initiative

On March 14, 2023, the Nigerian government launched the Investment in Digital and Creative Enterprises (**iDICE**) programme, a \$618 million tech fund to promote entrepreneurship and innovation in the digital technology and creative industries in the context of efforts to create jobs, especially for young people. The fund is to support startups who struggle to raise money in Nigeria's tech and creative sectors.

The total Program cost is estimated at \$618 million, out of which the African Development Bank is providing \$170 million; the Agence Française de Développement, €100 million (\$116 million); and the Islamic Development Bank \$70 million in co-financing. The Bank of Industry (BOI) will provide \$45 million as FGN's Counterpart contribution to be availed through loans for qualifying Start-ups. This financing is expected to leverage further equity investments from the private sector and institutional investors to the tune of \$ 217 million.

The program is expected to create over 6 million jobs (552,000 direct and 5,580,000 indirect), especially for young people. Over 175,000 youths will be equipped with skills in digital technology and creative industries to foster innovation and support the emergence of more entrepreneurs. 75 Enterprise Support Organizations, 226 creative enterprises and 451 digital technology Startups will benefit from the Program. Overall, the economic benefits to be generated from the iDICE Program to the Nigerian economy are estimated at \$ 6.4 billion.



iDICE
Investment in Digital and Creative
Enterprises Programme

Total funds

US\$618 million

AfDB

US\$170 million

France

US\$116 million

Private sector

US\$217 million

Islamic Bank/BOI

US\$115 million

5. Nigeria Startup Act implementation committee inaugurated.

In March 2023, the Federal Government inaugurated a 27-member committee to implement the Nigeria Startup Act (NSA) passed in October 2022. The committee members consisted of individuals from the academia, private sector, industry experts, and relevant government agencies. With the National Information Technology Development Agency (NITDA) as the secretariat, the committee will operationalise the NSA to establish and position the digital economy as a fundamental part of the local economy.

N10 Billion/year
in funding to support the NSA
and startups in the country

As part of the implementation strategy of the NSA, the FG launched the Startup Support and Engagement portal to facilitate the registration of startups, venture capital firms, hubs, and innovation centres to engender support for the ecosystem players. The portal is part of the process to set up the startup consultative forums which selects representatives to the National Council for Digital Innovation and Entrepreneurship.

6. CBN operational guidelines: Open Banking and Crypto assets.

On March 7 2023, the Central Bank of Nigeria issued the [operational guidelines](#) for Open Banking (OB) in Nigeria - two years after the [Regulatory framework](#) was established (on February 17, 2021). The operational guidelines that set the tone for using customer-permission data pave the way for embedded finance startups, Banking as a Service (BaaS), and other third-party players in the ecosystem. Some examples include Open Banking Nigeria, Anchor, OnePipe, Okra and Mono.

Later in the year, the CBN relaxes its restrictions on cryptocurrencies. On December 22, 2023, the CBN released the guidelines for operating bank accounts for virtual assets service providers (VASP). Whereas the guidelines permit only licenced (by the Securities and Exchange Commission – SEC) VASP to provide services in virtual assets including crypto, it prevents banks from holding and trading crypto assets.



The SEC had hitherto passed a regulation on the issuance, offering, and custody of digital assets in May 2022. The rule stipulates that all VASPs must have at least N500 million (\$553,000) in capital and be registered with the CAC.



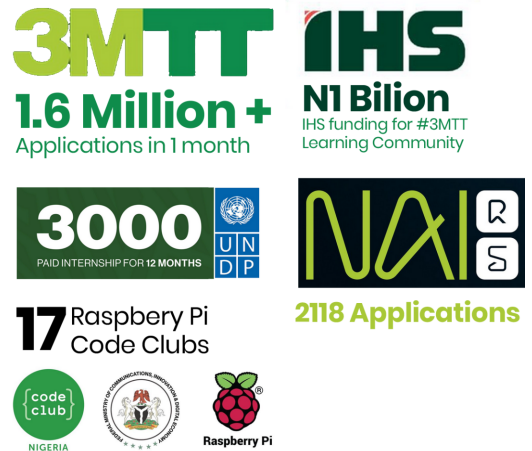
7. Bosun Tijani is named minister.

In his commitment to bringing technocrats into his administration, President Bola Tinubu appointed the 46-year-old techpreneur Bosun Tijani as the minister of communication, Innovation, and digital economy in August 2023. Bosun Tijani is the founder of Nigeria’s foremost startup hub, the Co-Creation Hub in Yaba, Lagos.

8. The launch of the 3MTT initiative

The Federal Government of Nigeria launched the **3 million tech talents** (3MTT) programme to generate a pipeline of tech talents across the country and position Nigeria as a net talent exporter. The first phase of the programme, executed in collaboration with NITDA, will involve multiple stakeholders including fellows, training providers, partners, and placement organizations.

Since the launch, over 1.6 million talented Nigerians have applied in one month. As a **strategic partner**, IHS Nigeria has committed **NI billion** to the 3MTT learning community while the UNDP is funding 3000 internships of the first cohort of 30,000 fellows in the programme. The programme is open to more support partners to realize its objectives.



9. Flutterwave obtains 13 new money transfer licenses in the US.

Flutterwave, Africa's leading payments technology company **obtained money transfer licenses** for 13 U.S. states to enable faster, more affordable, and secure transfer of money from the United States to Africa and back. The states include Arizona, Arkansas, Maryland, Michigan, Delaware, Georgia, Maine, Mississippi, Missouri, New Hampshire, Iowa, North Dakota, and South Dakota. The 13 new licenses in addition to its partnership with another licensed financial institution enable Flutterwave to serve customers in 29 states in the U.S. These licenses enable Flutterwave's solutions like Send App, which facilitates money transfer between the U.S. and Africa, and enterprises that use Flutterwave for last-mile payout globally.

10. NIBSS enforces rule to disconnect unlicensed non-deposit-taking

Nigeria Inter-Bank Settlement System (NIBSS) enforces rule to **disconnect unlicensed** non-deposit-taking financial institutions such as Switching companies (Switches), Payment Solution Service Providers (PSSP), Super Agents from the NIBSS Instant Payment (NIP) Outwards System. There are **currently** 47 licensed Super Agents, 75 authorized PSSPS, and 16 Switches.

C. Interviews with Brian Waswani Odhiambo, Novastar Ventures



Brian is a partner at Novastar Ventures, one of the leading VCs in Nigeria and Africa

Q: What is your general opinion about how the startup ecosystem in Nigeria performed this year 2023? How is your fund's performance this year?

Brian Waswani Odhiambo: Performance in 2023 in Nigeria was a mixed bag. Currency devaluation coupled with a general slowdown in the capital markets resulted in the shutdown of some companies, while others slowed down growth and focused on profitability.

In my view, the companies that shut down faced a few challenges: **1) hadn't found product-market fit and didn't have or couldn't raise additional capital to keep going; 2) weren't built on solid fundamentals and when the double whammy of reduced consumer spending and currency devaluation hit, they were unable to stay afloat; 3) companies that could cut costs and focus on profitability did and became more interesting to investors, although valuations dipped to reflect company performance and a reduction in the supply of capital.**

Novastar portfolio companies in Nigeria remained resilient. While most of our companies implemented cost-reduction measures and focused on profitability, those that needed capital were still able to raise (despite receiving more investor-friendly terms). This was primarily a reflection of the types of companies we are invested in; that is, transformative businesses that provide basic goods and services for everyday African consumers and producers and whose demand is not immediately affected by reduced consumer spending.

Q: In 2023, investment in startups saw a massive drop of about 40%. A phenomenon called the Funding winter. Would this continue in 2024?

Brian Waswani Odhiambo: I believe this will continue this year especially when compared to 2021 and 2022. However, I think we will see more activity than we did last year particularly as some of the companies that restructured in 2023 go to market to raise and as some of the recently capitalized Africa-focused funds begin to deploy capital. Terms will remain investor-friendly and deal sizes will remain small.

Q: In Q2 and Q3, Energy startups raised more funds than Fintech. Startups in sectors such as health, logistics, and education also raised impressive amounts. What does this say about how/where investors use/spend their money?

Brian Waswani Odhiambo: Lack of energy access, the need for clean energy and climate change are all big and nested challenges facing the African continent. Conversely, Africa is best placed to take advantage of its abundant resources (natural and human) to lead the charge in combating climate change while ensuring its young, growing and tech-savvy population gets access to clean energy. We are not surprised that energy saw a lot of investment in 2023 and expect more climate deals to close in 2024 as well.

Generally, investors are trying to diversify from fintech to other sectors that are equally in need of innovation and disruption. Health, logistics, education, and embedded finance all fit that profile with many interesting investment opportunities.

Interview with Brian Waswani Odhiambo, Novastar Ventures

Q: Some VCs have been raising funds, what does that mean for startups in Nigeria and Africa? Are investors still generally interested in Nigeria?

Brian Waswani Odhiambo: Nigeria is too big and important a market to ignore for any investor. Despite current headwinds, I expect investor interest to remain high in the market. The recently raised funds will also continue to deploy capital in Nigeria with several already based in Nigeria or hiring teams that will be based in-country.

Q: Venture debt became popular in the Funding winter. What is the implication? What is your outlook on the venture debt market in 2024?

Brian Waswani Odhiambo: **Venture-debt will continue to remain an important investment instrument as it allows companies to raise capital without having to revalue the company and also allows investors to deploy capital through a senior instrument that can be repaid but also benefit from equity-like returns.** Beyond the funding winter, venture-debt has a place in the African ecosystem in the short and long term. Companies that need working capital funding or need to invest in capex usually deploy expensive equity capital to fund these needs that are better funded through a debt instrument that is structured to reflect the risk profile of the company.

Q: Do you consider the government's policy and regulation in framing your investment decisions? That is, do government policies impact your confidence as an investor?

Brian Waswani Odhiambo: Our investment decisions take into consideration government policies. We actively evaluate the Nigerian government's regulations, stability, predictability, and overall industry stance within our risk assessment framework. We then try to mitigate these risks where we can. However, regulation per se, is never a reason not to invest. Despite recent challenging decisions by the Nigerian

government, we maintain confidence that these measures will ultimately create a more equitable business environment with positive outcomes in the long-term. As long-term investors, we embrace the commitment to endure transitional challenges, anticipating a resilient economic rebound in the future.

Q: What is your investment outlook for the Nigerian tech ecosystem as well as the African tech ecosystem in 2024? How should investors look at Nigeria going into 2024? What sectors are you interested in 2024? Please tell us why.

Brian Waswani Odhiambo: We believe that the megatrends in Africa (Nigeria included) are the reason to keep investing. Africa has the world's youngest and fastest-growing population, all of whom are increasingly tech-savvy. We currently have the largest available arable land and the largest carbon sink in the world outside of the Amazon. Urbanization in Africa is also the fastest growing in the world. These trends present myriad investment opportunities worth considering in 2024. These include:

Climate tech – Nigeria provides a great opportunity for disruption in the energy and agricultural industries. Most of the population is still underserved by existing energy companies and will need alternative sources of power for domestic and productive use. As the country continues to diversify, agriculture presents a big opportunity for technological disruption. We are especially interested in technologies that help make food production efficient and sustainable.

Embedded finance – fintech in Africa still has a long way to go. Companies that are including financial services into an existing product or service e.g. supply chain companies, B2B ecommerce companies, logistics companies, energy access etc. provide a large untapped opportunity for investment.

**“
Generally, investors are trying to diversify from fintech to other sectors that are equally in need of innovation and disruption.”**



SWOT Analysis on the Startup Ecosystem in Nigeria

3. SWOT Analysis on the Startup Ecosystem in Nigeria

Nigeria is one of the leading countries in Africa when it comes to innovation and entrepreneurship. The country has a vibrant and diverse startup ecosystem, with hundreds of active ventures across various sectors. These startups are supported by a network of hubs, incubators, accelerators, investors, corporates, universities, and government initiatives. Nigeria also boasts of some of the most successful exits and funding rounds in the continent, attracting both local and international capital.

However, the Nigerian startup ecosystem has its unique challenges. This SWOT analysis aims to provide a balanced perspective on the upside and downside of the startup ecosystem in Nigeria.

Table 6: SWOT Analysis

			
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<p>Growing young and urban population</p> <p>Strong entrepreneurial spirit</p> <p>Emerging tech startup ecosystems in major cities</p> <p>Government support</p> <p>Growing number of startups</p> <p>Diverse sectors</p> <p>Increasing investments</p> <p>Presence of ecosystem enablers</p>	<p>Skills gap</p> <p>Limited access to funding</p> <p>Infrastructure deficits</p> <p>Kneejerk government policies and regulatory complexities</p> <p>Lack of definite structure</p> <p>Weak research base</p> <p>Limited business management expertise</p>	<p>Digital financial services</p> <p>Growing number of ecosystem enablers</p> <p>Thriving data centre market</p> <p>Government initiatives</p> <p>Access to funding</p> <p>Emerging startup cities</p> <p>Other thriving sectors</p> <p>Rising number of internet users</p>	<p>Threats of insecurity</p> <p>Digital illiteracy</p> <p>Loss of talent</p> <p>Cybersecurity risks</p> <p>Economic volatility</p> <p>Unfavourable government policies</p> <p>High failure rate</p>

Strengths: Highlighting areas of robust growth and innovation



1. Growing young and urban population

Nigeria has a large and youthful population of over **226 million people**, with a 23% middle-class¹. At the start of 2023, Nigeria's internet penetration rate was **estimated at 55%**. This creates a huge market potential for tech products and services and a demand for innovative solutions that address the needs and aspirations of Nigerians. The Ministry of Communications and Digital Economy is also working to create a pool of tech talent with a 3 million tech talents (3MTT) initiative.




2. Strong entrepreneurial spirit

Nigeria has a strong **entrepreneurial culture and spirit**, with many talented and resilient founders who are willing to take risks and overcome challenges. Little wonder, **57% of Africa's unicorns** are of Nigerian origin. The country also has a **pool of skilled developers, estimated at over 100,000** in 2023. There are also engineers, designers, and other professionals building world-class products and services. Nigeria has produced several prominent startups that have gained recognition both domestically and internationally.

¹The African Development Bank defines the Middle class as those earning between **US\$2-20/day**. The middle class accounts for about 23% of the population.

Africa's Unicorn startups

As of February 2023

Company	Sector	Country (1st Ops)	Last Public Valuation	Year First Valued at \$1B+	Unicorn Round lead(s)
 Interswitch	FINTECH		~\$1.0B	2019	VISA
 Flutterwave	FINTECH		>\$3.0B	2021	TIGER GLOBAL AVENIR GROWTH
 OPay	FINTECH		~\$2.0B	2021	SOFTBANK VISION FUND 2
 wave	FINTECH		~\$1.7B	2021	SEQUOIA HERITAGE FOUNDERS FUND RIBBIT CAPITAL STRIPE
 Andela	TALENT MARKETPLACE		~\$1.5B	2021	SOFTBANK VISION FUND 2
 Chipper	FINTECH		~\$1.25B	2021	FTX
 mnt halan	FINTECH		~\$1.0B	2023	CHIMERA INVESTMENTS

Source: Afridigest



3. Emerging tech startup ecosystem in major cities

Lagos is the startup capital of Nigeria and the West African subregion. More than **80% of startups** in Nigeria are located in Lagos. However, other notable startup cities in Nigeria include Abuja, Ibadan, Port Harcourt, Kano, Kaduna, Enugu, and others. The thriving tech startup ecosystem fuels innovation, attracts investments, and positions Nigeria as a major hub for tech entrepreneurship in Africa.



4. Government support

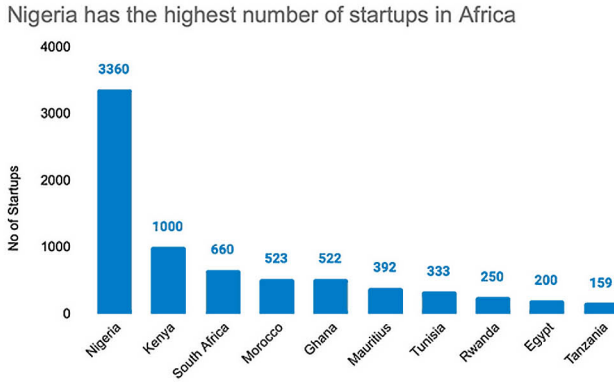
The Nigerian government is genuinely committed to strengthening the startup ecosystem through policy reforms, regulatory sandboxes, investment incentives, skills development programs and funding. Nigeria is among the first African countries to pass a Startup Act in 2022. Recently, the federal government also launched the Startup Support and Engagement Portal as part of the smooth implementation of the Nigeria Startup Act (NSA). The effort is replicated at the state level as Kaduna State became the first state to domesticate the NSA in July 2023. Other states like Lagos, Anambra and Rivers are following closely.



5. Growing number of startups

Ranking 64th globally and 1st in West Africa on the Global Startup Ecosystem Index, the Nigerian startup ecosystem is one of the leading Hub for entrepreneurs on the continent. Compared to other African countries, Nigeria has a significant number of startups, with over 3,360 reported in 2022. In 2023, the fintech sector alone accounts for about 217 companies.

Figure 12: Number of startups by country

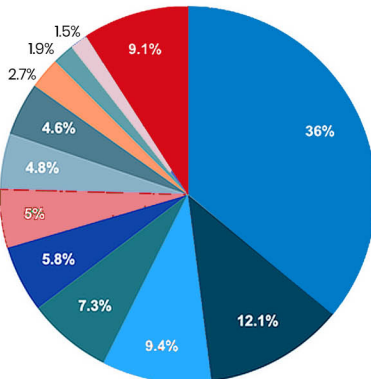


Source: Statista

Figure 13: Startups in Nigeria by sub-sectors

Startups by sector in Nigeria

- Fintech
- eCommerce/retail
- Health-tech
- Ed-tech
- Mobility & Logistics
- Recruitment \$ HR
- Agri-tech
- Entertainment
- Marketing
- Energy
- Prop-tech
- Others



Source: Statista



6. Diverse sectors

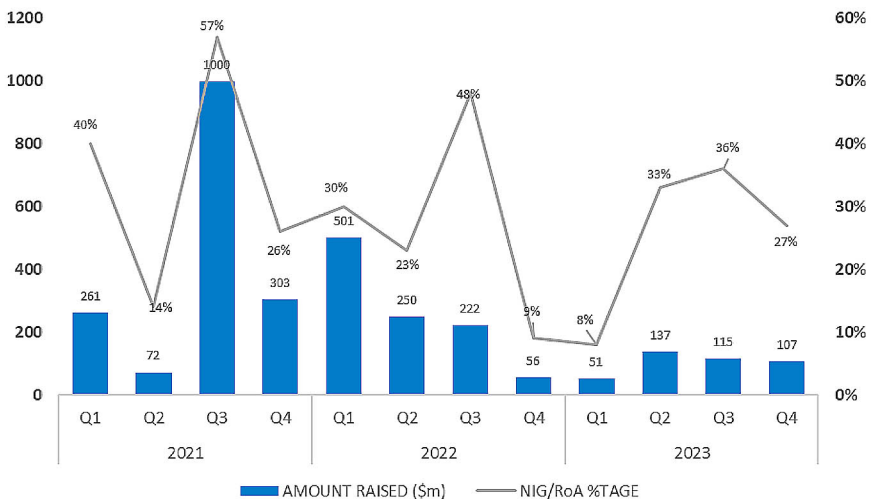
Nigeria has a vibrant and diverse startup ecosystem, with many players across different sectors and regions. The ecosystem is also well-connected and collaborative, with various platforms and events that foster stakeholder networking, learning, and partnerships. The ecosystem is not limited to a single sector; the fintech, e-commerce, agritech, and health-tech sectors etc all contribute to the growth of the digital economy in Nigeria.



7. Increasing investments

Nigeria attracted significant attention and investment from local and international players, who see the country as a strategic market and gateway to Africa. The country recorded some of the highest **funding amounts and exit deals** in the continent, as well as some of the most innovative and scalable startups. In 2022, 180 startups from the vibrant Nigerian startup ecosystem, raised **\$976 million out of the \$3.3 billion** in equities invested across the continent. Although there has been a dip in funding since 2023, Nigeria still leads with **36% of the total equity** raised in Q3, 2023 with \$115m. Kenya trails at a distant second with \$55m.

Figure 14: Nigeria regained its leadership after poor Q4-Q1 performance



Source: The Big Deal



8. Presence of ecosystem enablers.

Many Venture capitalists, incubators, and accelerators play crucial roles in the Nigerian startup ecosystem by providing various support, mentorship, and funding opportunities to create an environment where startups can thrive. For instance, Greenhouse Capital, a venture capital firm, [invest primarily in promising founders](#) with vision and resilience in the fintech and fintech-enabled space. Also, since its inception as a startup accelerator, Adaverse has invested in several companies, including BitSport, Bitmama, Boundless Pay, House Africa, and much more.



9. Rising number of internet users

With rising internet users and a youthful population seeking digital solutions for economic development, Nigeria has become a huge market for digital products and services. According to the latest industry statistics released by the Nigerian Communications Commission (NCC), active subscriptions for the internet across mobile, fixed and VOIP networks in Nigeria [rose to 159.5 million](#) in July 2023. Nigerian startups have harnessed this opportunity to disrupt traditional industries and carve out new markets. This presents opportunities for startups to create innovative solutions that cater to the needs of the growing population.



Weaknesses: Identifying challenges and areas for improvement



1. Skills gap

The shortage of skilled professionals and limited access to quality technological education pose challenges to the industry's growth and innovation. Despite the abundance of talent in Nigeria, startups often struggle to find and retain skilled developers and other key tech professionals. This limits the ability of startups to innovate, grow, and compete in the market. Additionally, many talented Nigerians may prefer to work abroad or for established companies that offer better salaries and working conditions. This situation is further exacerbated by the high incidence of talent migration, with skilled individuals leaving the country in search of better opportunities.

To address the skills gap, the government and other stakeholders in the startup ecosystem in Nigeria are engaging in collaborations to develop training programs that align with their needs and provide opportunities for students to gain practical experience. The Digital Skills for Africa program and the 3MTT are some of such initiatives.



2. Limited access to funding

Startups in Nigeria often face challenges in accessing funding to scale their businesses. According to a Forbes Africa report, the average funding amount for startups in Nigeria is estimated at \$5,451,944. However, most startups face difficulties accessing funds. As a consequence, several startups in Nigeria have shut down since the funding winter in 2022.



3. Infrastructure deficits

The Nigerian startup ecosystem grapples with infrastructure limitations, just like the rest of the economic activities. Inadequate network infrastructure, cost of high-speed internet access, inadequate power supply and inefficient transportation systems are a few glaring examples that magnify the startup costs. These hinder the growth and operations of startups.



4. Kneejerk Government Policies and Regulatory Complexities

The regulatory environment in Nigeria can be sharp or too unstable for investors or startup founders trying to build solutions. Sudden changes in policies or policy somersault can discourage investors as it makes planning and decision-making hard, increasing the risk of the venture. For instance, the ban on commercial motorcycles after MaxNG, O’ride, and a host of orders led to the loss of investments. In 2023, the CBN’s attempt to suddenly replace the higher denominations of the Naira notes caused much pain for businesses and households alike. Also, there are different legislations and circulars on crypto assets; it is becoming hard to know the stance of the government on its crypto ban in Nigeria.



5. Lack of a definite structure

Corporate governance provides the framework that allows a company to thrive by balancing and addressing the vested interests of various stakeholders including investors, employees, customers, government and the host community. Sadly, this is an area that is often overlooked by startups, thus creating loopholes for misconduct and abuse of the interest of founders, employees, investors, partners, or customers. Poor corporate governance can also expose startups to legal risks, ethical breaches and reputational damage, which can undermine the credibility of a startup, brand, investor and market acceptance.



6. Weak research base

Nigeria has a low level of innovation and research output, with limited support for R&D activities from the government, academia, and private sector. While global [R&D expenditure](#) hovers at 2.8%, Nigeria lags significantly behind at a meagre 0.5%. Thus, the level of research output does not correlate with the high number of research institutions in the country. According to a recent survey, Nigerian scientists have attributed the [decline in research productivity](#) to various constraints, including a lack of funding for research (87%). Other factors contributing to low research productivity include inadequate supply of electricity (82%), lack of research facilities (78%), obsolete facilities (67%), and poor infrastructure (37%). Nigeria also has weak intellectual property protection and enforcement mechanisms that discourage creativity and innovation.



7. Limited Business Management Expertise

Some of the tech startups are led by young, creative tech-inclined entrepreneurs who often have **Limited business management experience** required to succeed in a complex and unpredictable operating terrain like Nigeria. This gap easily manifests in poor commercial decisions, inability to solve business problems effectively, as well as poor risk, people, and financial management. These put a lid on startups that will invariably undermine their business performance and profitability. Lack of business management experience can also hinder startups from scaling their operations, expanding into new markets and diversifying their products or services. Conceptually, a tech business is essentially still a business and tech startups must acquire or develop the business management capabilities required to run their businesses successfully and sustainably.

Opportunities: Exploring untapped markets and potential collaborations



1. Digital Financial Services:

In Nigeria, over half of the total population lives in rural areas. According to Global Findex data, about **55% of Nigeria's adult population** was unbanked, while about 20% were served by other formal channels and informal financial service providers such as mobile money and informal savings groups. Again, about 21.3 million adult women, representing 20% of Nigeria's adult population are yet to be included in the financial system. Although Nigeria achieved a financial **inclusion rate of 74% in 2023**, it fell short of the CBN's 95% target. Hence, the potential for expanding digital financial services to the unbanked population presents significant growth opportunities and promotes financial inclusion and economic development.



2. Growing number of ecosystem enablers

Nigeria has many potential partners, collaborators, innovation hubs and entrepreneur support organizations that can support the growth and development of startups. These ecosystem enablers provide access to markets, customers, resources, expertise, and mentorship. It also encompasses universities that provide talent pipeline, research facilities, and curriculum development; government agencies that provide policy support, funding, and procurement; international organizations that provide exposure, networks, and best practices; among others.



3. Thriving data centre market

The thriving fintech and startup ecosystem in Nigeria is contributing to the demand for dynamic data centres, presenting opportunities for infrastructure development. Driven by the launch of 5G, increasing internet penetration, increase in investment and government initiatives, the Nigeria data centre market is expected to hit a valuation of **\$288.8 million by 2027**. Top players such as Galaxy Backbone, 21st Century Technologies and CloudExchange hold more than 70% market share. Nigeria's data centre market reached an estimated value of \$131.6 million in 2022, thus, by 2027, the market is expected to have experienced a growth of approximately 220 per cent.



4. Government initiatives

The Nigerian government's commitment to digital transformation, favourable demographics, increasing internet penetration, and the rise of tech startups present significant opportunities for the ecosystem. The government has shown support for the startup ecosystem through policy reforms, investment incentives, digital skills development programs, and innovation centres. Developments such as the iDICE initiative and the Nigeria Startup Act present opportunities for startups to access resources and support to grow their businesses.



5. Access to funding

Despite the challenges of accessing funding, there has been a gradual increase in the availability of venture capital and angel investors in Nigeria. Several local and international venture capital firms are already operating in Nigeria and are supporting startups, leading to increased investment opportunities. For instance, GreenHouse Capital has invested in several startups like Sabi, Keble, Moniemove and Zemo this year alone. Similarly, QED Investors co-led the round that raised \$12m Series A debt-equity funding for Nigerian pharmltech startup Remedial Health. This is a testament to the level of investors' confidence in the sector.



6. Emerging startup cities

Lagos is revered as the startup capital of not only Nigeria but the African continent. However, several cities in Nigeria, including Abuja, Ibadan, Port Harcourt, Kano, Kaduna, and Enugu, are emerging as vibrant hubs for innovation and entrepreneurship. These cities are not only attracting local talent but are also becoming increasingly appealing to international investors. Other thriving sectors

Nigeria has many untapped opportunities and gaps in various sectors other than fintech and e-commerce that can be addressed by innovative solutions from startups. The increasing demand for innovative solutions in agriculture, healthcare, mobility, education, and energy, presents opportunities for startups to create value for their stakeholders while addressing existing gaps and contributing to economic development and societal progress.



7. Rising number of Internet users

With rising internet users (currently at about 55%) and a youthful population (median age of 17.2 years) seeking digital solutions for economic development, Nigerian startups have harnessed this opportunity to disrupt traditional industries and carve out new markets in payments, e-commerce, logistics and in the creative sectors. This presents opportunities for startups to create innovative solutions that cater to the needs of the growing population.

Threats: Analysing external factors impacting the ecosystem



1. Threats of insecurity

Insecurity in Nigeria is a significant threat to the Nigerian Startup Ecosystem. The worsening cases of organized armed robbery, kidnapping and demand for ransom, assassination, repeated invasion, and blockading of businesses [threaten entrepreneurial endeavours](#) and deter investors. These affect investor confidence, and a consequent decline in investments. Basic infrastructure such as regular electricity supply, which itself is a source of economic insecurity, is grossly inadequate. This repels investors as insecurity everywhere is a risk factor that business owners and managers dread and wish to avoid.



2. Digital illiteracy

Over 50% of Nigeria's population lacks digital skills, according to the World Bank Development Report in 2021. This lack of digital literacy can limit the adoption of digital technologies and services, which are essential for startups to operate and grow in the digital age. Investors may also be hesitant to invest in businesses that lack the necessary digital skills to operate effectively. The Nigerian government has recognized the importance of digital literacy and aims to have 95% of the population digitally literate by 2030.



3. Loss of talent

Nigeria is currently suffering an exodus of young and highly educated people. While the exact percentage of talent migration is debated, it is acknowledged that a considerable number of skilled individuals, especially tech talents, are leaving the country in search of better opportunities abroad. This has led to a loss of skilled workers within the startup ecosystem, thereby impacting the availability of human resources for emerging and established businesses. Also, it is contributing to the high startup failure rate in Nigeria, as the availability of skilled and experienced workers is crucial for the success and sustainability of startups.



4. Cybersecurity Risks

The increasing reliance on digital technologies exposes the startup ecosystem to cybersecurity threats. Nigeria has one of Africa's best cybersecurity and data protection policies, but the translation of these policies into action remains a challenge. The cost of prioritizing cybersecurity can also be prohibitive for businesses and organizations already struggling to survive in Nigeria's economic downturn. According to the Nigerian Communications Commission, Nigeria loses about \$500 million yearly to cybercrime, forcing the Nigerian Senate to [begin a review](#) of the Cybercrime Act of 2015. Flutterwave and Patricia reportedly [lost over \\$2.5 billion](#) cumulatively this year alone. Therefore, vigorous security measures and awareness campaigns are required to check the menace.



5. Economic Volatility

Nigeria's economy is currently facing **problem across multiple fronts** which can impact investment decisions and market stability. Some of the issues include exchange rate devaluation, energy shortages, exchange rate volatility, rising inflation rates, and disruptions to business operations and the movement of goods and services. This has led to reduced consumer spending, disrupted supply chains, and uncertain funding opportunities which hamper the growth and sustainability of businesses.



6. Unfavourable Government Policies

I. Cryptocurrency Ban: The Central Bank of Nigeria (CBN) imposed a ban on cryptocurrency, which created challenges for startups operating in the sector. This policy led to a loss of investor confidence and limited access to funding for startups involved in cryptocurrency. The CBN only recently lifted this ban, with **new guidelines** for the operation of virtual assets in Nigeria.

II. Regulatory Clampdown: The Nigerian government has implemented several regulations that have negatively affected startups. For example, in 2020, new state and federal regulations banned bike-hailing services, blocked international money transfer companies from transferring money to Nigeria, and threatened logistics companies with new levies. These regulations have dampened investor confidence and made it difficult for startups to operate in the market.



High failure rate

Compared to the big four, Nigeria has a startup failure rate of 33% as of 2020, the highest after South Africa. This means that only about 67% of startups in Nigeria survive beyond their first few years. Zazuu and 54Gene add to the growing number of startups that are shutting down after raising a series of funds for their operations. The local currency lost more than half its value in the exchange market in 2023. The inability to raise more funds as well as other macroeconomic challenges are some of the reasons for the high failure rate in Nigeria.

A. Interview with Segun Adeyemi, CEO, Anchor



Segun is the CEO of Anchor which raised about US\$2.4 million

Q: What are the features of Nigeria's startup ecosystem; particularly the fintech compared to other countries and what changes have you seen in 2023?

Segun Adeyemi: Our ecosystem is extremely dynamic in terms of the way it changes and evolves. Different subsectors spring up at any given time with different top players. Secondly, there is a bit of regulatory uncertainty like circulars that come out and create confusion/distortion to what is currently obtainable in the market. This makes it very difficult for businesses to anticipate and plan. Thirdly, payments in Nigeria are unique in the sense that it is one of the few markets on the continent where accounts-to-accounts payment is dominant i.e., transfers. This is driving a lot of innovation across the payment value chain.

In terms of changes within the past year, we are seeing a lot of consolidation and a lot of business maturity with the focus being on making money. **The era of freebies is over. We are also seeing a lot of scrutiny as companies fail to close follow-on funding rounds for their businesses. Launching a new fintech now entails a lot of due diligence especially when raising money as free capital has reduced significantly.** There's also a lot of expectation of corporate governance as a result of some of the news incidents and reports that have come out from some specific fintech companies. There is also an expectation of some level of governance from all stakeholders, from investors to even journalists to regulators and all stakeholders.

To double down before we move on that fragmentation piece. I think is important. Because even for us as a business is something that we have noticed as we explore and have high-level conversations about new markets. If you go to most markets, the entire financial ecosystem is likely controlled by The mobile money players and so I'm on the banks for specific things. In Nigeria, there are a lot of players; banks, telcos

(MOMOs), fintechs etc. So even at scale, they're still that fragmentation that allows for a distributed opportunity as opposed to all that opportunity because concentrated in just one channel or maybe in those mobile money-led markets. So, that's something that needs to be highlighted and is very peculiar to our Market. There are not a lot of markets that have that, even South Africa is purely Bank-led.

Q: What key regulations have been of tremendous value for fintech startups?

Segun Adeyemi: The open Banking regulation was very positive for the finger ecosystem in general because it gives a sense of direction to a lot of the open banking players and a view as to how the regulators are thinking about the concept of banking and it was very well received.

Speaking of other circulars, most times they come out as sensational than they are meant to be. A clear example is the one mandating mobile money operators and PSSPs not to be listed as deposit-taking institutions on NIBSS. That's not a new regulation and it is what is obtainable currently even before the circular was issued. But of course, on a case-by-case basis as a company, we would look at these circulars when they come out would review them with our own legal and compliance team to ask questions as to how they affect us. There's one about BVN being tied to Virtual account numbers/wallets, which is something we already do but it doesn't apply in the case of virtual account numbers that are issued for one-time payments. So, it was just that there was a case where people were using that framework to open KYC wallets and vaginal accounts that are static for customers and the clarification that we made to a large extent a lot of these things are more of Education. been super disruptive to the operations of the business, and maybe to a large extent the regulator's also that's just better communicate. And bodies needs and all of that also should enforce some of those restrictions.

Interview with Segun Adeyemi, CEO, Anchor

Q: What's your expectation of the role the government should play in supporting the growth of Nigerian startups?

Segun Adeyemi: The most important role of government for startup growth is to set up the foundation/infrastructure that ensures our economy thrives. Get a good grasp of what it means to make the right monetary and fiscal policy. Invest in the right infrastructure, like, connectivity at the level that an individual startup or an investor cannot fund. The government should invest in the quality of the STEM programs in all the federal and state universities across the country, so we don't lose our best talent to other countries.

“Launching a new fintech now entails a lot of due diligence especially when raising money as free capital has reduced significantly.”

B. Interview with Moniepoint



Tosin Eniolorunda, CEO
Moniepoint

Q: What are the characteristics of the Nigerian ecosystem, especially the sector you playing which is fintech compared to other African countries? And then what changes did you see? Have you seen in 2023 regarding fintech space in Nigeria?

Bemigho Awala: In terms of what the data is showing, there's a certain preponderance of payments; payment is King if I might say that and I think it's very understandable, especially for a transactional that is reliant on cash. Leveraging CBN's demonetization policy and various concerted initiatives like the cashless agenda, we're beginning to see some dents in ensuring that more businesses and individuals are beginning to pivot to digital or electronic payments. Even within the payment landscape, you have a very rich assortment of offerings whether it's in credit lending, BNPL, asset & wealth management, and infrastructural support for

Bemigho and Edidiong

stood in for the CEO.

Bemigho is the VP Brand, Communications and PR, Moniepoint.

Edidiong is the PR Manager.

banks or businesses to do their work effectively. We are beginning to see a rich variety across the payment milieu and then you have a few category leaders who stand out, across all those different touchpoints, and even as the standout there's also a very strong degree of interdependency.

For example, a startup like Piggyvest could rely on another player, in terms of managing some of the processes that they provide to the customers.

Edidiong Uwemakpan: One thing that differentiates Nigeria for me from other markets and you'd hear people say it is that we had the interbank transfer system before other countries. This created a different habit around making payments and that's why you would find that it was easy for Momo to catch on in some countries, but they are struggling, and we believe they're going to struggle for a while because they are contending against habits.

Interview with Moniepoint

Q: What Innovation/ regulation has been pivotal to the Nigerian startup ecosystem in the past year?

Edidiong Uwemakpan: Open banking is a recent regulation that was passed last year, and it can revolutionize payments and transparency. Another major regulation was the CBN rule that mandates Tier 1 accounts of fintechs to have NIN And BVN to help combat fraud.

Bemigho Awala: The FMCOD, there's been a lot of talent empowerment through initiatives like 3MTT. If we are going to be able to innovate in the ecosystem, I think it will be on the back of know-how.

Edidiong Uwemakpan: There's also been a lot of push around the Nigerian Stock Exchange to allow Nigerian startups to list locally.

“ I believe there is going to be a lot more cybersecurity development within the fintech space because we must be able to mitigate risks while providing financial services.”

Q: Do you think listing on the Stock exchange is a viable exit option for matured startups in Nigeria?

Bemigho Awala: When you look at the dynamics of the Nigerian stock exchange, I'm not fully convinced that a lot of tech firms will want to take the risk with the current structure of the market. This is because there are a lot of nuances. I'm not sure that local IPOs will boom or any significant movement on that front for NGX.

Edidiong Uwemakpan: **There's also the fact that startups mostly receive investment in foreign currency, and it will be difficult for investors to expect their returns in Naira with currency devaluation.**

Q: What's your overall outlook for Nigeria's fintech ecosystem in 2024?

Edidiong Uwemakpan: **I expect that interest rates will go down if direct debits become a thing. I look forward to direct debit scaling because a lot of products are in beta testing.**

Bemigho Awala: I think Africa's fintech industry is maturing. We would continue to see an increase in the allocation of venture capital. Is 2024 going to be the year we explore to revolutionize AI, and do we personalize digital financial services from a global standpoint? **I believe there is going to be a lot more cybersecurity development within the fintech space because we must be able to mitigate risks while providing financial services.**

Q: How has Moniepoint been able to survive despite the harsh macroeconomic conditions that tech startups faced in 2023?

Edidiong Uwemakpan: At Moniepoint, we spent four years building for banks. There is no other fintech that has the banking infrastructure expertise that we have. This positioned us well as a business and made us reliable to customers. Fundamentally, the people behind Moniepoint understand the fintech and banking industries. It's a killer combination. At the heart of it, we are an engineering and sales company.

Factors Catalysing the Growth of Startups in Nigeria

4. Factors catalysing the growth of startups in Nigeria

In recent years, Nigeria's startup ecosystem has flourished, attracting attention both locally and globally. From Lagos to Abuja, a wave of startups has been reshaping industries, disrupting traditional models, and capturing global attention. This growth is driven by a range of factors, from supportive government policies to a tech-savvy youthful population. Understanding these factors is crucial for charting a path towards continued growth and development in Nigeria's entrepreneurial sphere.

1. Creativity & Innovation:

The tech startup ecosystem in Nigeria has witnessed remarkable growth, driven significantly by the creativity and innovation of young, tech-savvy Nigerians. Unlike merely mimicking global products, these startups are actively innovating to address local needs, resulting in unique solutions across finance, health, and agriculture. One startup, [Touch and Pay Technologies Ltd \(TAP\)](#), became a leader in microtransaction payments in Africa in just 3 years, with over 3 million users and nearly 500,000 daily users. Through technologies that work without the internet, and are simple enough for people across different sectors to use, TAP has brought about revenue assurance in transportation, health, microfinance banks, education and the informal collection space.

Another startup, [Heyfood](#) is an online food ordering and delivery platform that was founded in 2021 by Taiwo Akinropo (CEO) and Demilade (CTO). They provide an easy and convenient way for customers to order food from their favourite restaurants and have it delivered to their doorstep. Heyfood is part of Y Combinator's W22 batch, a startup accelerator program that invests in early-stage startups.

By leveraging local needs and tailoring solutions to Nigerian realities, many startups have been able to attract funding, expand their services, and impact various sectors of the economy.

In 2023, Nigeria moved from 114th in 2022 to 109th out of 132 [most innovative countries](#) in the world according to the 2023 Global Innovation Index (GII) as compiled by the World Intellectual Property Organisation (WIPO). This is an indication of improving capabilities and achievements in various aspects of innovation and as such, fosters a favourable environment for creativity, research, and the development of new technologies, products, and services.

2. Tolerance for risk:

In Nigeria's dynamic entrepreneurial landscape, founders of tech startups exhibit a remarkable tolerance for risk, driven by the potential for high returns and the desire to make a lasting impact on the economy. Demonstrating a strong entrepreneurial spirit, Nigerian startup founders venture into emerging sectors such as fintech, agritech, and healthtech, taking calculated risks to capitalize on opportunities before they become mainstream.

Tackling local challenges is a common theme among Nigerian startups. By addressing significant hurdles and uncharted territories, founders like [Azapay](#), a fintech startup offering a cardless-based payment solution, take risks to bring about positive change and innovation. Azapay simplifies banking needs, allowing users to send money, receive money, buy airtime or data, pay bills, and more.



Global ambition is another driving force. Nigerian startups, exemplified by [Termii](#), a communications platform-as-a-service (CPaaS) startup, aspire to compete on a global scale. In June 2023, Termii raised \$3.65 million to expand its product offerings, emphasizing an expansion into new markets, starting with Francophone African countries.

The willingness of Nigerian startup founders to take risks is a crucial element fueling the growth and development of innovative solutions that address both local and global issues. This approach empowers them to pursue ambitious ideas, navigate challenges, and contribute significantly to the entrepreneurial ecosystem.

3. Responsiveness to opportunities:

With the internet, the spread of information and ideas has led to deeper, faster competition to enjoy first-mover advantages. The ability to swiftly respond to market opportunities could be the difference between a successful entrepreneur and a failed business model. Having the flexibility of mind and resources necessary to see and take advantage of new and upcoming possibilities makes the entrepreneur.

Nigeria's vibrant and entrepreneurial culture, coupled with a supportive and collaborative ecosystem created a favourable environment for innovative ideas and groundbreaking startups. For instance, Nigeria's fintech sector has experienced remarkable growth because startups such as Flutterwave seized the opportunity to provide [innovative payment solutions](#) which now serve users beyond the continent. Capitalizing on the growing demand for financial technology solutions in the country, these startups have attracted significant investment and expanded their services.

Similarly, startups in the health-tech sector, such as LifeBank, have responded to the local challenges in the healthcare industry by providing unique and tailored solutions. LifeBank ensures On-demand [delivery of blood](#) to healthcare facilities using WHO-recommended cold chain infrastructure to enable hospitals to improve the quality of healthcare they offer to patients. These startups have harnessed the potential of the Nigerian market and its specific healthcare needs, contributing to the growth and development of the tech startup ecosystem in the country.

4. Government Initiatives and Policy Support:

Nigeria's tech ecosystem scored major policy wins in 2023, with the introduction of policies aimed at supporting startups and innovation. The Nigerian government launched the Startup Support and Engagement Portal, to drive the identification and aggregation of Nigerian startups, venture capital companies, hubs and innovation centres to facilitate engagement and support for ecosystem players. The portal offers various benefits such as tax incentives, access to financial resources, and collaboration with relevant government agencies.

[The Nigeria Startup Act](#) which was passed in November 2022 was a precursor to the Startup Support and Engagement Portal. It has been touted as arguably the most significant startup legislation in the history of Nigeria, demonstrating the country's commitment to supporting the growth of scalable businesses. Later in October 2023, the Nigerian government also announced grants of [5 million naira](#) (\$6,444) to 45 AI-focused startups and researchers.

These initiatives are in sync with concerted efforts to create an enabling environment for startups, further reinforcing Nigeria's position as a hub for innovation and technological advancement

5. Increasing Access to Funding and Investment:

The Nigerian startup ecosystem has garnered interest from an expanding number of angel investors and venture capitalists that have supported startups with funding at different levels. From 2021 to 2023, Nigerian startups successfully secured over \$3.3 billion in funding. In those years (2021 – 2023), Nigeria accounted for 87%, 77% and 68% respectively of the funding raised in West Africa.

Despite a global dip in funding in 2023, startups in Africa raised approximately \$3.2 billion and Nigeria secured 12.8% of the total. The top ten funding deals in Nigeria amounted to about [\\$254 million](#), with companies like Moove, Sabi, and LemFi collectively raising \$147 million of this amount. Nigeria also claimed the highest number of start-ups to raise \$100k or more (146 startups, 29% of the continent).

This influx of substantial funding has been a strong basis for the continuous growth of the tech startup ecosystem in Nigeria. This trend positions Nigeria as a hub for startup investments, in an environment conducive to innovation and development.

6. Mentorship and Support:

The Nigerian startup ecosystem benefits from a supportive environment that includes incubators, accelerators, and mentorship programs. These platforms provide guidance, resources, and networking opportunities for startups to grow and succeed.

One example is the Co-Creation Hub incubator program provides mentorship, funding, and resources to early-stage companies, helping them to refine their ideas, develop their products or services, and scale their businesses. In Q1 2023, Co-Creation Hub announced a partnership with Mastercard Foundation to launch [an accelerator programme](#) to support 72 ed-tech startups in Kenya and Nigeria over the next three years. Selected ed-tech startups were to receive funding and advisory services towards scaling their current operations for further impact.

In December 2023, another Nigerian accelerator, ARM Labs announced a deal with Techstars, to host the [Second cohort](#) of its Africa-focused accelerator programme. The cohort includes a dozen startups operating in Ghana, Nigeria, and East Africa and has four teams with at least one

female co-founder. The selected startups will receive \$120,000 in funding and \$400,000 in cash equivalent for hosting, accounting and legal support and other benefits.



These programs have helped startups to refine their ideas, develop their products or services, and scale their businesses. They have been instrumental in supporting and nurturing the growth of startups in the country.

7. Strength of the Fintech sector

The fintech landscape in Nigeria is the largest area of the start-up ecosystem, having experienced significant growth. [Disrupt Africa](#) reports that the number of fintechs increased by 17.7% to 678 in 2023 compared to 2021 and have raised more than \$2.7 billion in VC funding in the last two years. Consequently, developments in this segment have also catalysed growth in other industries through open banking and embedded finance products.

[Flutterwave](#), initially a payment-processing platform, diversified into the provision of banking services, including bank accounts and payment cards. This diversification allowed the company to expand its customer base and offer a more comprehensive range of financial services. Kuda, a mobile-only neobank, pivoted its business model to target small and medium-sized enterprises (SMEs), offering them a range of financial products and services tailored to their needs. This pivot allowed Kuda to tap into a larger market and become a leading digital banking platform in Nigeria.

Nigerian fintech startups have demonstrated a high degree of flexibility and adaptability. The ease of diversification in the Nigerian tech startup ecosystem creates some level of confidence for investors while making investment decisions.

8. Mobile Technology and Internet Penetration:

Nigeria has one of the biggest internet economies in Africa with [over 169 million](#) internet subscribers as of September 2023. As the continent's [largest population](#) and one of the [youngest](#) worldwide, Nigeria presents a vast digital audience: over 32 million e-commerce users - the [highest](#) in Africa as of 2023. Statista estimates the number of smartphone users in Nigeria at roughly 25 and 40 million. Mobile devices are much more frequently used to [access the internet](#) than desktop devices.

The widespread adoption of smartphones has contributed to the increase in internet penetration and the rise of digital services and online businesses in Nigeria. The widespread use of mobile technology has allowed startups to reach a broader audience, especially in remote areas where traditional infrastructure might be lacking. Mobile apps and platforms have become crucial tools for delivering services and products, thereby contributing to the expansion of tech startups.

9. Regulatory push for increasing financial inclusion and cashless payments:

The Central Bank of Nigeria (CBN) has introduced several initiatives to promote a cashless economy and enhance financial access for the unbanked population. Back in 2012, the CBN introduced a cashless policy in phases to reduce the use of cash in the economy, encourage electronic transactions, and enhance the efficiency of the Nigerian payments system. This policy laid the foundation for many fintech innovations in the payments space.

In March 2023, the CBN approved new [operational guidelines](#) for open banking in Nigeria, which provides the legal and regulatory framework for banks and fintechs to share customer data in a secure and responsible manner. It is expected to enhance efficiency, competition, and access to financial services in Nigeria. Several startups have already taken positions in open banking in Nigeria, such as [Mono, OnePipe, and Okra](#), to create solutions that enable especially non-financial businesses to provide payment services.

Furthermore, Nigeria's [financial inclusion](#) rate has improved, rising to 74% in 2023 from 63.2% in 2018, indicating the success of CBN's regulatory efforts to promote financial inclusion. This feat was possible due to the complementary roles fintechs played with the traditional banks.

A. Interviews with iHatch Cohort 2 winners



FundusAI: Abdulmalik Adegemo

Abdulmalik is the founder of FundusAI, 1st prize winner of the iHATCH Cohort 2 program.

Q: What are the characteristics of Nigeria's startup ecosystem in your sector compared to other African countries? What changes have you seen in the past year?

Abdulmalik Adegemo: Nigeria has a large market size compared to other African countries, with a population of over 200 million. This gives it a significant user base for any health-tech company, particularly if they provide healthcare solutions for chronic diseases like diabetes. So, we have about at least 3.6 million diabetic patients in Nigeria and at least 24 million in Africa. So, Nigeria takes a significant chunk of the entire market for health-tech solutions.

In terms of tech Talent, Nigeria has a growing pool of tech talent but not enough specialized talent working at the intersection of health and tech. **We are already seeing the effect of Artificial intelligence on healthcare, and I believe it's going to revolutionize the entire healthcare sector.** Regardless of the red tape that we need to go through to make this system available to patients, investors are beginning to see the potential of AI and healthcare. There is also an evolving regulatory landscape in terms of data privacy and telemedicine regulation. There is also the rise of telemedicine due to COVID-19 which has shown that medical consultation can be done virtually.

In terms of changes, it is the integration of AI with the existing healthcare system, and startups are not working with hospitals there is now more collaboration with hospitals and clinics allaying the fears that healthcare workers have about AI taking their jobs.

Q: What's your expectation of government regulations in supporting health-tech startups? Do government regulations and policy direction impact your business decisions and operations?

Abdulmalik Adegemo: Absolutely. So, it does have a lot of impact. For instance, if you examine the issue from a data privacy point of view, our company is also solving problems around the electronic health record system specifically for diabetic patients. So, you don't have a situation whereby a diabetic patient walks into a hospital or into a hospital to get treated for something else because there's no previous health record. If there's a situation whereby there's a government policy that restricts startups from keeping records, then it becomes a problem because we won't be able to achieve what we need to. So, in terms of government policy like data privacy, it needs to be done properly so it doesn't hinder startups from providing value to the people who need it. Being clear on those policies and what to do and what not to do would help, and ensuring that the people making these policies know the implications of whatever it is that's being done and how that can affect any patient.



We are already seeing the effect of Artificial intelligence on healthcare, and I believe it's going to revolutionize the entire healthcare sector.

Q: In terms of funding initiatives, the Nigerian Startup Act makes provision for it, and this directly affects startups.

Abdulmalik Adeyemo: In terms of government policies and regulations and how they impact technology development; regulatory requirements might influence the development of AI if there's any kind of restriction on what AI can do because AI is growing exponentially. We also need to think of the ethics behind the use of AI for medical practice and ensure that regulators are not making decisions based on fear. If that happens, it will significantly impact how we deploy these AI systems.

In terms of Market accessibility, government initiatives at promoting in this case: telemedicine and diabetic retinopathy awareness can significantly impact the potential userbase of any startup.

Q: Do you think listing on the Stock exchange is a viable exit option for matured startups in Nigeria?

Abdulmalik Adeyemo: From the onset, we received the right knowledge to build. One major event that has helped us was getting into the IHATCH program. We implemented/adopted a lean and bootstrap approach by prioritizing our core functionalities. This includes focusing on developing and validating our AI technology before working on features. This ensured we had a business case. We also sought strategic partnerships in the form of collaboration with hospitals, clinics, and NGOs. We also benefitted from the NITDA Lab where we did a lot of prototyping, 3D printing, and a small workspace to work from. This allowed us to focus on the problem we intend to solve and approach it most effectively. These free tools have helped us a great deal.

Q: What should a founder in the healthcare space pay attention to going forward into 2024? What is your overall outlook for 2024?

Abdulmalik Adeyemo: Founders must ensure that they are providing the right solution to their users and the only way to address that is through clinical validation and regulatory approval as far as health-tech is concerned if anybody is going to be confident in using your solution, you need something to back it. This means collaborating with Research Institutes. After clinical validation, right, you also want to scale up your pilot program. So, you must have done some kind of piloting for the clinical validation. Once that is done you want to scale that up as fast as possible by collaborating with more hospitals and clinics to reach more patients and demonstrate the effectiveness of your solution.

In terms of general outlook, I think layoffs will continue with a focus on streamlining operations rather than cutting costs as more companies begin to adopt AI. The layoffs will be focused on increasing efficiency and profitability for startups.



A. Interviews with iHatch Cohort 2 winners



Ilim Tutors: Abdulalim Musa Sarkin Adar

Abdulalim is the CFO at Sublime, the parent company of Ilim Tutors

Q: What are the characteristics of the system specifically your sector(edtech) compared to other African countries? What changes did you see in 2023?

Zulkiflu Musa Sarkin Adar: I think the edtech sector in Nigeria has evolved. For instance, Ulesson, which is a leader in the sector, has evolved from providing edtech solutions at the primary and secondary level to opening a university (Miva University). They are combining industry expertise and practical solutions to learning. This is going to define how education is administered in the country in the coming years. Other startups like FlexiSAF provide learning management software that supports schools. A lot is going on in terms of how these companies are evolving and addressing the pain points that these schools and students have by understanding what the problems are.

Q: How has your company been able to survive the funding crunch and harsh macroeconomic conditions of 2023?

Zulkiflu Musa Sarkin Adar: In 2022, I attended an edtech accelerator and forecasted that 2023 was going to be a difficult year for the ecosystem. This meant we were better prepared to face it. I was exposed to the startup environment on a global landscape which made me anticipate the difficulty ahead. We didn't have any layoffs and how the team is growing. We are focused on getting revenue rather than depending on VC funding.

Q: What innovation/regulations were of tremendous value for startups in Nigeria in 2023?

Zulkiflu Musa Sarkin Adar: The startup act is a major one. In terms of implementation, there were a lot of activities around that. There is also some optimism around the iDICE; which is a collaboration between the Nigerian Government and Africa Development Bank. They are trying to create funds that will invest in startups. These kinds of initiatives will be helpful to startups alongside the Startup Act. These are things that will bring a lot of development within the startup ecosystem.

Q: What's your perception of the role that the government should play in supporting startups? Does government policy have any impact on your decision framing at Sublime?

Zulkiflu Musa Sarkin Adar: What the government can do is provide an enabling environment for startups. With the passage of the Startup Act, the government has taken a step in the right direction. **One of the major things that affects startups is the burden of trust around things like exchange rate risks and repatriation of investment returns.** There is a limit to how much startups can do if these issues are not solved, people to know that their online Solutions of learning them.

Programs like iHATCH in conjunction with NITDA and JICA give startups more trust and credibility as a company.

Q: What should edtech founders pay attention to in 2024? What's your outlook for 2024?

Zulkiflu Musa Sarkin Adar: In terms of outlook, it all depends on how prepared a company is. If you've invested so much money in 2023 and you're running out of cash, your burn rate is high, there might be layoffs to extend your runway. As a result, there might be more layoffs. I'm optimistic about 2024. I expect edtech to grow and more innovation and practical solutions that solve the pain points of students and schools.

Conclusion

5. Conclusion

The startup ecosystem in Africa in 2023 has been one of survival; from the funding crunch that started in Q2 and intensified in 2023, to the collapse of Silicon Valley Bank (SVB) and its impact on startup funds around Africa. In Nigeria, the startup ecosystem was challenged by the shrinkage of funding which saw many startups revising their growth strategies. The year 2023 was also an election year which saw several policy reforms that impacted the ecosystem.

First, there was the combined effect of the fuel subsidy removal and the shift to a floating (or managed float) exchange rate on the value of the Naira in the foreign exchange market. These two policy decisions caused the naira to lose more than 100% of its value to be priced at NGN1,500/\$ from about NGN460/\$ in less than a year. For startups, it meant a decline in revenue in terms of dollars and a massive rise in dollar debts (in terms of naira). Without external funding vis-à-vis rising operational costs due to fuel price hikes, many startups began to close shop.

However, determined to keep the ecosystem thriving, the CBN released the guidelines on open banking to support the rise of embedded finance and banking as a service (BaaS) in Nigeria. The CBN also released a framework to guide the operations of virtual asset service providers (which includes cryptocurrencies) in Nigeria. The Ministry of Information, Communications, and Digital Economy also launched the 3 million tech talent initiative to support the ecosystem with a digital-skilled labour force.,

Moreover, the US\$618 iDICE programme was launched to give young people in the creative economy the support they require to thrive. New VCs have also launched new funds targeted at startups in the Nigerian (and African) market. Some examples include Aduna Capital, Afri-Venture, and Emerging Africa, among others.

Through all of these, the outlook and expectations for 2024 are yet hard to call. Some macroeconomic forces such as high interest rate, high exchange rate, high energy price, and high transport costs already make it hard for startups operating in Nigeria. As much as startups will require increased funding, VCs are not releasing funds as easily as before – they are considering debt deals as we have seen an uptick in that regard in the last few quarters. But debt obligations denominated in dollars for a startup earning increasing weak naira make repayment a long shot.

As Nigeria struggles to find its way out of the woods, we expect the following phenomena to shape the direction of events in Nigeria (and Africa) in 2024:



2024 is very likely to be characterized by regulatory volatility especially for startups in the remittance, payments, and lending space as the CBN tinkers with ways to restore the value of the Naira in the FX market whilst sustaining the national reserves. In January alone, the CBN released about three different circulars bothering around exchange rate and financial management. Two crypto-focused startups have already [applied for a license](#) with the Securities and Exchange Commission (SEC) following CBN's guidelines on VASP. We are likely to see some regulation in the [application of AI](#) especially in the media space.



Startup funding is likely to remain largely the same as in 2023. However, we expect startups to be more creative with cost-cutting initiatives, especially along the lines of operational efficiency. This could mean lean teams, localizing costs, exploring technologies to reduce overhead, raising funds in local currency, revising medium to long-term goals by prioritizing survival, and reducing exposure to markets susceptible to foreign exchange volatility.



The tough market conditions would force struggling startups to seek extension and efficiency through mergers, while the stronger firms will cheaply acquire the dying startups. Beyond Nigeria, some of the foundations for big M&A deals have been laid in 2023. For instance, the Wasoko and Max AB mergers and the Canal+ offer to buy out South Africa's Multichoice in a US\$1.7 billion deal.



Increased focus on startups developing AI applications across diverse sectors such as health, climate, education, agriculture, mobility, and logistics. In Kenya, the Kenya Robotics and Artificial Intelligence Society Bill 2023 seeks to mandate the registration of startups with the Robotics Society of Kenya (RSK). At the just concluded iHatch program organised by NITDA in collaboration with JICA, startups like Fundus AI using AI to solve critical challenges in the health sectors emerged as one the top 3 winners in the 2nd cohort. Recently launched accelerator program, Accelerate Africa is also focusing on startups with AI-powered solutions.



In conclusion, regional political instability may also discourage investment decisions in Africa in 2024. For instance, three countries in the West African region, Burkina Faso, Mali, and Niger have withdrawn from the ECOWAS regional bloc, following military coups in these countries. According to the Economist Intelligence Unit, about 15 African countries are scheduled to have elections in 2024.

6. Appendix

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