

Africa Startup Risk Outlook 2026



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Contents

01

Background &
Highlights in 2025

02

Socio-Political
developments in 2025

03

VC Funding in 2025

04

Risk-Mapping/Analysis

05

Outlook for 2026

06

Early Signals

1. Background & highlights in 2025

2025: A look back to think forward

"As we look toward 2025, the outlook for African startups appears promising. The expected improvement in macroeconomic conditions is likely to accelerate the deployment of accumulated dry powder into African startups. With global inflation projected to decrease to 4.5% in 2025 from 5.9% in 2024, we anticipate a more favorable investment climate that should encourage greater risk appetite among investors."

- Dr Dotun Olowoporoku,
Ventures Platform
2024/25

From US to Africa...

2025 started swiftly like it's been waiting to happen. This is due to the build up of the intense competition in the AI race between US and China.¹ Twenty days into January, DeepSeek launched its Chatbot and R1 model, surpassing OpenAI ChatGPT as [the most downloaded](#) freeware app. This sent [ripples through the stock markets](#).

On the same day, January 20, the inauguration of President Trump caused a heightened uncertainty about immigration laws. Trump's administration implemented [travel bans](#) that affected 10 African countries and African migrants in the US faced deportation. In Nigeria, existing [US VISAs were revoked](#).

In February, the Trump administration began to cut international aid to the rest of the world, beginning with cuts to USAID programmes. By March, 80% of USAID programmes have been shut down, and by June, USAID shutdown completely. This affected funding for US African Development Foundation and other health-related programs in Africa.

Then came [Trump tariffs](#) imposed on 120 economies globally in April 2025. The tariffs were applicable in two tranches: a universal ad valorem tariff of 10% would be applied on imports from 190 countries, and a higher country-specific ad valorem tariffs, ranging from 11% to 50%, would apply to fifty-seven countries - of which 22 are African.

In September, Trump raised the cost of [H-1B visa to \\$100k](#) to stop outsourcing jobs outside the US. Trump threatened military action and aids cuts in Nigeria on grounds of alleged christian genocide, and tagged Nigeria, "a country of particular concern".

1: US tariff formula

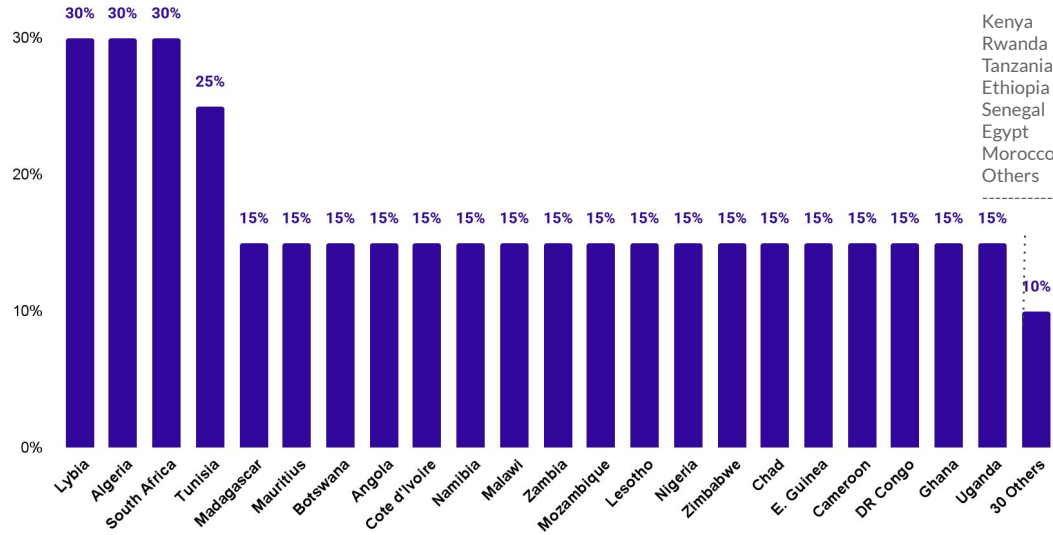
$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$

Divide US trade deficit in goods (x-m) with a particular country by the total goods imports (m) from that country; then divide the quotient by two.

¹ In Dec 2024, [DeepSeek-V3 was launched](#) and it outperformed Meta's Llama and Open AI's GPT-4o

Twenty two African countries where levied specific tariffs ranging from 15% - 30%. Only Zimbabwe responded by eliminating tariffs on all US imports.

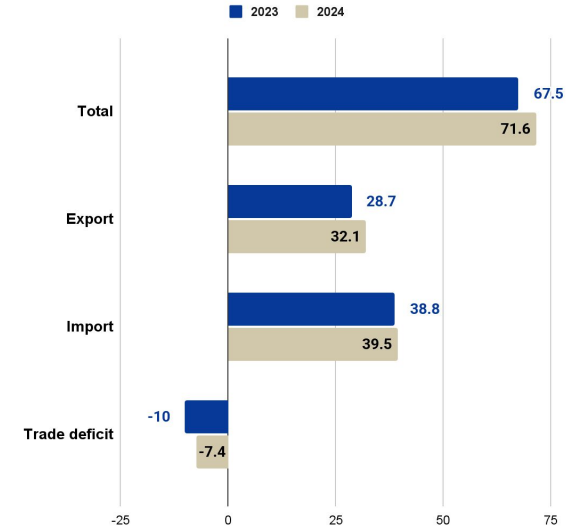
2. U.S. Modified Tariffs on African Countries



Twenty nine African countries are subject to the 10 percent baseline tariff (see fig. 2). At the subregional level, East Africa was spared the higher country-specific tariffs, while Northern Africa got the highest tariff rates, excluding Egypt. Three African countries—Burkina Faso, Seychelles, and Somalia—do not appear on the lists and will not face any tariff increases on their goods exports to the United States. Lesotho which had the highest tariff of 50% got a [reduction to 15%](#) in the [modified tariff](#) released in July 31,.

The United States had a goods trade deficit with Africa of \$7.4 billion - a 26.4 percent decrease (\$2.6 billion) from 2023.

3. U.S. Goods Trade With Africa (in \$ billions)



U.S. Policies in 2025 and their implications for Africa

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United States

January:
Trump's inauguration and change in US immigration laws.

February:
Overhauled and cut funding to USAID before its eventual shutdown in June.

April:
The Trump admin placed tariffs on US imports with 190 countries incl. Africa.

July:
Tariff modification

September:
Trump's admin hiked the cost of H-1B Visa application to \$100K.

AGOA officially ended on Sept 30.

November:
Trump threatened to send troops to bomb Nigeria on alleged Christian genocide.

December:
US places full entry restrictions on Burkina Faso, Mali, Niger, South Sudan, and Sierra Leone.

December:
US, in collaboration with the Nigeria Armed Forces, dropped a bomb in a village in Sokoto.

Visa restriction and cancellation, deportation of African migrants from the US.

Funding to HIV/AIDS, Ebola, Malaria and other diseases are threatened.

Twenty African countries will pay tariffs of +11% while 30 will pay 10% tariff. The tariff has impacted trade preferences in terms of AGOA².

Described as a talent tariff, this means that many African talents incl. Founders would find it hard to move to the US.

This caused a mixed reaction throughout Nigeria and across the Sahel. The Nigerian capital market lost N2.8 trillion as a result.

Four of the African countries, excluding Sierra Leone have placed counter-restriction on the US. Overall, US restriction could limit the participation of African founders in global events.

This may rile up reprisal activities in the North and Middle-belts such as in Jos, Benue, Abuja, Nasarawa, Kwara, Kogi, Niger, causing disruption to businesses and households.

Rest of Africa

² AGOA- Africa Growth and Opportunity Act

Additional insights

- The US spent [\\$63 billion](#) (£55bn) on international aid in 2023 - about 1% of federal budget.
- At about \$40 billion, USAID's budget constitutes more than half of foreign aid - that's about 0.6% of total US annual government spending of \$6.75trillion.
- At least 23 million children stand to lose access to education, and as many as 95 million people would lose access to basic healthcare, potentially leading to more than 3 million preventable deaths per year - [Oxfam](#).
- While the US is imposing tariffs, China is [removing tariffs](#) on imports from 53 African countries to strengthen China-Africa trade valued at \$295 billion in 2025.
- The H-1B visa hike and other restrictions also implies that jobs be outsourced to talents resident in other countries outside the US.
- Overall, growing US sentiments against Africa may impact investments and US-Africa business and diplomatic relations.



No African country has secured a trade deal with the Trump administration, many are designing export diversification strategies

Table 1: How African countries have responded to the US tariff

Country	Tariff	Impact on economy	Response
Zimbabwe	15%	With an already weak economy, the tobacco, sugar, and ferroalloy industry will be worse impacted by the US tariffs, leading to terms of trade disruption and FX challenges.	Zimbabwe suspended all tariffs on US imports to signal goodwill despite having moderate export trade with the US. The Finance Minister also met with US officials to reduce the tariff to 10%.
Kenya	10%	Kenya exports 70% of goods (textiles, tea, coffee, etc) to US under AGOA terms. This will be affected upon the expiration of AGOA and the application of tariffs.	Kenya is aggressively pursuing a bilateral trade agreement with the US while maintaining trade ties with China and other partners. William Ruto says he hopes to sign a deal by year-end .
South Africa	30%	The automobile and agricultural sectors will face the risk of steep export declines and job losses due to the tariff as US is SA's second largest export market. These sector enjoyed favourable terms under AGOA.	After his visit to the White House in May to discuss, President Ramaphosa hopes that the 30% tariff is modified downwards. He has advised businesses to pursue export diversification to enhance resilience in supply chain and local economy.
Lesotho	15%	The initial 50% tariff caused businesses to halt , triggering layoffs as textile factories began to shutdown operations. The textile industry had the most impact as it accounts for 90% of industrial jobs.	Lesotho has declared a national state of disaster due to the impact of tariffs on export demand and employment. Lesotho is pursuing export diversification in Asia, South Africa, and other markets.
Note: In July, the Trump administration invited five West African leaders to the White House, Gabon, Guinea-Bissau, Liberia, Mauritania and Senegal, to discuss the tariffs and other opportunities. While the presidents took turns to extol Trump, nothing new has come out of that meeting other than the tariff modification .			

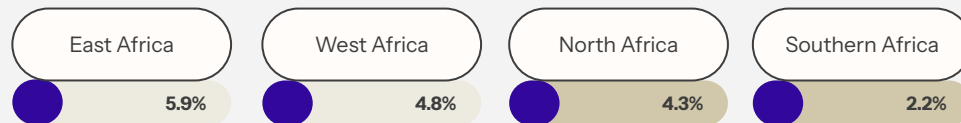
2. Socio-political developments

Though outlook is positive, downside risks remain significant

In 2025, African countries endured the lag effect of social political developments from the previous year. Coups in West Africa, protests in East Africa, and elections were some of the major events that shaped the political environments in Africa.

The global trade uncertainty that came with the Trump administration collided with large scale macroeconomic reforms in key countries like Nigeria to tighten the room for growth. Inflation environment was about 13% and is projected to fall to 10.3% in 2026.

Nonetheless, Africa Development Bank's outlook remains positive underpinned by buoyant private consumption spending, accommodative monetary policy, a weaker US dollar that is aiding disinflation, and stronger growth among key trading partners.



AFDB Outlook, [2025](#)

4.2%

Projected growth
AFDB Outlook 2025

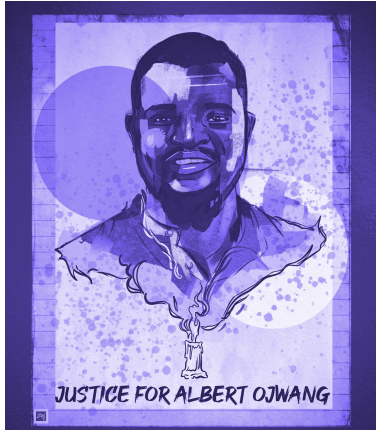
4.4%

SSA Projected growth
IMF Outlook, 2025

Growth Potentials

- The median age of 19 represents a demographic dividend that could add **\$47 billion to Africa's GDP** through improved workforce participation.
- Pension fund assets have grown to \$1.1 trillion, while formal remittances could reach **\$500 billion by 2035** if transfer costs are reduced.
- Full implementation of the AfCFTA could **increase exports by \$560 billion** and boost continental income by \$450 billion by 2035.

Social Political events in Africa



“Elections are a test of democratic stability in Africa”

2025 continued with the tension that started in 2024. In Kenya, the youth protest against the Finance Bill 2024 lingered as Kenyans insisted on justice over the death of Albert Omondi Ojwang in June 2025.

In Burkina Faso, Ibrahim Traoré is consolidating his position by aligning with other military-led states, Mali and Niger, to exit ECOWAS by January 29 2025 and focus on the new bloc, Alliance of Sahel States. Meanwhile, it is also the 50th anniversary of the ECOWAS.

2025 was an election year in many African countries. Elections are a test of democratic stability in Africa, often trailed by vote-buying, electoral fraud, violence, and more recently, coup. Elections rarely bring change in Africa.

Côte d'Ivoire, Tanzania, Cameroon, Guinea Bissau, Malawi, Togo, and Seychelles are some of the African countries that had elections in 2025. Of these many elections, only a few as in [Seychelles](#) and [Malawi](#) could be described as free and fair.

In 2025, putschists and autocrats were transitioning to civil governance through (controlled) elections or outright constitutional manipulation to consolidate legitimacy. In Gabon, Gen. Brice Oligui Nguema, who in 2023 led a coup that ended a near-60-year dynasty, won the April 12th presidential election with more than 90% of the votes.

Gen. Nguema laid the [groundwork for his victory](#) more than a year ago when he appointed loyalists to two-thirds of the Senate and National Assembly, named all 9 members of the Constitutional Court, removed the role of the prime minister, extend presidential terms to seven years, abolish the two round electoral system, and put the Ministry of Interior in charge of electoral matters.

Like Nguema, Ibrahim Traoré postponed the election in Burkina Faso last year and transferred electoral power to [the Ministry of Interior](#) in preparation for his transition in 2029. Both Nguema and Traore follow the steps of Mamady Doumbouya of Guinea who won [86.72% of the votes](#) in the December 2025 election to become president after leading the coup that toppled President Alpha Conde in September 2021.



Elections rarely bring change in Africa

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All three of them (Nguema, Traore, and Dombouya) must now aspire to be like President Azali Assoumani of Comoros who won the [63% of the vote](#) to be re-elected for the fourth time in January 2025. Assoumani came to power through a coup in 1999 and has potentate himself since then - himself aspiring to be like Paul Biya.

In Cameroon, the election held in October 2025 was not different. Paul Biya, 92, had a [non-appearance campaign](#) and yet won the election to become the oldest and longest serving non-royal ruler in the world, having been in power since 1975. **The road to power-retention involves suppression of dissent - a thing Mr Biya knows well.**

Like Biya, President Samia Hassan became Tanzania's first female president in March 2021 after the death of her predecessor, John Magufuli. President Hassan, determined to win the October 29 election by any means, took extreme measures to suppress opposition, shutting down internet to remain in power. This led to civil unrest, business closures and loss of lives and properties.

Meanwhile in Guinea Bissau, President Umaro Sissoco Embalo seemed to have [segued to a coup](#) to overthrow the government rather concede defeat to the opposition at the November 2025 election. It was Embalo who announced the coup, his own arrest, and the nullification of the votes preventing the announcement of the results.

Major-General Horta Inta-A was sworn in as the new transitional president on November 27. General Inta-A has committed to a one-year transition period, but has appointed a 28-member cabinet made up largely of [persons aligned with the deposed president](#).



Summary

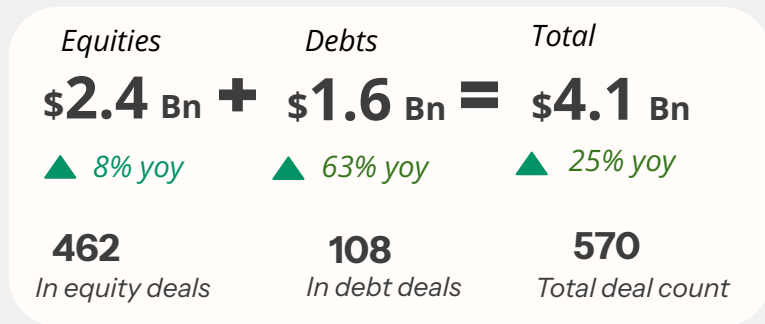
- As presented in the introductory sections, global geopolitical uncertainties and tensions impact trade, and global supply chain which impact Africa's growth trajectory.
- Africa is not immune to the global fragmentation (and the trailing resistance) that is shaping the global economic order and altering trade and investment patterns. The move towards a multi-polar trade blocs with China and Russia engaging major African economies could present mixed outcome.
- African countries must take full advantage of intra-Africa trade as they consider the advantages of fragmentation in geopolitics.
- In addition to these exogenous shocks, internal political tensions also amplify the downside risks to Africa's growth outlook. For instance, democratic backsliding and coups in West Africa and Madagascar, crack in ECOWAS regional integration with the creation of the AES, regional conflicts (DR Congo, Rwanda, Sudan), and Ethiopia-Egypt Nile resource dispute.



3. VC Funding in 2025 – performance

Funding Snapshot 2025

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Total funding

2024

\$3.2 Bn

▼ -7% YOY

537 *In deals*

▼ -2% YOY

2025

\$4.1 Bn

▲ 25% YOY

570 *In deals*

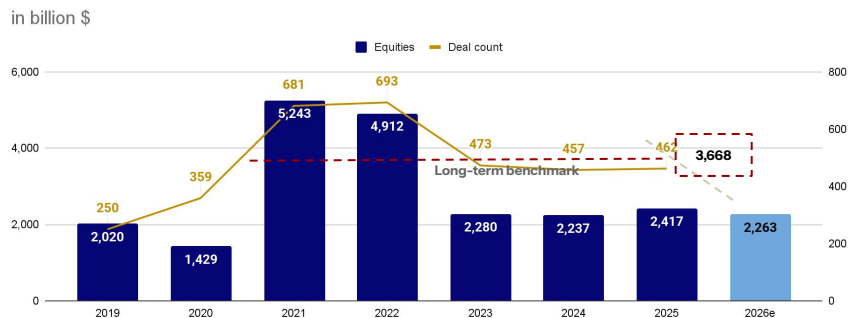
▲ 7% YOY

Stages	Deal count	Deal value	Av. ticket size
Seed	311	\$462Mn	\$1.7Mn
Series A	95	\$611Mn	\$7.0Mn
Series B	38	\$525Mn	\$15.4Mn
Growth	18	\$819Mn	\$50.3Mn

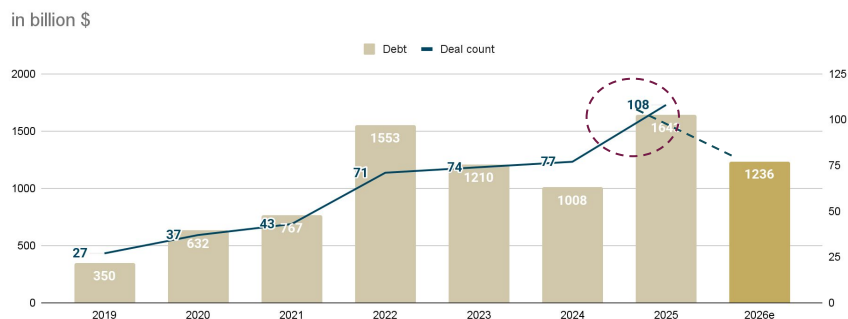
72% of the total funding raised were raised in the Big Four African countries

	Kenya	South Af.	Egypt	Nigeria
Total funding	\$1037 Mn +72% yoy	\$715 Mn +21%yoy	\$604 Mn +37% yoy	\$572 Mn -3% yoy
Equities	\$539 Mn	\$634 Mn	\$358 Mn	\$412 Mn
Debt	\$498 Mn	\$72 Mn	\$246 Mn	\$160 Mn

4. Trend in Equity deals: 2025 recorded an 8% jump in the value of equity deals



5. Trend in Debt deals: 2025 showed a new peak in debt deals



Source: Partech Africa,

- Though total funding in 2025 was higher than in 2024 by 25%, the increase came from debt funding which rose by 63%. The value and count of debt deals set a new peak in 2025 (figure 6).
- Investors are taking less risks in Growth stage firms than in early stage startups. They are also avoiding “hot countries”, for countries with stable, predictable political conditions (figure 7).
- Nonetheless the number of Seed deal (311) greater than the deals in other stages combined suggests investors' interest in the deals pipelines, despite a smaller average ticket size (suggestive of caution) - which in fact has been on a slow but consistent increase since 2020.
- Debt finance is normalizing: Both the value (\$1.6 Million) and transaction volume (108) exceeded all prior peaks, indicating that debt has become a structurally embedded financing instrument within the African tech ecosystem.
- Though 2025 was exciting, we expect 2026 to be slightly penalized for the political uncertainties experienced in 2025 => lag effect + caution priced into renewed contracts and decision making.
- We estimate that total funding in 2026 will fall between 2024 and 2025 levels.

Table 2: African startups that raised big ticket in 2025

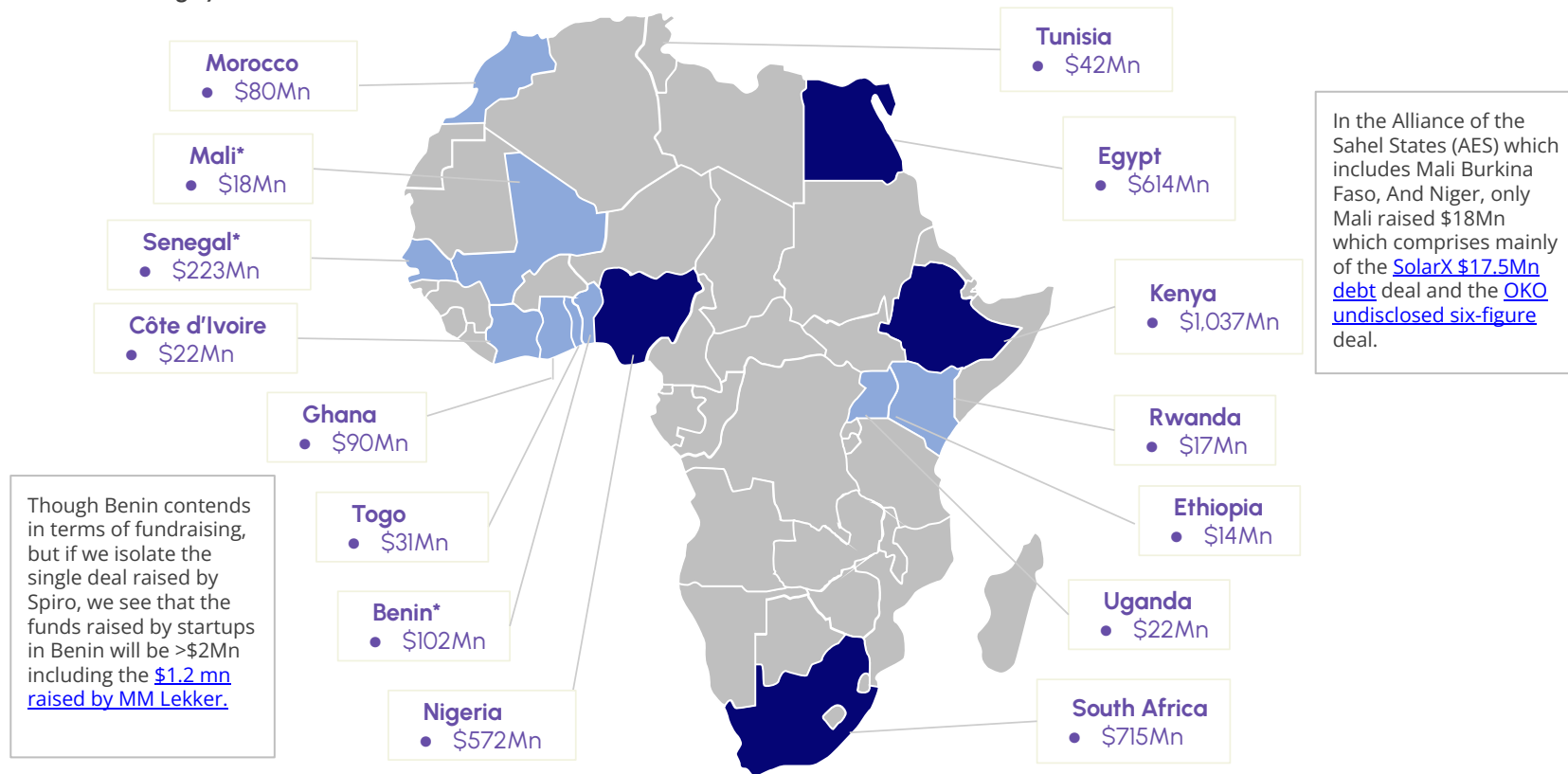
Moniepoint	CrossBoundary	Zepz	Sun King*	Wave Mobile	hearX/Eargo	Spiro	Solar Africa
\$200 Mn	\$200 Mn	\$165 Mn	\$156 Mn	\$137 Mn	\$100 Mn	\$100 Mn	\$98 Mn
**Nigeria	Kenya	Pan-Africa	Kenya	Senegal	South Africa	Benin	South Africa
Series C	Debt Finance	Debt Finance	Securitization	Debt Finance	Merger	Equity + debt	Project Finance
Development Partners International and LeapFrog Investments	Standard Bank of South Africa Limited, Absa, The Mauritius Commercial Bank (MCB), the Facility for Energy Inclusion (FEI), DEG, and the Dutch entrepreneurial development bank.	HSBC (and the IFC that invested \$20 million in Jan. 2025)	ABSA, Citi, the Co-operative Bank of Kenya, KCB Bank, Stanbic Bank Kenya, British International Investment, the Netherlands' FMO, and Norway's Norfund.	Rand Merchant Bank (and British International Investment, Finnfund, and Norfund in participation).	Patient Square Capital	Fund for Export Development in Africa (FEDA - Afrexim Bank's impact arm)	Investec and RMB

*Sun King also secured \$80 million (NGN-equivalent securitization in Nigeria (in May) and raised \$40 million in equity from Lightrock in December 2025

** Lagride, a government-backed mobility company, also raised a \$100 million facilitated by United Bank of Africa

Despite the uneasy political environment, Kenyan startups raised 26% of total funding in Africa, albeit driven by debt finance.

6. VC funding by countries



*Influenced by single (mega) deals

Source: Partech Africa

Debt deals formed a major part of the funding raised by startups in Kenya

Table 3: Some top-funded startups and the investors in 2025

Company	Country	Sector	Amount	Facility	Investors
	Kenya	Energy (solar)	\$240 Mn	Debt + Equity	Standard Bank of South Africa Limited, Absa, The Mauritius Commercial Bank (MCB), the Facility for Energy Inclusion (FEI), Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), and the Dutch entrepreneurial development bank
	Kenya	Energy	\$85 Mn	Debt	Eastern and Southern African Trade and Development Bank Group (TDB), African Development Bank (AfDB), EDFI Electrification Financing Initiative (ElectriFi)
	Kenya	Energy	\$10 Mn	Debt	Mirova (arranged by African Frontier Capital)
	Kenya	Energy (solar)	\$196 Mn	Debt + Equity	ABSA, Citi, The Co-operative Bank of Kenya, KCB Bank, and Stanbic Bank Kenya. Lightrock led the \$40 million equity deal of the total raised in Dec., 2025.
	Nigeria	Energy (solar)	\$80 Mn	Debt	The \$80 million debt deal was led by International Finance Corporation (IFC), Stanbic IBTC Bank.
	South Africa	Transfers	\$165 Mn	Debt	HSBC
	Senegal	Transfers	\$137 Mn	Debt	Rand Merchant Bank (RMB) and British International Investment,, Finnfund, and Norfund,
	Egypt	Property Listing	\$75 Mn	Debt + Equity	Partech Partners, E3 capital, March Capital, Verod-Kepple Africa Ventures, Nclude, VentureSouq, Shorooq Partners, Endeavor Catalyst, HOF Capital, Plug and Play Tech Center, Outliers Venture Capital.
	Kenya	Energy	\$50 Mn	Equity	InfraCo Africa, IFU, EDFI ElectriFi, and the African Development Bank

Active M&A environment with over 60 deal occurring across the continent and particularly in the Big four countries

Table 4: How African countries have responded to the US tariff

Acquirer	Acquired	Country	Sector
Stitch	ExiPay	South Africa	Payment
Moove	Kovi	Brazil	Mobility
LemFi	Bureau Buttercrane	Ireland	Fintech
Raseedi	Kashat	Egypt	Fintech
Dsquares	Prepit	Egypt	DeepTech (SaaS)
Dubizzle Group	Hatla2ee	Egypt	Online Marketplace
Moniepoint	Sumac Microfinance	Nigeria	Fintech/Banking
Basata	MadfoatCom	Egypt	Fintech
MaxAB-Wasoko	Fatura	Egypt	Marketplace

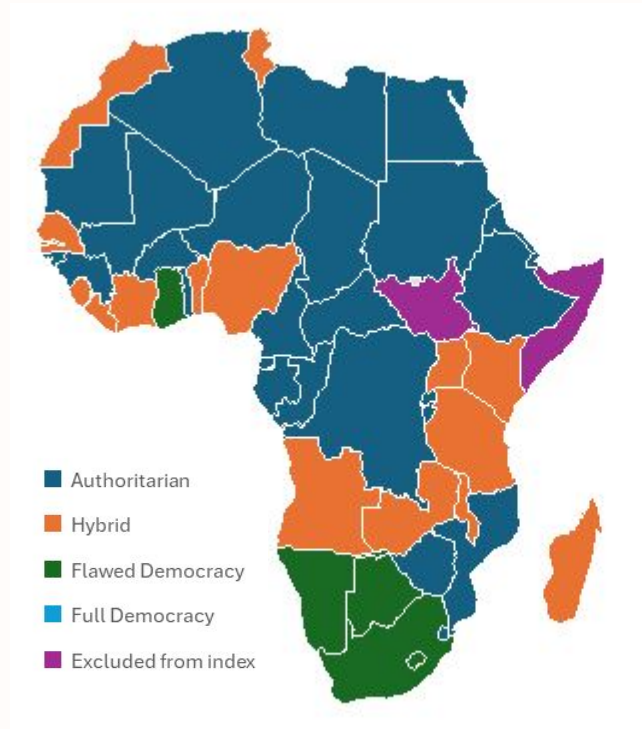
Acquirer	Acquired	Country	Sector
Chowdeck	Mira	Nigeria	Payment
dLocal	AZA Finance	Kenya	Payment
Twiga Foods	Jumra, Sojpar, and Raisons	Kenya	e-Commerce
Nawy	SmartCrowd	Egypt	PropTech
Nedbank	iKhokha	South Africa	Payment
Wakanow	Nairabox	Nigeria	e-ticketing
Global Shop Group	Anka	Cote d'Ivoire	Marketplace
Flutterwave	Mono	Nigeria	Fintech
Rekindle	EpiTek	South Africa	EdTech

See more deals here: <https://techcabal.com/2026/01/06/aquisitions-in-africas-tech-ecosystem-in-2025/>

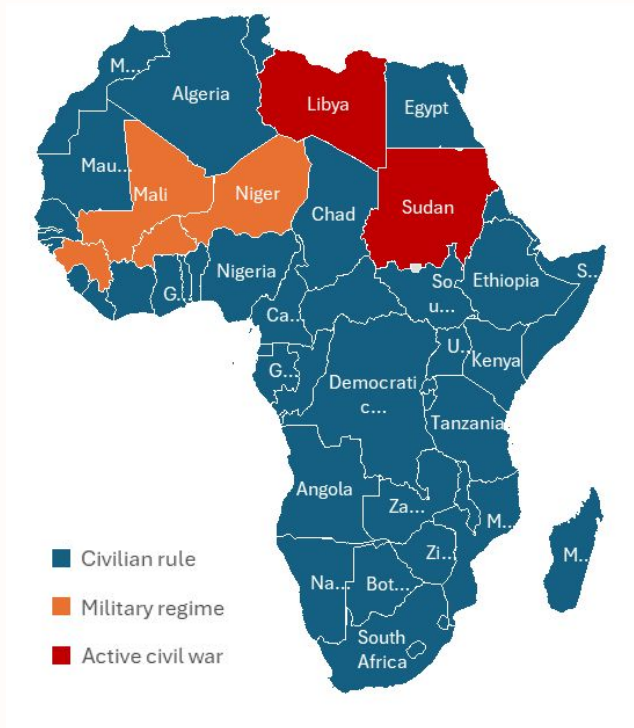
4. Risk Mapping & Analysis

Startups in Africa operate in authoritarian, unstable political environments that complicates doing business on the continent

7. Democratic stability: More than 50% of African countries are under authoritarian rule.



8. Coup and conflict status: The West African sub-region is gradually being enveloped by a wave of coups



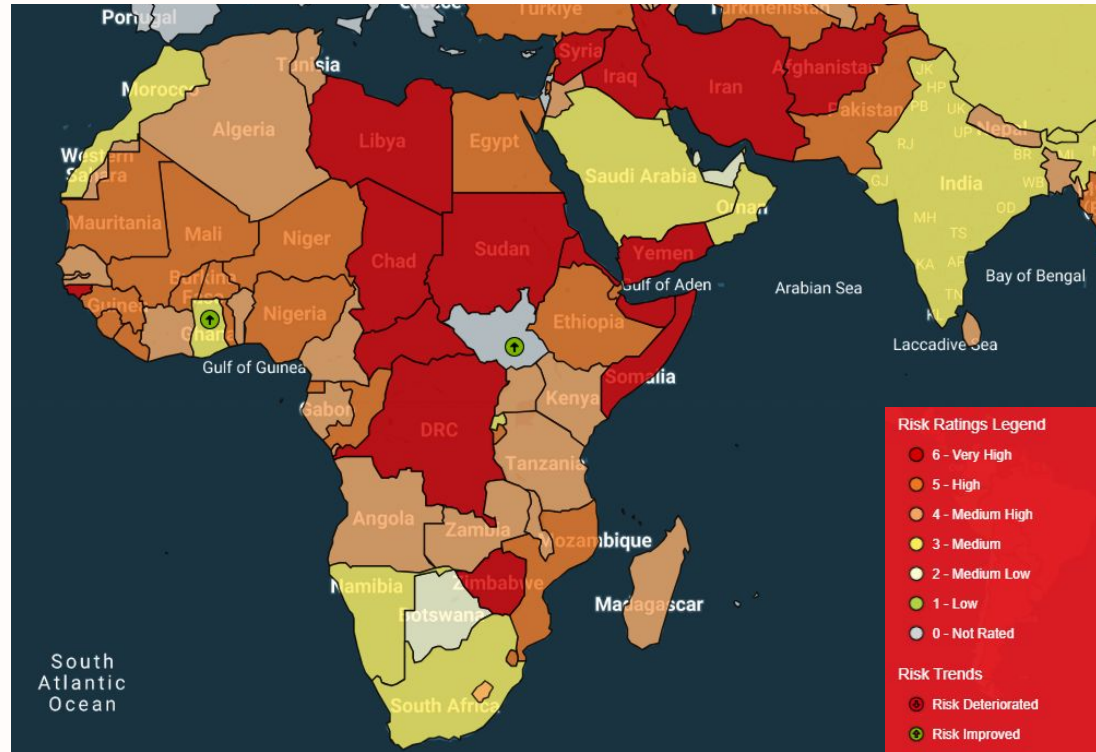
There is an elevated sense of risks across the continent, higher in West and Central Africa, and in some parts of the North

In Libya, Sudan, DR Congo and CAR, on-going power struggle and armed conflicts prevent sustainable development. In Chad, Niger, Mali, and Burkina Faso, military governments have taken hold of the political space, suspending civil rule until they are able to participate in the transition process to into the presidency as is the case in Guinea.

Other African countries have varying degrees of quasi-democracy or authoritarianism where corruption is pervasive (see fig. 4). In such countries, development is not enviable. These issues limit investments in Africa to a recurring few - Nigeria, South Africa, Kenya, Egypt, Ghana and Morocco.

The implications of this instability will likely impact outcome in 2026.

9. Country risk map: 26 African countries are at least in the high risk range

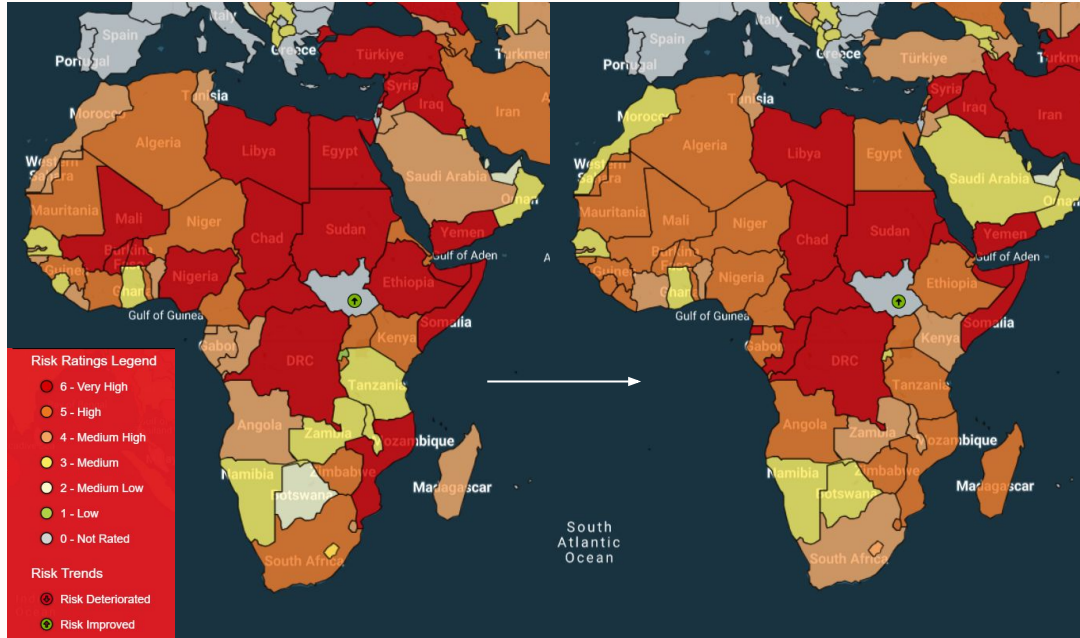


Authoritarianism, internal disputes, and elections elevate the risk profile across Africa

10. Political Risks: Southern Africa has lower political risk exposure compared to other regions

A. Political violence risk

B. Political interference risk



The Maps show that although political violence in Tanzania is medium, the interference during the last election which led to violent protests elevated the risk profile to high.

Egypt and Ethiopia has very high political violence ratings and high risk of interference due mainly to the dispute over the operation of the [Grand Ethiopian Renaissance Dam \(GERD\)](#) on the Blue Nile. While Ethiopia wants to secure its energy future, Egypt and Sudan are concerned about the stability of water supply.

The same risk rating applies in Mali, Burkina Faso, Mozambique, and Nigeria where violence is, to varying degrees, linked to the need to remain in power. Kenya and South Africa are in the medium-high range. Libya, Chad, Sudan, CAR, DR Congo, and Somalia have very high political risk.

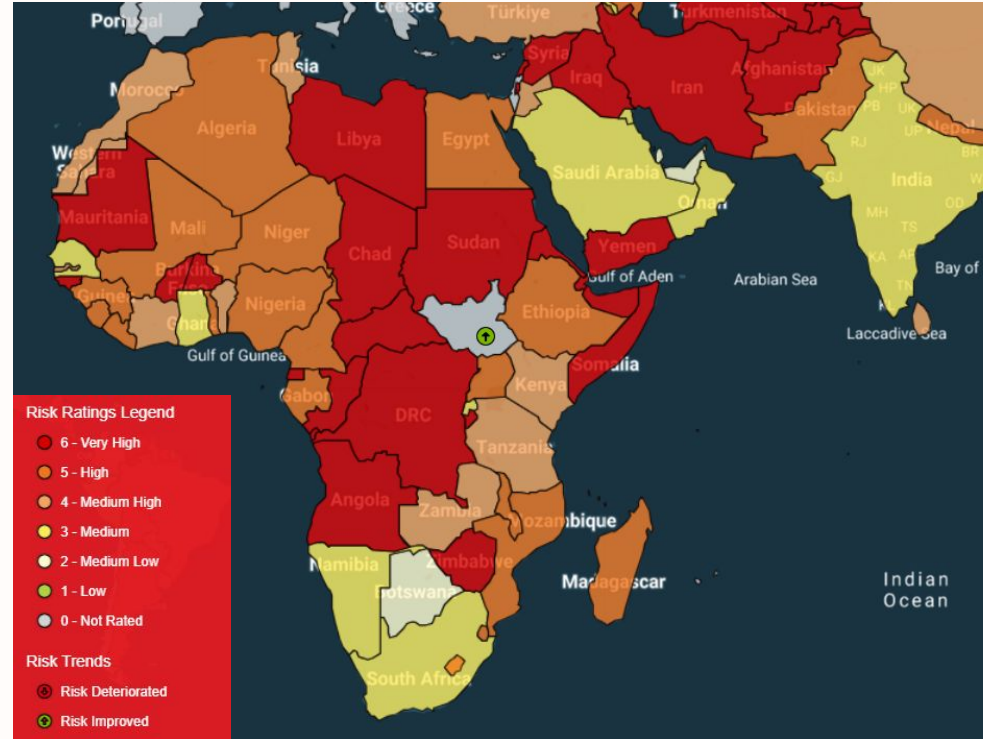
Estimates show that being on the FATF grey list reduces foreign capital inflows by approximately 7.6% of GDP.

Startups and investors are easily impacted by legal and regulatory surprises as seen in the Kenyan Finance Bill 2024 and the Nigerian Tax Act (NTA) 2025. The NTA, which takes effect in January 1 2026, increased Capital Gain Tax from [10% to 30%](#). This led investors to react and caused the capital market to lose [N4.6 trillion](#) in November 2025. This uncertainty triggered a few [last-minute deals](#) on the last trading days in December 2025 to avoid increased taxation that comes with the implementation of the NTA in 2026.

The [removal](#) of South Africa, Nigeria, Burkina Faso and Mozambique from the FATF grey list was another regulatory milestone for investors and startups (especially fintechs) in these jurisdictions. The IMF estimated that being on the list [reduces foreign capital inflows](#) by approximately 7.6% of GDP.

South Africa, Namibia, Ghana and Senegal are the only countries in the continent with medium legal and regulatory risks.

11. Legal and Regulatory Risks: only Botswana show a medium-low risk rating



The regulatory space was active around finance, data protection, labour laws, and environmental protection laws

5. Legal and Regulatory update

	Regulatory update	Sanctions	Comments
Nigeria	• Nigeria Tax Act (NTA) 2025 • Nigerian Insurance Industry Reform Act 2025 • Investments and Securities Act 2025 • Nigeria Foreign Exchange (FX) Code 2025	CBN fined Paystack ₦250 million (\$190000) for allegedly operating its new product, Zap by Paystack, in violation of its licence. Access Holding was fined ₦1.2 billion by the regulators for legal infractions in 2024.	There are other guidelines and data protection and regulations that were released over the last one year as the country embarks on massive reforms to comply with global standards.
Kenya	• Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Act, 2025 • Energy Regulation 2025 • Finance Act 2025 • National AI Strategy 2025-2030 • Virtual Asset Service Providers (VASP) Act 2025 • Kenyan Startup Bill	Kenyan Central Bank fined 11 commercial banks for breaching rules on lending, capital adequacy, investment, and corporate governance. The Banking Penalties Regulations, 2025 was introduced, empowering the CBK to impose stiffer penalties for violations of the Banking Act. The regulations raise maximum penalties to KSh 20 million for institutions and KSh 1 million for individuals, with additional daily penalties for continued non-compliance.	Kenyan Startup Bill will mandate Kenyan startups to allocate at least 15% of their expenses to research and development (R&D) and maintain wholly Kenyan ownership to qualify for legal recognition and government support.
South Africa	• Protection of Personal Information Act (POPIA) 2025 • Code of Good Practice on Dismissal (Sept 2025) • Economic Regulation of Transport Act (ERT) 2025	Prudential Authority (PA) of the Reserve Bank issues several sanctions including Standard Bank (\$800K), HBZ Bank (\$500K), and Absa Bank among others.	POPIA 2025 enhances consumer rights, with digital deletion requests via channels like SMS/WhatsApp starting April 2025. It also increased focus on data breach reporting. The ERTA 2024 established a regulator for fair rail access and pricing, opening opportunities for private operators.

Contd: The regulatory space was active around finance, data protection, labour laws, and environmental protection laws

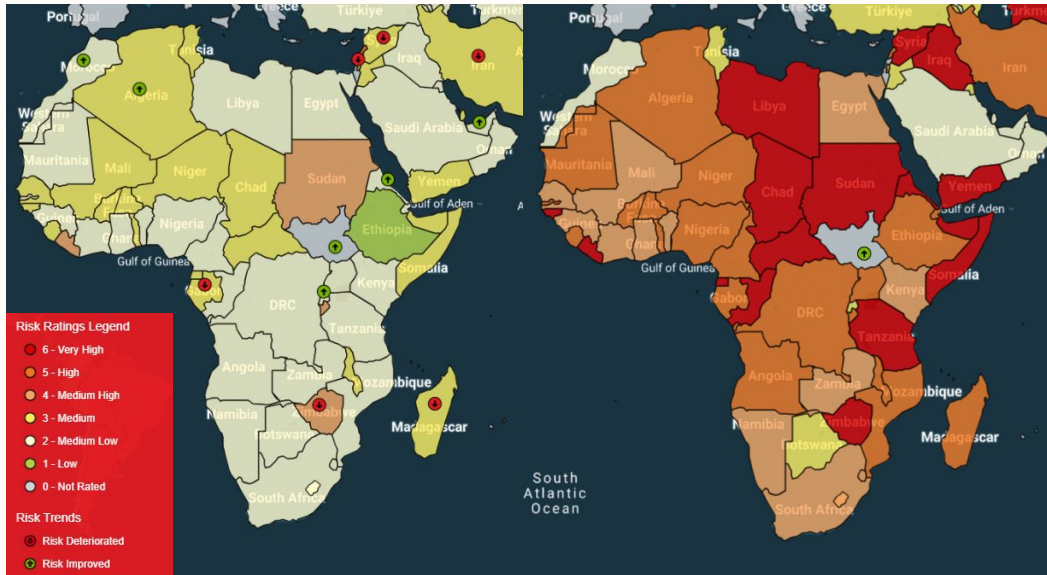
5. Legal and Regulatory update - contd.

	Regulatory update	Sanctions	Comments
Egypt	• Labor and Employment Law (Law No. 14 of 2025) • VAT Amendments (Law No. 157 of 2025) • Tax Incentives for SMEs (Law No. 6 of 2025) • Personal Data Protection Law (No. 151 of 2020) - issued Nov 1, 2025.	The Central Bank of Egypt imposed a fine amounting to \$21.2 million, on First Abu Dhabi Bank Misr for violating credit regulations. It also imposed a total of \$24.1 million in fines on HSBC Egypt in 20252.	The CBE issued new rules for Licensing and Registration of Payment System Operators and Payment Service Providers in June 2025, which included a framework for penalties. Broadly, the CBE tightened rules and penalties for financial institutions including virtual asset firms.
Ghana	• Environmental Protection Act 2025 • Virtual Asset Service Providers (VASP) Actl 2025 • Ghana Infrastructure Investment Fund (GIIF -Amendment) Act, 2025 • Ghana Gold Board Act, (GGBA) 2025	The Bank of Ghana blacklisted at least 10 money transfer firms operating without authorization.	Ghana seems to be focusing more on infrastructure development and the mining sector with GGBA, GIIF, and the Mineral Investment Funds 2025.
Mauritius	• Environment Protection (Amendment) Regulations, 2025 • Finance Act, 2025 • Financial Services (Amendment) Rules, 2025		The amendments brought stricter compliance standards for banks and financial institutions and a push towards digitalisation in financial services.
Rwanda	• Foreign Exchange Regulations No. 89/2025 • Financial market Reg. Law No. 016/2025		Law No. 016/2025 governs the Holding and Circulation of Securities and resolves long standing legal gaps that previously hindered the enforceability of complex financial instruments like derivatives and repos.

The interferences due to political risks make it harder for businesses to operate

12. Banking Sector vulnerability:

13. Risk of Doing Business



A brighter map shows optically (compared to the previous) that risks is lower in the financial sector across Africa. The Banking Sector vulnerability rating (fig. 13) shows that many African countries fall in the medium to low risk ranges - except for Sudan and Zimbabwe.

Table 5 already shows significant legal and regulatory development in the financial sector. Four African countries (Nigeria, South Africa, Burkina Faso, and Mozambique) were removed from FATF grey list, and this implies trust in the recent developments.

Nonetheless, overall risk of operating a business on the continent remains high (fig 13 - see also figure 9 for overall country risk).

5. Outlook & Expectations

Overwhelmed with its own problems, Nigeria's waning influence leaves the region exposed to coups and external influence

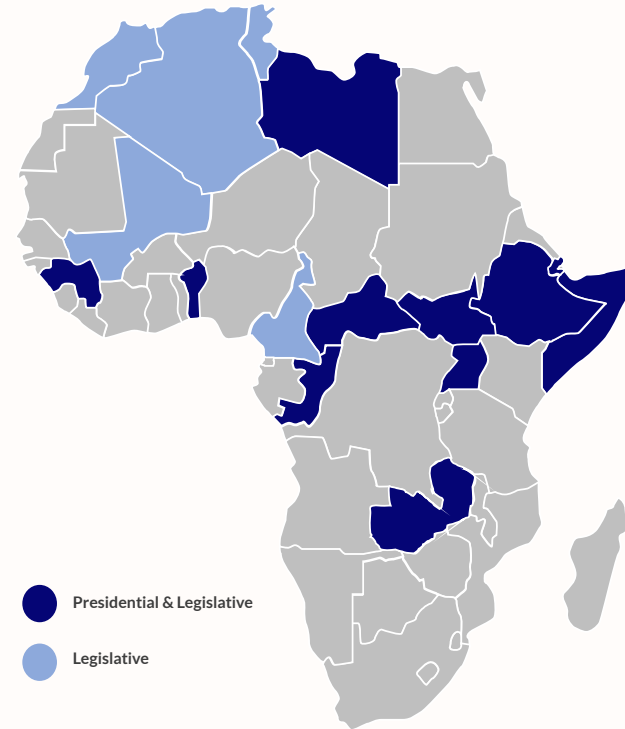
The year 2026 began earnestly as an active election year - in Benin and Uganda. Presidential elections will hold in at least 10 countries in 2026. In Benin, a [coup had been foiled \(by loyal soldiers\)](#) one month before the parliamentary election. The presidential election is scheduled to hold on April 12, 2026. In Uganda, 81-year old Yoweri Museveni won over 71.7% of the vote in January 15, securing his seventh term in the presidency until 2031. Like Tanzania, Uganda also experienced internet shutdown during the ballots.

To close the quarter, in March, Denis Sassou Nguesso of the Republic of Congo will contest in the election, having been in power since 1997. See figure 14 for other elections on the continent.

Beside elections, coups are threatening democratic institutions especially in West Africa. Since 2020, there has been at least 5 coups in West Africa; a foiled coup in Benin and [Nigeria](#). Nigeria as the regional giant, is overwhelmed with its own political-economic problems, and is more concerned with tackling them ahead of the election in 2027.

Others include Chad, Sudan, Gabon, and Madagascar. Where there are no coups or military rule, there are quasi-democratic leaders with authoritarian posture. These conditions elevate the risks of doing business in many African countries.

14. African elections in 2026



The number of active equity investors have declined by nearly half since 2022

Despite the policy uncertainty and high risk environment, the private and development sectors in Africa play an overwhelming role in capital mobilization and investments that cushion the negative impact of the downside risks. Concentration of resources in select countries also tend to moderate the overall outlook. For instance, Nigeria, South Africa, Egypt, Algeria, Ethiopia (and Kenya) constitute more than [50% of Africa's GDP](#) and more than 44% of its population.

The AfDB estimates growth to be at [4.3% in 2026](#) driven by private consumption spending and China's tariff taking off tariffs on exports. With slightly higher optimism, the IMF raised outlook for Africa to [4.6% in 2026](#) from 4.4% in 2025, supported by macroeconomic stabilization and reform efforts in key economies. Nigeria is expected to grow at 4.4% while South Africa at 1.3%.

In terms of VC funding, startups in Africa raised 25% more funds over 7% more deals in 2025. VC funding in Africa seems to be normalizing. However, investors are going long on matured startups (\$819 million in 18 deals), and trading cautiously in early stages (\$462 million in 311 deal). The number of equity investors declined by 7% to 539 in 2025 from 581 in 2024, and by 45% since 2022. Investors are also using debt instruments to moderate exposures. The number of debt investors increased by 10% to 77 in 2025.

VC funding, 2025

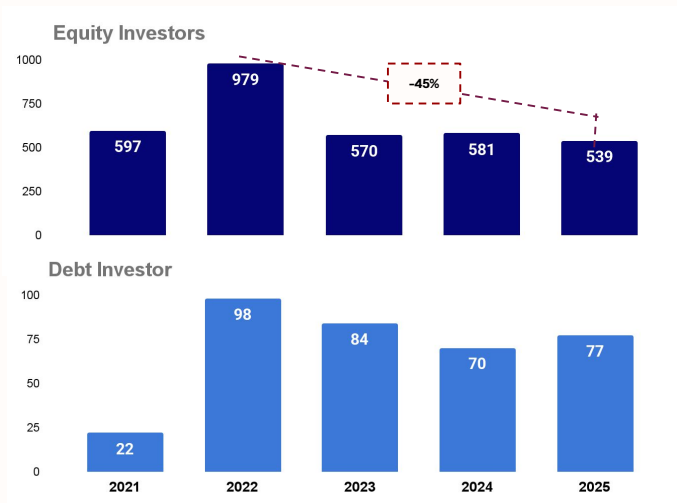
\$4.1 Bn

▲ 25% YOY

570 In deals

▲ 7% YOY

14. Number of Active investors



Nigeria's FX appreciation can imply rising overhead for firms.

Weighing the upside and downside challenges, we expect investors to price-in these risks in their investment decisions. This will be reflected in investment preference in established and growth startups over seed deals, and increase in debt deals as a percentage of total deals (not necessarily year-on-year rise). As in figure 4 and 5, we expect funding to startups in 2026 to moderate slightly below 2025 level, but not less than the 2024 level. Startups like [Moove](#) and [PalmPay](#) may hit unicorn status in 2026.

We expect the US to begin to engage Africa strategically especially around solid minerals (MineTech), energy, and payments (FinTech) [the launch](#) of the Strategic Investment Working Group between the African Union and the US is the starting point.

2025 saw a number of [layoffs and shutdowns](#), especially in Nigeria and Kenya where ongoing macroeconomic reforms, albeit promising, have impacted foreign exchange and the cost of doing business. Notable shutdown cases include Lydia, Edukoya, Okra, Medsaf, LipaLater and others.

In Nigeria, the reforms are reflecting in rising external reserves and currency appreciation. However, all else equal, this could mean higher over-head cost for firms that have implemented upward wage review. If so, we are likely going to see more layoffs in 2026.



5. Early signs

Early Signals: Outlook remain optimistic and investors are betting on the continent

Native Insight

Tailwinds

- Despite the challenges, the investment environment in Nigeria is basking. In early January 2026, Flutterwave finalized its [acquisition of Mono](#) - an open banking startup - in all-stock deal. Targeting the spate of insecurity in Nigeria and around Africa, Terra Industries, a defence security company in Nigeria, [raised \\$11.75 million](#) in January 2026 to enhance surveillance, monitoring and threat response.
- The Securities and Exchange Commission (SEC) have [approved Series II issuance](#) of the FCMB-TLG private debt fund valued at N20 billion. ARM Investment managers also [launched a N200 billion](#) funds beginning series I with N25 billion. These initiatives deepen the private capital market in Nigeria going into 2026.
- TotalEnergies resumes the construction of [a \\$20 billion LNG project](#) in Mozambique after five years due to tensions in the region. The project is expected to produce 13 million tonnes of LNG annually and \$35 billion for the government.
- PayPal is now looking for growth opportunities in Africa with its planned [integration with Nigeria's Paga](#), as it has done with TerraPay, CASHPLUS, and M-PESA in another markets.

Headwinds

- In Burkina Faso, the ruling military regime has [dissolved all political parties](#) and formation with their assets to be transferred to the state. This action will impact Burkina Faso's position on the political interference risk index.
- The elections scheduled to hold in several African countries especially in Libya, Ethiopia, South Sudan, and The Gambia, waters down optimism as African elections are often characterised by violence.
- US Visa restriction will prevent many African founders from seeking opportunities in the US, limiting knowledge sharing, growth, and probably causing [layoffs and shutdown](#) as it was in 2025.
- High inflation environment (~ 13.7%) and high debt profile due however to infrastructure spending are other macro headwinds challenging the continent. Africa's public debt has increased sharply in nominal terms over the past decade— by nearly 170 percent, to above \$1.8 trillion.
- Increasing debt finance to startups operating in uncertain economic and political environment, whose revenues are mainly in local currencies, may elevate the risk of FX debt obligations. Debt defaults could lead to shutdown.

Where to invest in Africa: Nigeria out of the top 10 investment destinations

Countries	2025/26 Ranking	20204/25 Ranking	Direction
Seychelles	1	1	0 ►
Mauritius	2	2	0 ►
Egypt	3	3	0 ►
South Africa	4	4	0 ►
Morocco	5	5	0 ►
Ghana	6	6	0 ▲
Algeria	7	10	3 ▲
Côte d'Ivoire	8	16	8 ▲
Tanzania	9	12	3 ▲
Kenya	10	11	1 ▲
Ethiopia	11	13	2 ▲
Tunisia	12	7	-5 ▼

- Nigeria is the only country in the Big four that is not in the top ten destination to invest on the index. Nigeria dropped from 9th position in 2024/25 to 18th in 2025/2026. This is due mainly to the drop in GDP figure after the naira devaluation.
- Egypt and South Africa maintained third and fourth place, while Kenya moved up to 10th place.
- While Nigeria recorded the highest decline, Cote d'Ivoire record the highest jump from 16th to 8th position. This is driven mainly improvement in universal access to electricity (94%) and investments and job creation in agro sector.
- Senegal (14th) and Tunisia (12th) were some of the highest declined after Nigeria. Senegal was impacted by political uncertainty after incumbent Macky Sall attempted to remain in power through a failed coup in 2024.

The RMB Where to Invest In Africa Index focuses on robust and slow-moving structural, foundational elements (such as industrial structures, population, investment environment) to rank African countries according to the investment opportunities. The index ranks 31 countries based on their suitability for investments.

Africa Startup Risk Outlook 2026

Disclaimer

This report does not constitute investment advice or thesis of any sort. Native Insight will not be responsible for any discretionary decisions. All ideas expressed therein are those of the author(s).

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