**East African Survey Deep Dives into Challenges and Opportunities Faced by the Region’s Tech Start-up Ecosystem**

*New survey reveals lack of access to investors, reliance on international VCs and global recession trends as the biggest perceived barriers for East African tech start-ups to access funds as Covid 19 has slowed down investments across the region’s start-up landscape.*

***Highlights***

* The lack of access to investors, the reliance on international VCs and global recessions trends are perceived as threats by respectively 59%, 56% and 55% of respondents.
* 28% of respondents indicated that covid 19 had slowed down investment across the East African start-up landscape, making it the biggest impacting factor over the last twelve months.
* 54% of seed businesses rely on family and friends to provide funding
* 74% of respondents needed to meet up to 5 investors before securing funds.

*20 MARCH 2023* **–** A new regional survey of tech start-ups across East Africa reveals that whilst investment levels remained relatively stable over the last twelve months, the heart of Africa’s start-up ecosystem perceives many roadblocks as having the potential to disrupt the region’s growth trajectory.

The survey entitled, ‘A Deep Dive into East Africa’s Start-up Ecosystem: Challenges & Opportunities’, attracted hundreds of respondents, with 25.9% being seed businesses, 28.7% being Series A businesses, 25% being Series B businesses and 20.4% being Scale-up businesses. The survey, conducted by regional tech event [East Africa Com](https://tmt.knect365.com/eastafricacom/) and tech news portal [Connecting Africa](http://www.connectingafrica.com/), is part of a benchmark survey mapping barriers faced by regional start-ups as well as opportunities to power nascent tech businesses in the region.

**Funding trends**

The survey found that access to funds over the last 12 months remained relatively stable compared to the previous period, as 25% indicated that year-on-year investment levels remained similar, whilst 25% and 19% of respondents indicated respectively a slight increase and a slight drop of investment levels.

If 28% of respondents indicated that Covid 19 had slowed down investment levels across the East African start-ups landscape, making it the largest impacting factor for those young businesses, 17% of answers collected indicated that the pandemic had also boosted the digitalisation journey of the region, with a potential to create more opportunities for tech start-ups across the board.

The region remains a dynamic hub for start-ups which explains how 74% of tech start-ups only needed to meet up to 5 investors before securing funds. This number drops even further for seeds businesses as 52% of them needed less than 3 investors before securing new investments, a number that seems closely intertwined with their reliance (54%) on friends and family for fundraising. By contrast, 22% of series B businesses only managed to access new funds after reaching out to more than 10 different investors.

The report also establishes that whilst start-ups get investments from 2.1 different types of funding sources on average, the more established the start-ups become (series A, B and scale-ups), the more they can rely on crowd-funding, government-backed loans and bank loans as well as VCs to raise money. By contrast, seed businesses have an average of 3.7 different funding sources, with 54% of those young businesses relying on friends and family for funding.

**Investment priorities**

Across all funding stages, entrepreneurs carefully plan the way they are allocating their funds. The survey unveils that the top three priorities of funding allocation focus on investing in equipment (26%), entering new geo markets (21%) and developing products (16%). Scale-ups especially put a strong emphasis on business expansion as 35% of them use funds to expand to new geographies.

Talent recruitment still receives 14% of the funds received across all funding stages. But attracting new talents doesn’t seem to be perceived as the biggest priority for fund allocation.

**Challenges and opportunities**

Whilst there is huge tech potential in the region, there are still significant roadblocks that need to be addressed for the region to maintain its competitive edge as a tech start-up powerhouse. After a few years of business disruption, East African start-ups seem tuned in to potential impacts of events happening on the global stage on the region. This is how 55% of respondents identify the risk of a global recession and / or national economic situations as a potential threat, with 32% identifying this as a very high barrier.

56% of respondents also identify the reliance on international VCs as a high risk for business growth, an interesting figure to look at considering survey answers were collected shortly before the SVB crisis unfold.

Most importantly, 59% of respondents perceive the lack of access to investors as a business barrier. In light of the SVB crisis, East African start-ups’ appetite to diversify their sources of funding is likely to only increase.

Positive developments are also underlined as part of this exclusive report, with many opportunities for growth being identified by start-ups. The report highlights that greater networks of supporting incubators (57%), a widening of the pool of industries receiving funds (56%) as well as the rise of local VCs / funding opportunities (55%) all represent excellent prospects for growth for East African tech start-ups. The report also highlights that 74% of respondents identify sustainability as very relevant for their business mission.

**AHUB East, powering East African start-ups during East Africa Com**

“We are proud to present these survey results which help us keep the pulse on East Africa’s vibrant tech start-up scene to better assess how our programme and networking experiences can help deliver solutions for promising tech businesses to access funding, be agile and resilient, whilst remaining both innovative and competitive” said Ciara McDonald Heffernan, Head of Events for East Africa Com. “Start-ups are a driving force towards economic growth in East Africa, but now more than ever we are determined to focus our efforts on creating a favorable environment for tech start-ups to thrive."

As a result, East Africa Com will host on 26 April an exclusive day dedicated to unlocking new opportunities for the region’s tech start-ups, AHUB East. AHUB East will deliver a powerful mix of content with a focus, among other topics, on the critical role of the region’s tech start-up ecosystem to create a sustainable future across Africa, what the SVB crash means for start-ups across the region, and how to stand out to potential investors. To provide a wide array of perspectives, investors from Ingressive Capital, Wadson Ventures, South B Group, Africa50 and more will take the stage alongside some of the region’s most exciting start-ups, including Waga Tanzania, AFAYREKOD, Lifesten Health and more.

AHUB East will also be home to a lively pitch competition where tech start-ups will battle on stage as they showcase their solutions in front of a live audience of hundreds of tech and telecom leaders. Judging the live pitches and providing 1-2-1 feedback to the competitors will be tech start-up experts Laurie Fuller, Venture Partner at Raiven Capital, Dario Giuliani, Founder & Director at Briter Bridges and John Kimani, Developer Ecosystem Program Manager at Google Kenya.

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**Notes to editors**

This survey is an initiative led by East Africa Com, the region’s premier event for the technology, telecoms, media and broadcast sector. [**The full report can be downloaded here.**](https://get.knect365.com/east-african-startups-report/)

East Africa Com is a vibrant 2-day conference and exhibition aiming at uniting 700+ tech leaders to discuss time-sensitive topics such as ***5G Vision, Rural Connectivity, East Africa's 4IR Journey, Digital Payment Revolution, New Data Centre Frontier, Cybersecurity or Lessons from the SVB Crisis***. Over 40 trailblazing experts will take to the East Africa Com stage to provide exclusive market and industry insights. Among others, people can look forward to listening to c-suite leaders and top experts from **Safaricom, Google, Airtel, Telkom Kenya, Microsoft, Uber, Djibouti Telecom, TESPOK** and so many more. East Africa Com also features an exclusive start-up platform, AHUB East, to empower promising entrepreneurs with the knowledge they need to thrive whilst connecting them to investors, as well as a VIP Summit. East Africa Com will also celebrate the tech movers and shakers during an exclusive Awards ceremony taking place on 25 April.

For more information about East Africa Com, please visit:

East Africa Com

25-26 April 2023

Nairobi, Kenya

[Website](https://tmt.knect365.com/eastafricacom/)

[Registration now open.](https://tmt.knect365.com/eastafricacom/ticket-options/)

[View the speakers](https://tmt.knect365.com/eastafricacom/speakers/)

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